



# Value Retail India

TRENDS AND PROSPECTS

January 2024

**wazir**  
ADVISORS



**Disclaimer:**

This document is a copyright of Wazir Advisors. No part of this publication may be reproduced, stored in, or introduced into a retrieval system, or transmitted in any form or by any means (electronic, mechanical, photocopying, recording or otherwise), without the prior written permission of the copyright owner. Wazir Advisors has made every effort to ensure the accuracy of information presented in this document. However, neither Wazir Advisors nor any of its office bearers or analysts or employees can be held responsible for any financial consequences arising out of the use of information provided herein. However, in case of any discrepancy, error, etc., same may please be brought to the notice of Wazir Advisors for appropriate corrections.

# Content

4-6

Indian Retail Market

7-13

Indian Value Retail Market

14-21

Key B&M Player Analysis

22-25

Online Channel for Value Retail

26

Conclusion

27-31

Appendix

32-34

About Wazir Advisors



# Indian Retail Market

India's retail sector was worth USD 918 Bn in FY 2023. The retail sector experienced a decline of around 8.5% in FY 2021, reaching USD 760 Bn from USD 831 Bn in FY 2020 due to the COVID-19 pandemic. Despite the fall in FY 2021, the sector recovered and surpassed the pre-COVID level, reaching 836 Bn in FY 2022. A major share of India's merchandise retail expenditure is attributed to the food & groceries (F&G) segment. A high share of F&G is indicative of the developing nature of the Indian economy. Thus, as the economy

grows, the share of the F&G segment will reduce, and alternatively, the share of discretionary spending will increase. The categories of discretionary spending that command the highest share in India are apparel & accessories, with 8.2% of the total retail market, and jewelry & watches, with 8.6% of the total retail market in FY 2023.

The overall retail sector is expected to grow at a CAGR of about 10% between FY 2023 and FY 2026, and is expected to reach USD 1,219 Bn by FY 2026.

Share of Various Categories in Overall Indian Retail Basket

Category	FY 2020	FY 2021	FY 2022	FY 2023	FY 2026P
<b>Total Retail (USD Bn)</b>	<b>830.5</b>	<b>759.9</b>	<b>835.9</b>	<b>918.4</b>	<b>1,218.5</b>
Food & Grocery	62.5%	64.0%	63.3%	62.8%	61.5%
Apparel & Accessories	8.0%	7.3%	7.9%	8.2%	8.3%
Footwear	1.4%	1.3%	1.4%	1.4%	1.4%
Mobile	3.6%	3.6%	3.8%	3.9%	4.3%
Consumer Durables and Appliances	3.3%	3.2%	3.3%	3.4%	3.9%
Jewelry & Watches	9.0%	8.7%	8.6%	8.6%	8.5%
Beauty & Personal Care	2.2%	2.1%	2.0%	2.1%	2.1%
Furniture & Furnishing	3.7%	3.5%	3.6%	3.6%	3.8%
Pharmacy	2.7%	3.7%	3.5%	3.5%	3.5%
Others	3.6%	2.9%	2.9%	2.7%	2.8%

Source: Wazir Analysis



Organized retail commands a low share, 21% in FY 2023, in India, whereas, developed economies such as the UK, the US, and Germany have high penetration of organized retail. However, the future outlook for India is inclined towards the growth of the online channel and organized brick-and-mortar (B&M) channel, as they are expected to reach a combined share of 25% by FY 2026.

Categories including jewelry & watches, footwear, and apparel & accessories have the highest contribution towards the growth in the organized B&M market in India which grew from USD 89 Bn in FY 2020 to USD 120 Bn in FY 2023. It is expected that the organized penetration in these categories will rise the fastest, and they will remain significant in the future.

#### Share of Traditional, Organized & Online Channels in Overall Indian Retail Basket

Channel	FY 2022	FY 2023	FY 2026P
<b>Total Retail (USD Bn)</b>	<b>835.9</b>	<b>918.4</b>	<b>1,218.5</b>
Traditional	81.5%	79.1%	75.2%
Organized – B&M	12.0%	13.1%	15.1%
Online	6.5%	7.7%	9.7%

Source: Wazir Analysis

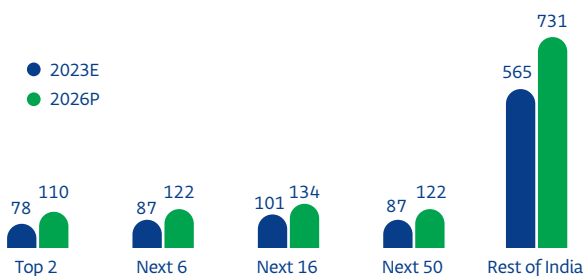
#### Category-wise Share in Overall Retail Across Traditional, Organized & Online Channels (FY 2023)

Category	Overall Retail		Share of Channels (%)		
	Share (%)	Size (USD Bn)	Traditional	Organized – B&M	Online
Food & Grocery	62.8%	576.8	92.3%	5.4%	2.4%
Apparel & Accessories	8.2%	74.9	53.0%	24.6%	22.4%
Footwear	1.4%	12.6	49.9%	26.7%	23.4%
Mobile	3.9%	35.4	23.0%	17.4%	59.6%
Consumer Durables and Appliances	3.4%	31.6	54.6%	24.9%	20.5%
Jewelry & Watches	8.6%	78.6	56.9%	42.1%	1.1%
Beauty & Personal Care	2.1%	18.9	67.8%	19.3%	12.9%
Furniture & Furnishing	3.6%	33.4	76.8%	14.4%	8.8%
Pharmacy	3.5%	31.9	79.1%	14.3%	6.6%
Others	2.7%	24.4	77.6%	18.2%	4.2%
<b>Total</b>	<b>100.0%</b>	<b>918.4</b>	<b>79.1%</b>	<b>13.1%</b>	<b>7.7%</b>

Source: Wazir Analysis

In terms of region-wise contribution, Delhi and Mumbai clusters contribute about 8.5% of India's total retail spending. The next 72 cities account for 30% of total retail consumer spending. The top 24 cities account for 29% of total retail spending. This highlights the strength that the rest of the cities in India have, as they contribute a share of 61.5%. It is expected that major expansion in terms of retail consumer spending is to come from India's tier 2 and tier 3 cities, as consumerism and appetite for organized retail, lifestyle fashion, and consumer appliances are perceived to be on the rise in these markets. This opportunity can prove to be beneficial to the retail players with a nationwide presence.

#### Overall Retail Spend Across Different City Types (in USD Bn)



Source: Wazir Analysis

Top 2 cities – Delhi & Mumbai

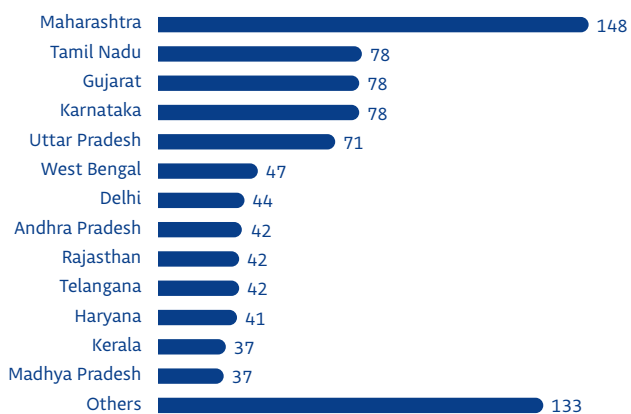
Next 6 cities – Bangalore, Chennai, Hyderabad, Ahmedabad, Pune, Kolkata

Next 16 cities – Surat, Jaipur, Lucknow, Nagpur, Patna, Indore, Coimbatore, Vadodara, Ludhiana, Bhopal, Kochi, Vishakhapatnam, Madurai, Nashik, Jamshedpur, Guwahati

Next 50 cities (indicative) – Kanpur, Kozhikode, Thrissur, Agra, Trivandrum, Varanasi, Rajkot, Meerut, Vijayawada, Amritsar, Jodhpur, Ranchi, Chandigarh, Gwalior, Jalandhar

Rest of India (indicative) – Patiala, Gulbarga, Ujjain, Nellore, Gaya, Erode, Vellore, Jalgaon, Bilaspur, Mathura, Bellary, Rohtak, Muzaffarpur, Bardhaman, Bhilwara

#### Top Indian States by Contribution to Retail GDP, 2023 (USD Bn)



Source: Wazir Analysis



# Indian Value Retail Market

While a considerable share of the F&G segment constitutes a large portion of the overall value retail market in India, non-F&G value segments, such as apparel & accessories and beauty & personal care, have been growing rapidly. This growth can be attributed to rising disposable incomes among an expanding and increasingly aspirational customer base in cities beyond metro and tier 1. The addressable market for non-F&G value retail sector in India for FY 2023 was USD 112 Bn. The value segment in India takes on interesting contours and is defined on distinct levers of price combined with un-catered demand.

Accessible pricing across key mainstay categories, encompassing the mass, economy and mid-economy segments, is the driver of value retail in India. The sector is projected to grow at a 15% CAGR from 2023 to 2026, outpacing the overall retail sector. It is forecasted that the non-F&G value retail sector will reach USD 170 Bn by 2026, with most of the demand originating from tier 2 and 3 cities.

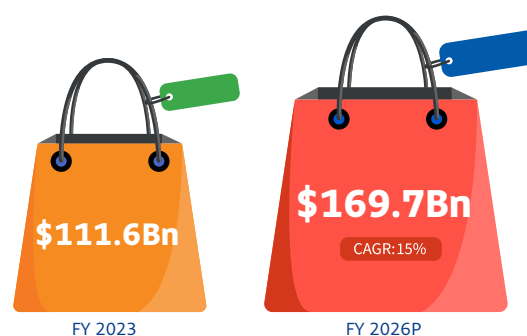
While organized retail has been established in India for the past three decades, it has struggled to gain significant penetration beyond metro and tier 1 cities. Unorganized formats commanded 79% of the value retail market in 2023, defining the value retail segment.

Organized retail marked by B&M and digital formats constitute only 12% and 9% of the Indian value retail sector, respectively. With the ongoing challenges and limitations witnessed by organized B&M retail sector regarding penetration into smaller Indian cities, the digital channel will emerge as the driver of value retail growth.

This trend has already been demonstrated by the digital marketplaces – Amazon, Flipkart, Naaptol, Snapdeal, etc, as they increasingly shift focus to cities beyond metros and tier 1. The business models that would solve for and address the potential demand emerging from tier 2, 3 and beyond Indian cities would need to be based on distinct, differentiated tenets.

Digital marketplaces have been developing models tailored to these consumer cohorts for several years and are well-positioned to capitalize on the potential demand. To establish stronger connections with consumers, these models should be built around vernacular languages, regionally-focused product assortments, local sourcing, and outreach methods involving video and voice for greater penetration and competitive advantage. In addition to their extensive reach and accessibility in smaller Indian towns, these players have demonstrated strength across the aforementioned levers.

## Indian Value Retail Market\* (USD)



Note: \*Value retail market for non-F&G categories.  
Source: Wazir Analysis

## Category-wise Share in Indian Value Retail Basket (FY 2023)

Category	Share (%)	Size (USD Bn)
Apparel & Accessories	41.4%	46.2
Footwear	7.5%	8.3
Mobile	4.0%	4.5
Consumer Durables and Appliances	3.1%	3.5
Jewelry & Watches	2.7%	3.0
Beauty & Personal Care	13.2%	14.8
Furniture & Furnishing	19.8%	22.1
Others	8.3%	9.3
<b>Overall Value Retail</b>	<b>100.0%</b>	<b>111.6</b>

Source: Wazir Analysis

Category-wise Share in Value Retail Across Traditional, Organized & Online Channels (FY 2023)

Category	Traditional	Organized – B&M	Online
Apparel & Accessories	77.3%	13.0%	9.7%
Footwear	83.4%	10.8%	5.8%
Mobile	52.5%	7.8%	39.7%
Consumer Durables and Appliances	72.5%	11.0%	16.5%
Beauty & Personal Care	88.6%	5.4%	6.0%
Furniture & Furnishing	79.3%	13.5%	7.2%
Others	81.9%	15.8%	2.3%
<b>Overall Value Retail</b>	<b>78.9%</b>	<b>11.9%</b>	<b>9.2%</b>

Source: Wazir Analysis

2.1. Evolution of Organized B&M Value Retail

2.1.1. Stage I (1995 – 2010): Formative Years

The market was initially not very sharply segmented. Fashion-centric lifestyle players like Shoppers Stop, Lifestyle, and Westside retailed mid to premium brands and primarily focused on metro cities. On the other hand, players such as Pantaloons and Westside, while targeting both metro cities and tier 1 and 2 cities, remained predominantly metro-centric. Finally, players such as D-Mart, Vishal Megamart, and V-Mart positioned themselves as value-centric but were not distinctly segmented into a separate value segment.

2.1.2. Stage II (2010 – 2015): Emergence of Value Retailers

While there was no clear distinction that segmented organized retail players into value, economy, mid, and premium, the emergence of regional, value-centric lifestyle and apparel retailers in the 2010s changed this landscape. Players such as M-Bazaar and Citi Style, which primarily focused on the Eastern and Northern regions of the country, offered curated assortments for tier 2 and 3 markets. This triggered a sharper segmentation of value retailers into national and legacy retailers and regional champions, particularly in the fashion segment. It also elevated fashion retailers like Pantaloons, Reliance Retail, and Westside into the economy to mid-segment. The entry of regional players intensified market competition. Following this segmentation, value retail was no longer solely about penetrating tier 2 and 3 cities; it became more about building curated assortments for regional, value-focused consumers.

2.1.3. Stage III (2015 – present): Entry of Large Corporates, Growth and Digitalization

Large corporations, conglomerates, and organized retailers began to realize the potential of this growing, sizable, and untapped value segment. They introduced formats that specifically represented value and accessibility while maintaining a fashionable appeal.



Source: Wazir Analysis



After 2015, there was a steep increase in competition, not only from existing value retailers but also from large corporations and e-commerce platforms. These newcomers introduced niche concepts and formats to target aspirational yet value-focused consumers in the growing tier 2-3 markets.

Large corporations such as Tata entered the segment with Zudio. In 2019, Aditya Birla Fashion & Retail Ltd launched Style Up, their own value segment brand, to capitalize on the value retail market. In 2023, Reliance Retail entered the value retail space. Spencer's also ventured into the segment during this period by launching Spencer's Value Market and converting some of its existing stores to this format. The digital foray into the value segment gained traction during this phase, primarily led by Snapdeal. Snapdeal pivoted its positioning entirely toward value-centric consumers, using elements such as curated assortments and tech-driven insights to penetrate deeper into the tier 2 and 3+ markets of India. Newer e-commerce-led models, like social commerce-led online re-seller platforms such as Meesho, are also capturing a larger share of the value retail market.

## 2.2 Trends

### 2.2.1. Vernacular is gaining momentum in the Indian retail sector

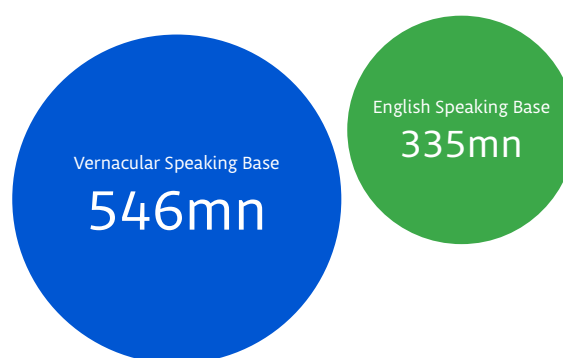
The pandemic induced a shift in purchasing trends in India, with consumers rapidly adopting online platforms. The next wave of e-retail growth in India is expected to be significantly powered by smaller cities rather than major metros.

In India, where approximately 60% of the population speaks over 30 different languages, voice and vernacular have become important tools for value retailers to target customers from smaller cities, both online and offline.

Large e-retailers have witnessed a rapidly growing vernacular user base. For example, Flipkart reported an increase in the share of vernacular users from 12% in 4Q 2020 to 18% in 4Q 2021, with smartphones,

fashion wearables, and audio devices accounting for a significant share of regional language traffic. In 2023, the company reported that its Fashion business acquires about 20% of new customers through its vernacular interface. Since launching the vernacular search feature in April 2023, Myntra recorded an increase in interest from tier 2+ cities, with 20% of searches being non-English. Newer platforms such as Meesho and CoutLoot have also reported increased adoption of local languages after introducing these features. Meesho reported an increase in conversions, with 60% of its orders coming from tier 4+ cities, and 70% of customers from these regions preferring to use vernacular languages.

Language-wise Internet User Base in India, 2023



Source: TRAI, Wazir Analysis

### 2.2.2. Introduction of sub-brands in value retail segment

Since 2015, several fashion retailers have expanded their presence in the value retail space by launching sub-brands and have gained a significant position in the rapidly growing segment. This provides these retailers with the opportunity to capitalize on the growing value retail segment while safeguarding their established premium brands from diluting the brand image. Aditya Birla Fashion & Retail Ltd found that the majority of the brands in their portfolio fall within the 'mid to premium' and 'premium' segments. Consequently, they introduced Style Up in 2019 with the aim of catering to the needs of consumers seeking the latest fashion at lower price



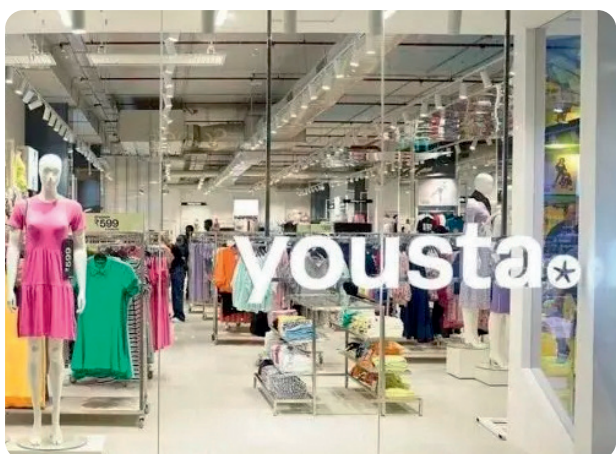
points. Similarly, Zudio (from Tata Trent) and Max Fashion (from Lifestyle) are examples of sub-brands introduced to target the value retail segment. Zudio, which launched its first store in 2016, has expanded to over 400 stores across over 150 cities as of 2023, leveraging an asset light franchise-owned-company-operated model. Recently, more retailers have entered the value retail segment by launching value-format stores under the same brand name in tier 2+ cities.



Spencer's Retail announced in January 2023 its entry into the value retail format with the launch of Spencer's Value Market, aiming to expand its presence in India's smaller cities. The goal is to cater to the emerging consumer class in these towns, which values affordability. This strategic shift is part of the company's expansion plans beyond its current presence in 35 cities. Spencer's Value Market stores will offer a range of products, including fast-moving consumer goods, food, personal care items, fruits and vegetables, general household necessities, and apparel. The company has converted five existing Spencer's stores into the value format.



Shoppers Stop, India's oldest department store chain, introduced its value format Intune in 2023 to appeal to consumers seeking lower-priced brands. This format offers clothing, accessories, and footwear, majority of which are priced under INR 500 per unit. The company plans to open 25 stores by FY 2024.



In 2023, Reliance Retail launched a youth-centric value apparel format called Yousta, which offers a wide range of products, including clothing, footwear, and accessories priced below INR 999, to compete directly with brands such as Zudio, Max and Intune.

### 2.2.3. Wider penetration and increasing trust on e-commerce channel

While the e-commerce adoption was initially limited to metro-cities and tier 1 cities, retailers have gradually realized the potential in smaller towns

and villages. Consequently, they have increased their focus on targeting this demographic by leveraging digital platforms. The COVID-19 pandemic has made consumers in tier 2+ towns more comfortable with online shopping and payment methods, resulting in increased sales through online channels. E-commerce players are thus aggressively trying to capture market share among value-seeking consumers by offering heavy discounts. Besides pureplay e-commerce players, traditional B&M value retailers are also shifting to an omni-channel distribution model, as it has now become imperative for retailers to digitalize their business to capture a larger market share and maintain a competitive advantage.

#### 2.2.4. Increased brand consciousness and awareness of fashion trends in tier 2+ cities

Tier 2+ cities have witnessed a surge in consumers who are aspirational buyers, brand-conscious, and aware of the latest fashion trends, courtesy of mass media penetration. Simultaneously, the increase in purchasing power now allows consumers in these areas to fulfil their requirement for the latest fashion trends. Premium retailers have not yet successfully entered the tier 2+ regions within the country, but players in the value retail segment have rushed in to cater to the consumer demand in these cities. The ability of value retailers to offer quality and variety at competitive prices while staying updated with the latest fashion trends makes them a favourable alternative to local boutiques and vendors.

#### 2.2.5. Retailers extending to tier 3+ markets

Retailers that were primarily focused on tier 2 and tier 3 cities are now expanding into tier 3+ markets, recognizing the potential in these locations. In 2019, Aditya Birla Fashion and Retail Ltd expressed plans to expand its value fashion brand, Style Up, into more tier 3+ locations. Reliance Retail, which launched Yousta in 2023, also announced plans to open stores in tier 3+ cities. These cities have become important markets for online-first players like Meesho in recent years.

#### 2.2.6. Merchandise and shopping experience

Retailers are moving toward more organized merchandising. They are improving their product offerings and the look and feel of their stores. Retailers are incorporating size sets, colour blocking, categories, and sub-categories (such as men's formal shirts, men's casual shirts, men's party wear shirts, and so on). They are focusing on introducing and increasing the share of private labels in their offerings, as it offers better margins and a loyal consumer base. Retailers have started upgrading the store infrastructure to provide a better shopping experience. Retailers that do not primarily offer food and groceries emphasize keeping a wide assortment of products based on local trends, as variety has become a key consideration for non-food and grocery value consumers.

#### 2.2.7. Data analytics and technology

Retailers are implementing technology solutions across various functions to enhance decision-making and streamline operations. Brands are adopting customer relationship management systems and loyalty programs to engage their existing customer base and acquire new customers. To further optimize operations, investments are being made in digital capabilities for cluster-based merchandise allocation. In addition, synchronized in-store and out-store customer engagement programs are being launched. Many players have implemented warehouse management systems and auto-replenishment systems to make their inventory management more data-driven and automated.

#### 2.2.8. Increased competition from economy-to-mid segment

Although the target market of premium retailers differs from that of value retailers, premium retailers tend to enter the value consumer market during periods of high discounts and promotions. This crossover is more pronounced in metropolitan and tier 1 areas compared to tier 2+ geographies, where premium retailers have a limited presence.



Players such as Reliance Trends and Pantaloons fall into this segment and cater to the economy-to-middle-class consumers, and are predominantly located in tier 1 and metropolitan areas. Pantaloons used to be a multi-brand large-format store but has shifted its focus to private labelling to increase its margins and brand loyalty. In the case of Reliance Trends, it includes other brands in addition to its private labels but has strict parameters for brands to partner with Reliance Trends in terms of their visibility and presence.

### 2.3. Growth Drivers

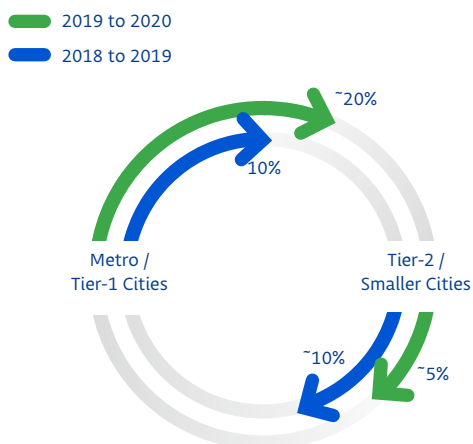
#### 2.3.1. Consumption patterns are shifting towards smaller towns - tier 2 and 3

Tier 2 and tier 3 cities offer new opportunities by giving access to previously undiscovered customers with significantly varied requirements, perspectives, and preferences, thereby exponentially expanding the addressable market for value retailers in the country. Consumers in tier 2+ towns are becoming

increasingly aspirational and are willing to try new brands and products, and spend their disposable income on enhancing their lifestyle.

2020 saw a shift from urbanization to reverse migration, providing an additional fillip to small-town India

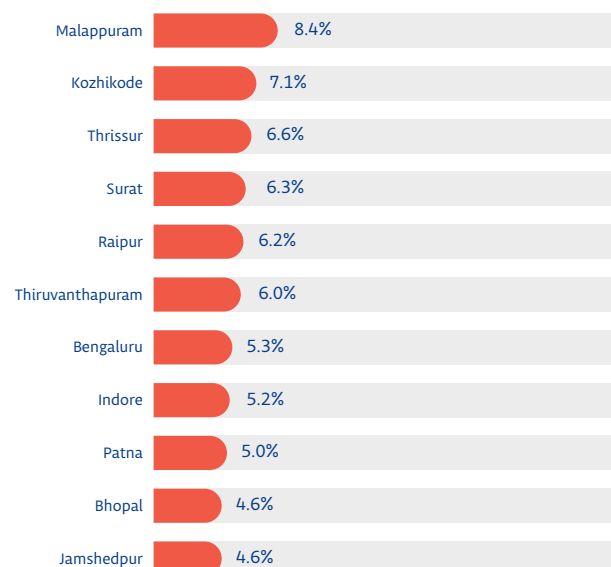
% of shopper base that moved between metro/tier-1 cities and tier-2/smaller towns



#### 2.3.2. Rising disposable incomes

The growth of smaller cities beyond tier 1 in India, coupled with increasing disposable incomes, has become a significant driving force for value retailers. According to a survey, middle-class growth in India is concentrated in smaller cities and has expanded beyond tier 1 cities. This is expected to drive demand for discretionary goods in smaller cities and towns thereby creating an opportunity for value retailers.

Top 10 Cities by Growth in Middle Class Households Between 2016 and 2021



Source: PRICE

### 2.3.3. Rising digital penetration

The surge in digitalization in India is being propelled by a confluence of factors, including the pandemic-induced shift in consumer behaviour, introduction of new payment systems, affordable and accessible technology and internet.

In the wake of demonetization and the introduction of innovative payment solutions like UPI (Unified Payments Interface), which has gained popularity for facilitating small-value transactions, consumers are increasingly embracing digital payment methods. This has played a pivotal role in reducing the initial reluctance associated with digital payment modes.

Furthermore, the synergy of digital payments with the booming e-commerce sector is driving substantial growth in the value retail segment in India. As more consumers turn to online shopping, the demand for convenient, secure, and digital payment options has surged. This trend aligns perfectly with the value retail model, which offers budget-conscious consumers a diverse array of products.

### 2.3.4. Covid-19 has acted as a catalyst

Factors contributing to this expansion include higher internet penetration, increased smartphone usage, favourable demographic trends, a growing acceptance of online payments, and the emergence of new e-commerce ventures on social media platforms. These factors have facilitated the proliferation of established brands in tier 2+ cities.

Crucially, the trust in e-commerce established during the pandemic has endured. Many retailers have observed a sustained increase in foot traffic, thanks to their extended online presence, as well as a rise in the proportion of online sales. This shift in consumer behaviour has reshaped the retail landscape, emphasizing the enduring impact of the pandemic on the e-commerce industry.



# Key B&M Player Analysis

## 3.1. Setting the Context

B&M value retail players cater to the aspirational consumers who are brand conscious, price sensitive and are willing to spend their proliferating disposable income on trying new brands and products as opposed to their local/regional vendors. Vishal Megamart and D-Mart are players which offer a wide range of categories including apparel & accessories, food & groceries, beauty & personal care, footwear, and home furnishings. Furthermore, there are national value retailers with a focus on fashion, such as Max Fashion, Zudio, and Style Union. While Max Fashion was an early mover in the value apparel segment, Zudio has emerged as a strong challenger and a leading player. Newcomers including Style Union, StyleUp, Intune, and Yousta are also competing for market share. These retailers exclusively offer private label products to maintain healthy margins while providing the latest fashion trends at affordable prices. Finally, the value segment includes regional players like Style Bazaar, M Bazaar, Citykart, V Bazaar, and V Mart, among others. Most of these retailers primarily focus on apparel, but some, like V Mart, V Bazaar, and Citykart, offer a variety of categories.

Retailer	Revenue (INR Cr)					
	FY 2023	FY 2022	FY 2021	FY 2020	FY 2019	FY 2018
D-Mart	41,883	30,352	23,787	24,675	20,004	15,033
Vishal Megamart	5,619	4,199	3,025	4,069	2,987	2,252
Zudio	3,537	1,108	480	478	204	144
Style Union	184	38	38	111	119	146
V Mart	2,465	1,666	1,075	1,662	1,434	1,222
V Bazaar	324	283	228	279	218	120
Citykart	NA	21	15	32	226	187
V2 retail	839	629	539	701	748	559
Bazaar Kolkata	NA	650	465	655	588	504
Citylife Retail	NA	NA	NA	368	715	489
Style Bazaar	788	551	427	629	538	307
M Bazaar	716	534	371	556	504	433
1-India Family Mart	NA	2.4	204	444	394	231
Bazar India	NA	165	187	360	300	NA
Citi Style	NA	NA	143	224	215	205

Source: Data from Annual Reports, MCA Filings, Wazir Analysis

## 3.2. Financial Performance

The retail sector, in its entirety, took a major hit due to the pandemic, and the effects on the organized B&M value retail segment were well synchronized with the retail segment. The impact on organized B&M value retail players was quite varied and decline in revenues ranged from 20% to 65%. One of the major reasons for the high variance was the product offering. Organized B&M value fashion players were amongst the hardest hit as they witnessed their business come to a standstill. Retailers that also offered F&G products were able to cushion the blow relative to the other retailers. Despite the impact, the organized B&M value retail segment witnessed a rapid recovery and returned to a growth trajectory.

Several retailers, including Vishal Megamart, Style Bazaar, and V Bazaar, have maintained a robust CAGR exceeding 15% from 2018 to 2022, despite enduring significant setbacks during the pandemic. Among these, Zudio stands out as the most remarkable player in the value retail segment, achieving a 10x growth from 2018 to 2021. It was not only the least impacted by the pandemic, within the consideration set, but it also tripled its revenue between 2022 and 2023. This success can be attributed to the trust it has fostered among consumers through premium quality and a wide variety of products offered by Zudio while having a competitive price positioning. Marketing played a critical role in communicating these attributes and providing visibility to Zudio.

### 3.3. Store Count and Presence

Retailer	Store Count	No. of Cities	No. of States/UTs	Average Store Size (Sq. Ft.)
D-Mart	339	~117	12	~40,000
Vishal Megamart	582	~312	30	~25,000
Max	497	~213	28	~6,000
Zudio	442	~137	26	~7,000
Style Union	47	~22	5	~5,500
Style Up	22	~22	10	~7,000
Intune	7	~5	4	~5,000
Yousta	9	~9	5	~7,500
VMart	358	~210	19	~8,000
V Bazaar	59	~55	4	~7,800
Citykart	68	~58	5	~9,000
V2 Retail	103	~83	17	~10,500
Bazaar Kolkata	152	~120	9	~6,400
Style Bazaar	145	~143	9	~9,000
M Bazaar	131	~122	8	~8,800
1IndiaFamilyMart	83	~76	11	~9,000
Bazar India	55	~51	13	~8,400
Citi Style	32	~17	4	-

Source: Annual Reports, Company Websites, Primary Interactions, Wazir Analysis

Retailer	Mega Metro	Metro	Tier 1	Tier 2	Tier 3+
Vishal Megamart	11%	10%	15%	22%	42%
Max	14%	26%	19%	21%	20%
Zudio	11%	34%	29%	15%	11%
Style Union	0%	47%	9%	21%	24%
Style Up	5%	14%	23%	9%	50%
Intune	14%	71%	14%	0%	0%
Yousta	0%	22%	0%	11%	67%
V Mart	3%	8%	28%	21%	41%
V Bazaar	0%	0%	9%	25%	66%
Citykart	1%	0%	17%	13%	68%
V2 Retail	9%	1%	12%	24%	54%
Bazaar Kolkata	0%	8%	16%	16%	60%
Style Bazaar	0%	2%	4%	8%	87%
M Bazaar	0%	2%	11%	15%	72%
1-India Family Mart	1%	0%	11%	23%	65%
Bazar India	4%	0%	8%	25%	63%
Citi Style	0%	6%	53%	13%	28%

Note: Mega-Metro - Delhi NCR & Greater Mumbai; Metro - Bangalore, Kolkata, Chennai, Hyderabad, Ahmedabad, and Pune; Tier 1 - Cities with a population in the range of 1 to 5 million; Tier 2 - Cities with a population in the range of 0.3 to 1 Million; Tier 3+ - Cities with a population less than 0.3 Million.

Source: Annual Reports, Company Websites, Wazir Analysis

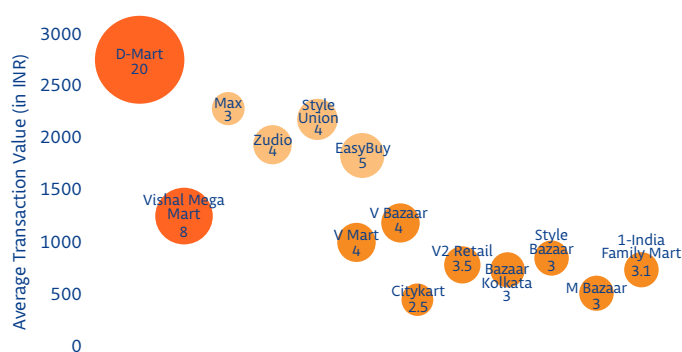
Retailer	Central	East	North	North East	South	West
D-Mart	8%	0%	6%	0%	34%	52%
Vishal Megamart	10%	16%	43%	9%	16%	5%
Max	4%	10%	17%	2%	50%	17%
Zudio	5%	7%	12%	2%	36%	37%
Style Union	0%	0%	0%	0%	100%	0%
Style Up	9%	41%	27%	0%	14%	9%
Intune	0%	0%	0%	0%	71%	29%
Yousta	11%	11%	0%	0%	67%	11%
V Mart	4%	29%	42%	2%	13%	10%
V Bazaar	2%	34%	64%	0%	0%	0%
Citykart	1%	43%	52%	3%	0%	0%
V2 Retail	3%	43%	38%	8%	6%	3%
Bazaar Kolkata	0%	82%	11%	7%	0%	0%
Style Bazaar	0%	84%	1%	13%	2%	0%
M Bazaar	0%	70%	7%	23%	0%	0%
1-India Family Mart	6%	39%	43%	12%	0%	0%
Bazar India	2%	33%	25%	39%	0%	0%
Citi Style	0%	94%	6%	0%	0%	0%

Source: Annual Reports, Company Websites, Wazir Analysis

Value retail stores are primarily situated in tier 3+ cities and towns, with an average of 50% of their presence in tier 3+. They also maintain a notable presence in tier 1 and tier 2 cities, with an average of 18-20% of their stores in these tiers. Zudio, Style Union, Intune and Citi Style are exceptions to this trend, as they have a substantial presence in metro and tier 1 cities. In terms of regional distribution, value retailers are predominantly concentrated in the Northern and Eastern regions of the country, with apparel-focused players such as Max, Zudio, Style Union, Intune and Yousta having notable presence in the South.

### 3.4. Sales Metrics

#### 3.4.1. Average Transaction Value and Basket Size



Note: Bubble size represents Average Basket Size

Source: Primary Interactions, Wazir Analysis

Average transaction value for value retailers primarily falls within the range of INR 500 to INR 2,500. The average basket size ranges from 2.5 to 7 items. Vishal Megamart and D-Mart are the outliers with an average basket size of 7+ items due to the F&G offerings. Across leading national players such as D-mart, Max Fashion and Zudio, the average transaction value lies above INR 1,000. In case of regional players, the average transaction value hovers around the INR 500-800 mark, and it has exhibited significant volatility over the past five years, primarily due to disruptive market events. There was a distinction between the performance of pure value fashion retailers, and those offering F&G and homeware. Retailers exclusively focused on value fashion experienced a complete standstill during the pandemic. The pandemic-induced economic downturn resulted in reduced discretionary spending. In contrast, retailers offering F&G and homeware products were relatively cushioned. Panic buying in the early stages of the pandemic led to a significant surge in average transaction values for the F&G category. Demand for homeware also soared as people were confined to their homes. The increased time spent at home not only heightened the demand for homeware but also stimulated the desire to upgrade and enhance living spaces.

#### 3.4.2. Average Selling Price

The average selling price typically ranges from INR 150 to INR 500 among value retailers. This stands out as a pivotal metric that value retailers strive to enhance since the product price serves as the primary purchasing factor for nearly all consumers within the value retail segment. Retailers found on the higher end of this price scale generally fall into two categories: they are either pure value fashion retailers or those that feature extensive homeware and furnishings sections. The inclusion of apparel and home furnishings contributes to a higher average selling price for these retailers in comparison to those primarily offering F&G. Notable retailers such as Style Bazaar, M Bazaar, Max, Style Union, Style Up, Zudio, Intune and Yousta belong to the higher price brackets in this spectrum. In contrast, D-Mart maintains an average selling price of INR 150, primarily due to the fact that 60-65% of its offerings consist of F&G.

#### 3.4.3. Footfall and Conversion

The Average Monthly Footfall per store for value retailers can vary significantly, ranging from as low as 1,500 per month to as high as 18,000 per month. This metric is influenced by various factors, including product offerings, store size, pricing, advertising, promotions, retailer image, and numerous other variables. Over the past five years, this metric has demonstrated notable volatility due to the impact of the pandemic and the rapid growth of the e-commerce model. A considerable number of retailers have found themselves positioned at the lower end of this spectrum, as they grappled with a decline in customer engagement following the pandemic. In certain cases, retailers with a broad range of product offerings tend to fall on the higher end of this scale, as opposed to purely value fashion retailers. Although the prevailing market perception suggests that an increase in the e-commerce penetration results in a decrease in offline footfall, a few retailers, such as V2 Retail, D-Mart, and Vishal Megamart, have leveraged the growing e-commerce trend to increase



awareness and expand reach. D-Mart, for instance, has introduced smaller stores like D-Mart Ready, enabling customers to place orders online and collect them from a nearby D-Mart Ready store, especially when the larger D-Mart store is not conveniently located in their vicinity.

Conversion rates are a critical metric for value retailers and typically range from 35% to 65% within the value retail segment. Notably, this metric tends to be higher for value retailers in comparison to the retail industry at large. This is primarily attributed to two key factors: first, the price positioning of value retailers, and second, the fact that value retail stores tend to attract shoppers with specific purchase intentions. In most cases, individuals entering these stores already have a clear idea of one or more items they intend to buy. A notable exception is D-Mart, which boasts an exceptionally high conversion rate of 95%. This can be attributed to the fact that a significant portion of D-Mart's offerings consists of F&G, which tend to lead customers to make multiple purchases once they step inside the store. Moreover, value retailers strive to maintain a Days Sales of Inventory (DSI) of less than 90 days, which necessitates an emphasis on driving higher conversion rates.

#### 3.4.4. Peak/Lean Period and Repeat Sales

Initially, the value retail format was expected to be perennial in nature, selling products at cheaper rates throughout the year. However, with an increase in competition and saturation of the segment over the last decade, value retail also had to conform to the typical seasonality of the retail segment. Sales tend to peak around the festive period and wedding season for most value retailers. Another observed cycle in value retailers that offer F&G category is spikes in sales during the beginning and middle of the month, especially around the weekends.

Repeat sales average around 35% to 60% across value retailers. Style Union, EasyBuy, and D-Mart are outliers in this regard, reporting their repeat sales as 70%, 75%, and 90%, respectively.

### 3.5. Category Mix

Retailer	Food & Grocery	Beauty & Personal Care	Apparel & Accessories	Footwear	Homeware/ Consumer Durables
D-Mart	65%	10%	15%		10%
Vishal Megamart	40%	10%	30%	15%	5%
Max	0%	5%	85%	10%	0%
Zudio	0%	10%	70%	10%	10%
Style Union	0%	0%	95%	5%	0%
Style Up	0%	0%	85%	15%	0%
Intune	0%	0%	95%	5%	0%
Yousta	0%	0%	93%	7%	0%
V Mart		10%	75%	5%	10%
V Bazaar		15%	70%	5%	10%
Citykart	30%	5%	40%	10%	15%
V2 retail	5%	0%	95%		0%
Bazaar Kolkata	0%	0%	90%	0%	10%
Style Bazaar	0%	0%	95%	0%	5%
M Bazaar	0%	0%	100%	0%	0%
1-India Family Mart	0%	0%	65%	10%	30%
EasyBuy	0%	0%	90%	10%	0%

Source: Primary Interactions, Wazir Analysis

#### 3.5.1. Food & Grocery

F&G is a major part of the value retail customer product portfolio. This section has witnessed significant developments over the past few years. During the pandemic, the value fashion segment of the business came to a standstill for all, dealing a major blow to retailers. Those diversified into F&G were mildly cushioned. Furthermore, many retailers realized the potential of F&G to open doors for cross-selling. Even though the margins in the F&G category aren't as lucrative as in the Apparel category, due to the above-mentioned reasons, value retailers have started to increase its share and, in some cases, even introduce it. This trend can be observed in V-Bazaar. Initially, only a few stores had F&G sections, but as of 2023, they have begun introducing Mini F&G sections in more branches to expand the F&G product offering.

#### 3.5.2. Beauty & Personal Care

This category operates hand in hand with the F&G

section. Many retailers consider it an indistinguishable part of food and groceries. The category includes skin care, hair care, oral care, baby care, hygiene, and health products. Buying decisions for the category often have a share of impulse purchases driven by discounts, seasonal offers, and active promotion by sales personnel. Retailers benefit from such impulse-purchase scenarios, thriving on cross selling.

### 3.5.3. Apparel & Accessories

The apparel and accessories category has a major presence in the product portfolio of value retailers. In contrast to the shift in retailer perspective observed in the F&G category, the apparel and accessories category has experienced a change in consumer preferences. Pricing used to be the major differentiator for the value retail segment. However, within the value retail segment, consumers have become more quality and variety conscious with respect to apparel and accessories. In recent years, the gap between pricing and quality as key consumer decision-making criteria has narrowed, as consumers now prioritize quality, variety, and durability. Retailers that neglected the quality and variety of their apparel offerings, focusing solely on price, now face challenges including high customer churn, low repeat sales, and stagnant customer base growth.

Within the apparel category, retailers have a mix of private label and third-party product. Retailers have been focusing on accelerating their universe of private brands as it improves their command on and connect with their customer base, as well as increases their margins. Private label product can either be produced from scratch in the company factory or sourced from other producers and pushed through the relabelling process. The latter of the two is the more commonly followed practice within the industry but in order to further expand margins, some players have started shifting from the relabelling to the factory model.

In terms of product assortment, it is evident that while some players such as Zudio, Style Up, and Yousta focus more on Western wear, other players like V2 Retail offer a blend of Indian and Western assortments.

Sub -Category	Highest Selling Products
Men	Casual T-shirts, shirts and denimwear
Women	Ethnic wear and tops
Children	T-shirts, sets, capri and frocks

Source: Primary Interactions, Wazir Analysis

### 3.5.4. Footwear

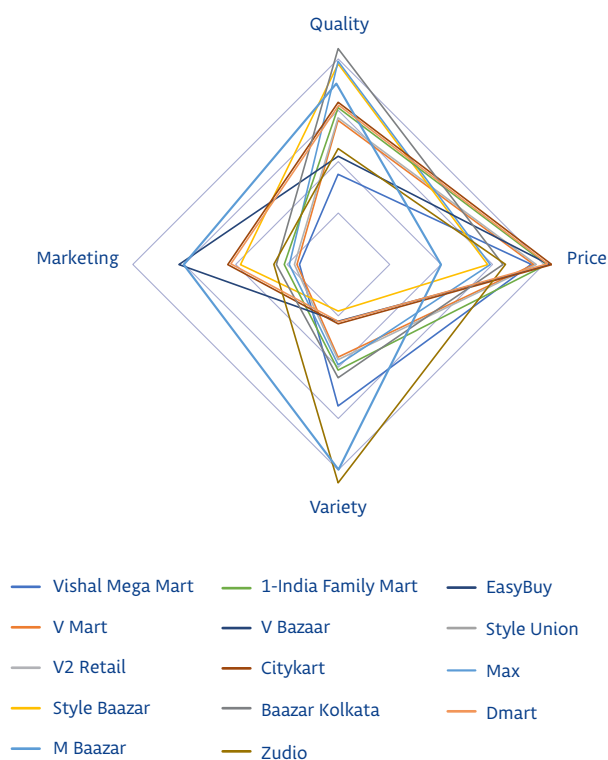
Footwear is a smaller category in the value retail segment, and accounts for a relatively lower share. It is a category used for evoking cross selling, usually with apparel and accessories. Casual shoes are the highest contributor within the footwear category and the focus of all retailers offering footwear.

### 3.5.5. Homeware

The Homeware category focuses on household utilities and décor. The category comprises of home furnishing, kitchenware, home organisation products, stationery, etc. It takes up a very small share of value retail product portfolio. Furthermore, this category is not available in all stores but exclusively in the bigger, prominent stores that have an eligible catchment. Amongst all value retail players, Vishal Megamart has the highest number of SKUs in the category.



### 3.6. Purchase Drivers

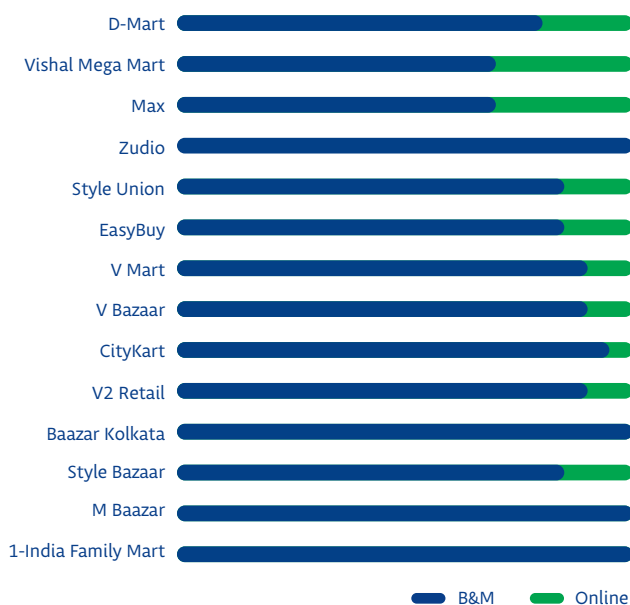


Source: Primary Interactions, Wazir Analysis

Among the drivers displayed above, price is the primary driver for retailers with majority F&G offerings. The retailers must ensure that they are offering the consumer the best possible prices, as its most important driver in the decision-making process of day-to-day grocery shopping. Retailers with a larger share of apparel & accessories place greater emphasis on variety and quality over price due to the shift in consumer mindset. The luxury of choice across a diverse set of products under one roof is attracting customers towards specific brands. Zudio witnessed rapid growth for the same reason. In order to survive and thrive, value retailers must ensure quality and durability of the product. This demonstrates that the value retail consumer is maturing and developing a preference for superior quality, design, and variety, rather than being influenced by flashy marketing and promotional tactics. Marketing and advertising, no matter how important, do not take precedence over price, quality, and variety for the typical value retail consumer.

### 3.7. Integration of E-Commerce as a Channel

#### Indicative Share of Online in Overall Sales



Source: Primary Interactions, Wazir Analysis

Organized B&M value retailers have been affected differently by the growth and acceptance of e-commerce, and in response, they've employed various strategies. The post-pandemic surge in e-commerce has disrupted the traditional B&M sector of the retail industry, which had come to a standstill during the pandemic. A common trend among these retailers is the widespread acknowledgment of the importance of maintaining an online presence. They have also recognized the inevitability of omnichannel integration and are taking action by either leveraging existing online marketplaces or establishing their own online stores. This demonstrates their adaptability in the face of changing consumer preferences and the evolving retail landscape.

### 3.8. Store, Personnel and Operations

#### 3.8.1. Store Formats

Store formats can vary significantly within the value retail format but are usually consistent across locations for a single player. Some exceptions to this rule include V Mart, V Bazaar, EasyBuy, Max, and Zudio.

V Mart and V Bazaar have a mix of stores, with not all of them featuring the F&G section. V Mart has divided its stores into fashion stores and composite stores based on the catchment of the store. Fashion stores exclusively offer fashion and homeware products, while composite stores also include F&G products. Similarly, with V Bazaar, some stores feature an extensive F&G section, while others offer only a mini-F&G section (introduced as a trial since 2022). Max, Zudio, Style Union, and EasyBuy reduce the range of their product portfolio and, consequently, the size of their stores as they target lower-tier locations. These variations in store formats reflect the adaptability of value retail players to cater to the diverse needs of their customers across different regions and demographics.

### 3.8.2. Front-end Employee

Value retailers typically employ an average of 4 employees per 1000 sq. ft. of floor area. This ratio tends to be higher for pure value fashion retailers compared to those selling F&G as well.

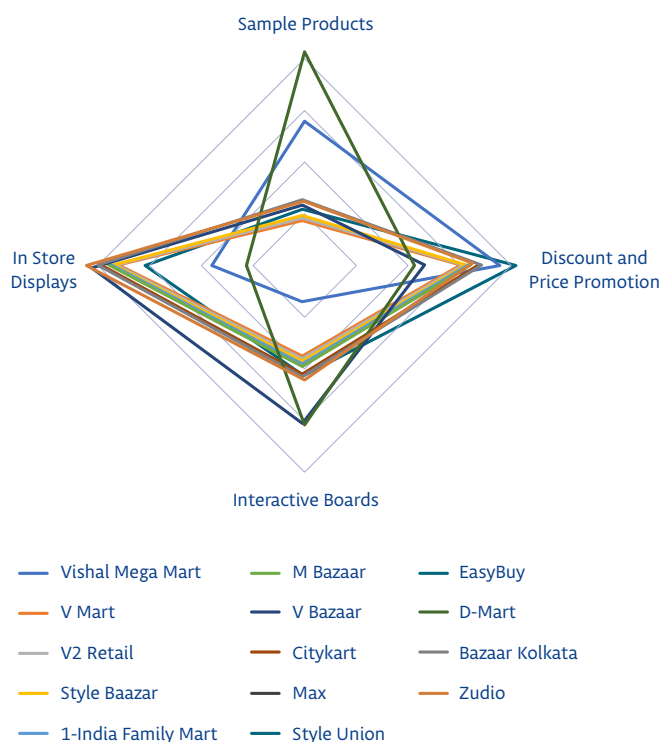
### 3.8.3. Store Expenses

Among the major cost centres for stores, rent comes out on top, accounting for almost 10-12% of store sales. It is closely followed by salaries and staff remuneration at 6-8% and utilities at 5-7%. In addition to operating expenses, stores typically allocate nearly 3-5% of their sales to marketing and visual merchandising. The share of these cost centres varies as per store location, size, etc.

## 3.9. Marketing and Promotion

Given the increased competition resulting from the growing number of players and the robust growth of e-commerce, marketing activities significantly impact the business of the value retailer. Furthermore, the pre-existing price competition and slim margins within the value retail segment make decisions even more crucial.

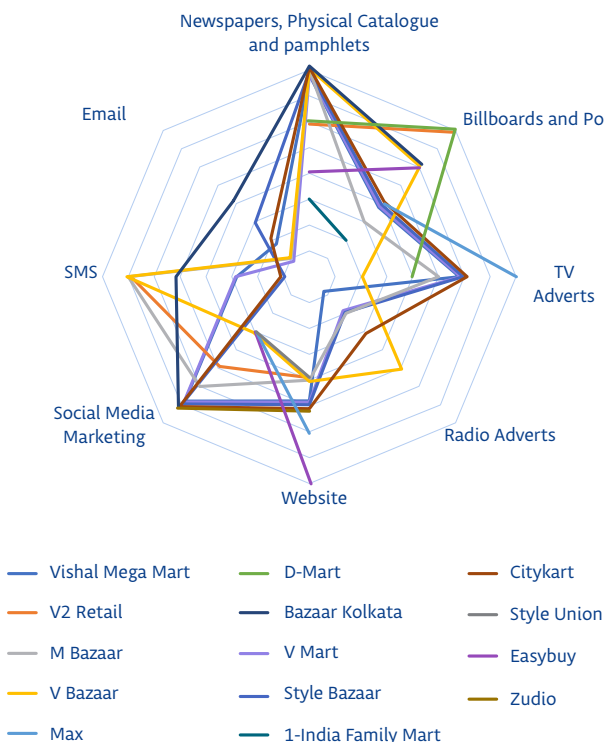
### 3.9.1. Store Level Marketing Tools



Source: Primary Interactions, Wazir Analysis

As per a survey conducted by Wazir Advisors, among all the store-level marketing and promotion methods, in-store product display (i.e., visual merchandising) is one of the most crucial drivers of product sales. In-store displays use floor plans, colour, lighting, displays, technology, and other elements to attract customer attention. Following that, discount and price promotions, where the financial incentive acts as the primary motivator and at times drives consumers to an impulse purchase, play a significant role. Furthermore, there are interactive boards within the store that use visual media, such as pictures and videos, to promote the product. Lastly, sample products are typically used for food & grocery and beauty & personal care. The scenario of sample products is evident in the case of Vishal Megamart. Due to a high share of food & grocery and beauty & personal care in its product portfolio, it places more emphasis on sample products than other value retail players do. Sample products are used by new entrants to increase awareness of their products and alleviate consumer hesitation when trying a new product.

### 3.9.2. Non-Store Level Marketing Tools



Source: Primary Interactions, Wazir Analysis

According to the survey, newspapers, physical catalogues, and pamphlets are the most important means of marketing outside the store for the value retail segment. Value retailers are still in the early

stages of online integration and, consequently, omnichannel distribution. Therefore, the primary customers for a store are still individuals living within a specific radius around the store. This is why they rely on conventional pamphlet and newspaper-based marketing to reach out to all people living within that specific radius. Next in line is social media marketing. The wide reach and rapid growth of social media have made it a major platform for marketing. Retailers regularly share updates and products through their accounts and pages on social media platforms.

TV advertisements come third and are preferred for their wide reach. They are followed by billboards, posters, websites, and SMS. Emails and radio advertisements are among the least preferred forms of marketing within the segment. Another interesting form of advertising is rickshaw advertisements, specifically used by M Bazaar. According to a survey conducted by Wazir Advisors, consumers' word of mouth is the most significant form of marketing, emphasized by numerous front-end employees who stress its importance and the need to maintain a positive narrative.



# Online Channel for Value Retail

## 4.1. Value E-commerce: The Big Leap in India's Value Retail Market

A growing number of value-conscious online shoppers are transforming India's e-commerce landscape. Buyer behaviour in this segment focuses on prioritizing affordable products that satisfy their needs in terms of durability, quality, and trendiness.

Value e-commerce offers the most significant growth opportunity within the lifestyle retail sector. The gap in the value market, between what value-conscious consumers need and what they can access, cannot be solely bridged by B&M modern retail. This is due to the complexity and significant investment required for opening physical stores in remote towns, especially in tier 2 and beyond.

The current trends of digital expansion, changing attitudes toward online purchases, and the emergence of aspirational consumers in tier 3+ towns present a huge opportunity to transition towards organized 'label' demand, moving away from the previously prevalent unorganized and unbranded demand.

## 4.2. Growth Drivers in the Value E-commerce Space

- Digitalization and awareness: Around 60-65% of India's total population resides in rural areas. Rural youth in tier 2+ towns are becoming more aspirational. They stay informed about the latest trends through social media and aspire to purchase similar products.
- COVID-19 pandemic: The pandemic forced the people from pan India to be confined to their homes, at least for a few months. As a result, people in non-metro and tier 1 towns were compelled to experiment with online channels. With the trust established through this trial, the penetration that commenced in tier 3+ towns persisted beyond the pandemic and continues on a growth path.

- Reach and penetration of e-commerce: Due to the need of having access to products beyond their vicinity, restricted penetration of organized value B&M beyond the tier 2+ towns, and lack of product assortment in their local shops, consumers are willing to change their buying patterns towards e-commerce for better products. After experiencing the convenience and accessibility, consumers are increasingly inclined toward value e-commerce.
- Emergence of new retail models such as social commerce: Capitalizing on digitalization trends, social commerce platforms have emerged as key facilitators to ease the transition of value retail from offline to online in tier 2+ cities. New models such as reseller model, group buying and video commerce offer unique propositions such as trust, vernacular, assisted buying, bulk offers, etc. Large online marketplaces have been quick to react to this growing trend by either launching their own specialized social commerce platforms or adopting the acquisition route.
- Adoption of multichannel retail: Companies such as Vishal Megamart are choosing to establish an online presence not only to boost sales but also to showcase a new range of products and drive more foot traffic to their physical stores. This serves as a driver for increased sales and acts as a tool to enhance brand awareness and offline store traffic.

## 4.3. Success Factors for Value E-Commerce

- Curated assortment: The value lifestyle segment is shaped by variations in regional and local fashion preferences. As e-commerce penetration continues to increase, retailers must offer convenient methods to supply consumers with product assortments that cater to the quality and price preferences of their specific regions.

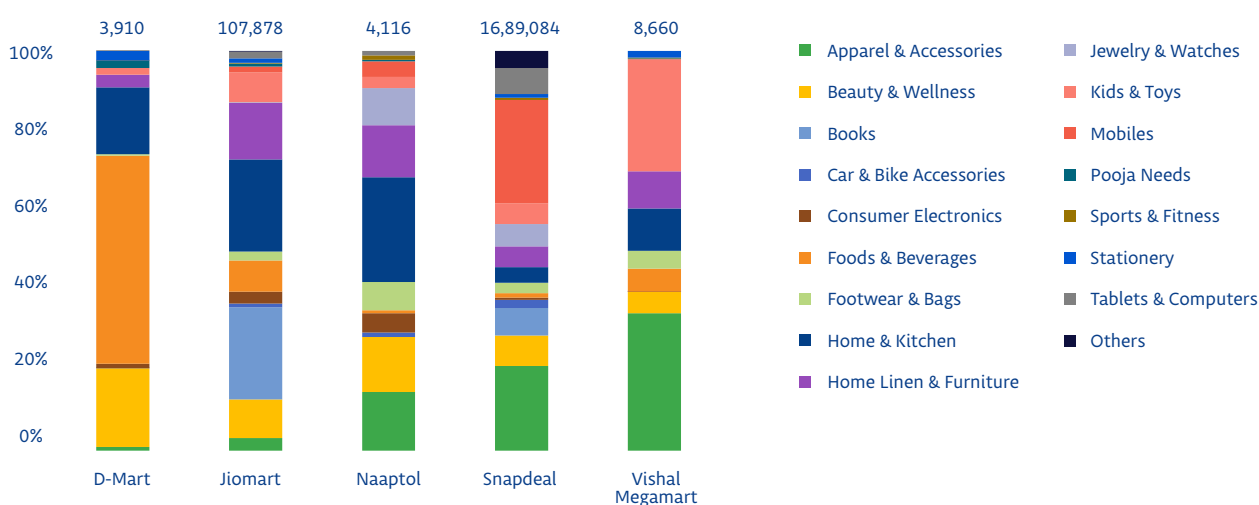
- **Reliable reviews for assurance:** The shift in perception and shopping behaviour from offline to online tends to be complemented by real-time peer reviews, acting as a substitute for the tactile and visual evaluation of product quality in person. Personalized recommendations and peer reviews of products contribute to establishing the necessary trust and credibility.
- **Consistent consumer engagement:** Value lifestyle consumers prioritize price, variety, and quality over brand consciousness. They are brand agnostic and experimental, therefore, it is necessary to implement continuous consumer engagement programs to build loyalty. Online community building and loyalty programs are some methods to achieve this.
- **Supply chain efficiency:** To focus on long-term profitability and achieve sustainability, value e-commerce players need to optimize their supply chain and reduce delivery time to gain a competitive advantage.
- **Technology intervention:** Customizing the shopping experience is beneficial due to the diversity of languages, preferences, income levels, and consumption patterns. The use of vernacular languages, the provision of easy navigation,

and secure payment gateways are crucial for a seamless customer shopping experience and can foster loyalty to the e-commerce platform.

#### 4.4. Product Category Mix of Key Value Organized Retailers

The e-retail business in India is flourishing and growing rapidly. Value retailers have also identified the growth opportunity of e-retail and have expanded their businesses online to cater to an increase in demand from tier 2+ cities and to be able to take advantage of the increasing disposable incomes in these cities. Apparel commands a notable share in most value e-retailers, with many offering affordable products for the aspirational buyers that seek fashion at lower prices. In addition to apparel, Vishal Megamart has a high proportion of kids' offerings (28.08%) and Snapdeal has an elaborate range of mobiles (25.91%). Apparel being a significant component of value retail, some retailers such as Vmart almost only have apparel (91.38%) in their online offering. Additionally, aspirational customers from tier 2+ towns are willing to spend their increased disposable income on aspirational categories like footwear & bags, beauty & wellness, home & kitchen, and jewelry & watches; e-retailers' online offerings entail these categories in some capacity.

Category Mix, as a Percentage of Respective Website Total (%)

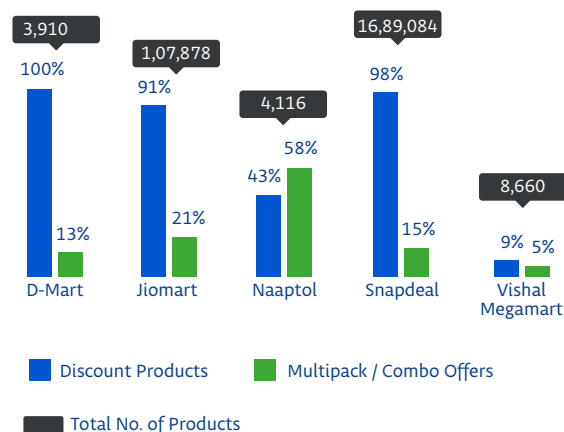


Source: Wazir Analysis

Most of the players in this space are skewed toward one or two product categories. Some have concentrated solely on apparel, while others have around half of their offerings in 2 categories. For instance, Vishal Megamart puts more emphasis on apparel and accessories, followed by kids & toys, while Snapdeal is focused on gadgets in addition to apparel. Similarly, food & beverages category accounts for a large share of D-Mart's offerings followed by home & kitchen. Naaptol has a significant share in the mobile category, which largely includes feature phones, smartphones, and wearable smart devices, compared to most other benchmarked companies. Snapdeal, as well, has a large proportion of the mobile category, which can be attributed mostly to mobile accessories like phone covers. Leading e-commerce firms such as Amazon and Flipkart have a substantial range and share of smartphones from larger manufacturers in the mobile category, whereas Naaptol's mobile category predominantly includes a high percentage of feature phones that require some help and discovery, focused on tier 2+ cities.

Many of the players also offer products that provide value not only in terms of price but also by enabling and providing ease to day-to-day professional and personal life. For instance, the home & kitchen category offers specialized tools such as multifunctional mixers

Discounts and Offers, as a Percentage of Respective Website Total (%)

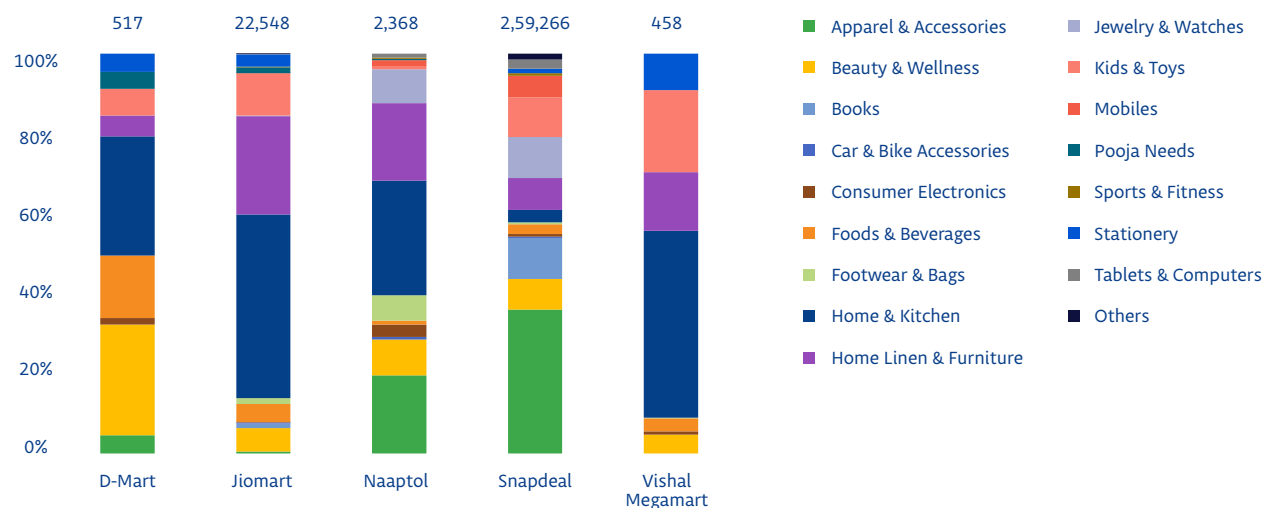


Source: Wazir Analysis

and grinders, home improvement products including flexible storage and organizers, and gadgets such as intelligent digital water flasks. This diverse range of specialized tools and versatile products, delivering functional benefits alongside affordable pricing, enhances the overall value proposition, making it more appealing to a broad customer base.

To attract customers and promote sales, most of the players employ vanilla discounts, specialized discounts, and so on. They offer these discounts specially on major holidays and festivals. Players such as Naaptol, Vmart and Vishal Megamart offer big Republic Day sale, big billion day sales, etc.

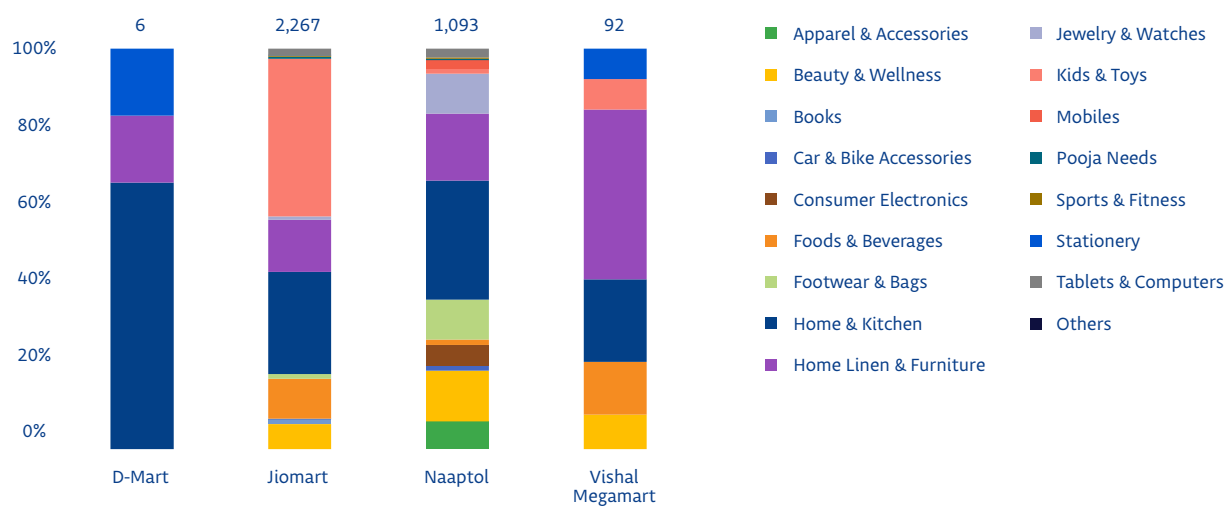
Share of Offers (combos + multipacks) by Subcategory, as a % of Offer Total



Source: Wazir Analysis



Share of Combos by Subcategory, as a % of Combo Total for Respective Website



Source: Wazir Analysis

Naaptol and Snapdeal have a high focus on providing offers in the apparel & accessories category. Being online led companies, and apparel & accessories being one of the major contributors towards value retail sales, they position their offers strategically to boost

sales. Vishal Megamart, D-Mart, and JioMart provide most of their offers on Home, Kitchen & Furniture, as well as Beauty and Wellness. Both these categories are major contributors in value retail after apparel.



# Conclusion

India's value retail sector is evolving rapidly, which is evident in changing consumer preferences and the rapid adoption of technology. Consumers are no longer content with just affordable products; they now seek quality, variety, and competitive prices. The digital realm, particularly e-commerce, stands as the vanguard of this transformation, offering tremendous growth prospects.

As digitalization sweeps across the country, retailers must evolve to meet the demands of aspirational consumers in tier 2+ towns. This adaptation includes building trust and credibility to resonate with the discerning clientele.

Crucially, the diversity of India's value retail market demands regional differentiation. Retailers need to customize their strategies and product assortments to cater to distinct regional preferences and capture the hearts of local consumers.

Moreover, the value retail landscape is expanding beyond traditional apparel, which is expected to reflect in more retailers broadening their horizons and diversifying their offerings, using data-driven insights to drive informed decisions. This strategic shift will allow them to cater to the ever-evolving needs of consumers.

In conclusion, India's value retail sector is at a crossroads of opportunity and transformation. Retailers that embrace these changes, tailor their approaches to regional diversity, and expand their categories will be the pioneers of this new era in retail, positioned for success in a dynamic and promising market.

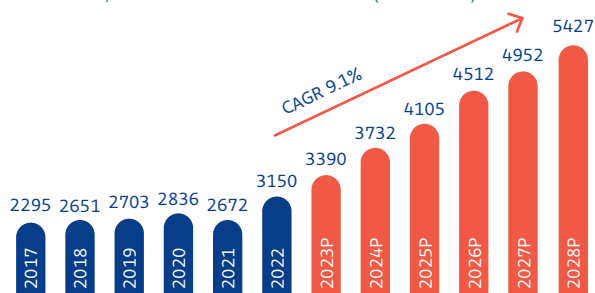
# APPENDIX

## 6. Macroeconomic Overview

### 6.1. India's GDP Growth

In terms of the GDP, India is the world's 5th largest economy and the 3rd largest by Purchasing Power Parity (PPP). Due to the outbreak of the pandemic, however, India's economy slowed down during FY 2021, with GDP growth witnessing a negative growth of 5.8% during FY 2021. It also intensified longer-term issues that were already impeding growth, such as policy failures, high debt and a lack of competitiveness with other countries.

India GDP, Current Prices 2017 – 2028 (in USD Bn)



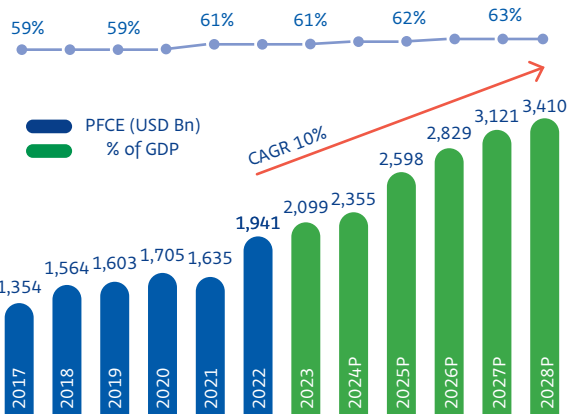
Source: IMF, Wazir Analysis

Despite having bounced back strongly from the pandemic and displaying consistent resilience, the following developments continue to pose a challenge to sustained recovery:

- Inflation:** In September 2023, India witnessed a reduction in the annual retail inflation rate, dropping from its 15-month peak of 7.44% in July to 6.83%. However, this figure still exceeded the Reserve Bank of India's (RBI) target range of 4%. Inflationary growth has raised concerns for central banks globally, including the RBI. The RBI anticipates that inflation will continue to surpass the 4% mark until the first quarter of 2024-2025, primarily due to sustained pressures from food prices and the upward trend in crude oil prices.
- Monetary Policy:** Aggressive tightening of monetary policies across the central banks will

slow down the global economy. Since May 2022, the RBI has raised the policy rate on six occasions within 11 months, increasing the repo rate by 250 basis points with the aim of managing inflation. Consequently, this may have repercussions on domestic investment and consumer demand. The RBI's monetary policy actions to curb inflation could affect businesses by elevating borrowing costs and potentially diminishing investment opportunities.

### 6.2. Private Final Consumption Expenditure



Source: World Bank, National Accounts Statistics, IMF

The increase in private consumption signals that households have more disposable income, which in turn drives economic growth. The consumption share in disposable income is high due to the recoil from pandemic-induced suppression of consumption. The release of pent-up demand for consumption is showcased through the accelerated growth in personal loans. 58.4% of gross domestic product in the second quarter of FY 2023 was attributed to private consumption. This was the highest among second quarters of all the years since 2013-14. It was also recognised as the highest since FY 2015 across H1. This was facilitated by regained traction in services such as trade, transport, hotel, etc, which had a sequential growth of 16 percent in real terms in Q2 of FY 2023 as compared to Q1 of FY 2023. The rebound in domestic consumption was majorly

attributed to the release of pent-up demand.

The economy in FY 2023 clocked a healthy 7.2% y-o-y growth in GDP, which was higher than the government's estimate, due to the release of pent-up demand and low base of the previous year. FY 2024 is not expected to reap the benefits of the same and there is an expectation of about a percentage point reduction in GDP growth.

Total Final Private Consumption Expenditure (USD Bn)

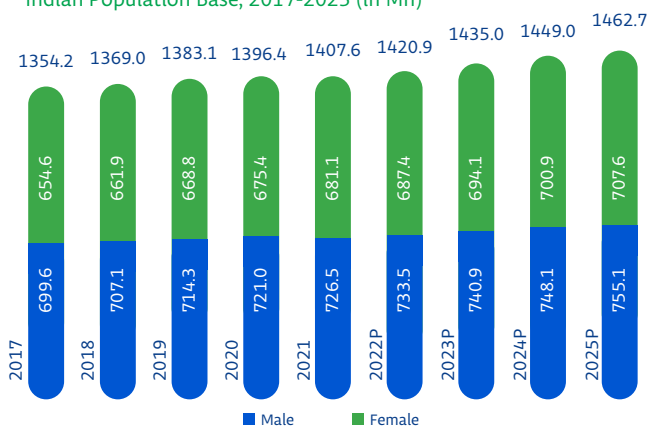
Country	2013	2016	2019	2021
United States	11,360	12,690	14,390	15,900
China	3,430	4,340	5,600	6,800
Japan	3,030	2,740	2,790	2,660
Germany	2,040	1,830	2,020	2,100
United Kingdom	1,810	1,750	1,840	1,890
India	1,070	1,360	1,730	1,890
France	1,540	1,340	1,460	1,560
Italy	1,300	1,130	1,200	1,220
Canada	1,030	894	1,010	1,080
Brazil	1,530	1,150	1,220	981

Source: World Bank, National Accounts Statistics, OECD National Accounts data files

### 6.3. Demographics

India has become the most populous country in 2023, overtaking China. In addition, India's average age is still around 28, compared to 38 in China or 47 in Germany. The demographic dividend is forecasted to last till 2050 in South Asia, boosted by proliferated working age population. This provides an unprecedented opportunity for economic growth.

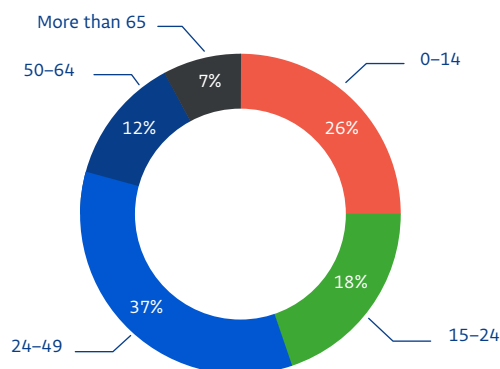
Indian Population Base, 2017-2025 (in Mn)



Source: World Bank, Wazir Analysis

In terms of demographics, India has a young population base. As of the end of 2021, the 0–14-year age group accounted for 25.8% of the total population. The middle age groups, which consist of people between 15–64 years old, jointly accounted for the largest share (67.4%) of the total population.

India Age Structure, 2021



Source: Ministry of Health and Family Welfare, Government of India

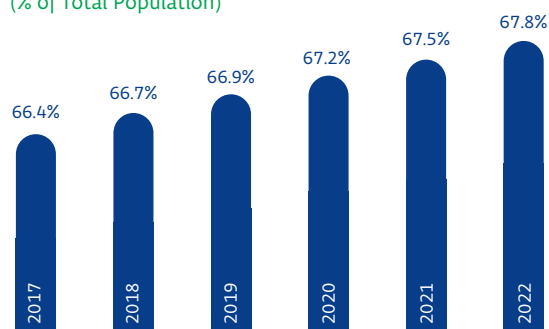
Currently, India is at a stage of demographic evolution with a substantial percentage of the young population. India is adding around 12 million people to the working population each year.

Even though there is an increase in working age population, India faces many obstacles in capitalizing on this opportunity of economic growth. One of the obstacles is that most of jobs in India are informal, signifying that majority of workers don't have stable salaries and do not have access to most of the social security benefits.

A major reason for concern is the vulnerability to marginalisation of young people (15-29) in India within the labour market because of multiple reasons – lack of work experience, lack of skills, inability to access career guidance and information asymmetry, leading to reduced productivity. The pandemic had a severe impact on the youth segment and made India the only country where the employment situation of the youth deteriorated in 2021 in comparison to 2020. Alternately, an important point to consider when thinking about Indian economy's future growth momentum and higher income levels is that the

rural population accounts for around 67% of the total population in 2022. India's rural youth have an opportunity to influence India's economy as it comprises of the majority youth population in India. A significant increase in the working-age population augurs well for the Indian economy's future growth momentum.

Working Age Population in India, 2017-2022  
(% of Total Population)



Source: OECD

#### 6.4. Growing Middle Class

The households with annual earnings between USD 5,000-10,000 are estimated by EIU to have grown at a CAGR of 10% from 2015 to 2021 and those with annual earnings between USD 10,000-50,000 are estimated to have grown at a CAGR of 22% over

the same period. The increase in the number of households with annual earnings of USD 10,000 to USD 50,000 will lead to an increase in discretionary spending, such as expenditure on apparel & accessories, luxury products, consumer durables and across other discretionary categories. 23% of global middle class is expected by EIU to be from India by FY 2030. Continued growth in income levels is expected to drive India to become a middle-class led economy from the bottom of the pyramid economy. Notably, consumer spending in India is expected to reach USD 6 trillion by 2030.

By 2030, India is expected to add about 140 million middle-income and ~21 million high-income households. Overall, these two segments are expected to contribute 51% of total households by 2030, from 24% in 2018.

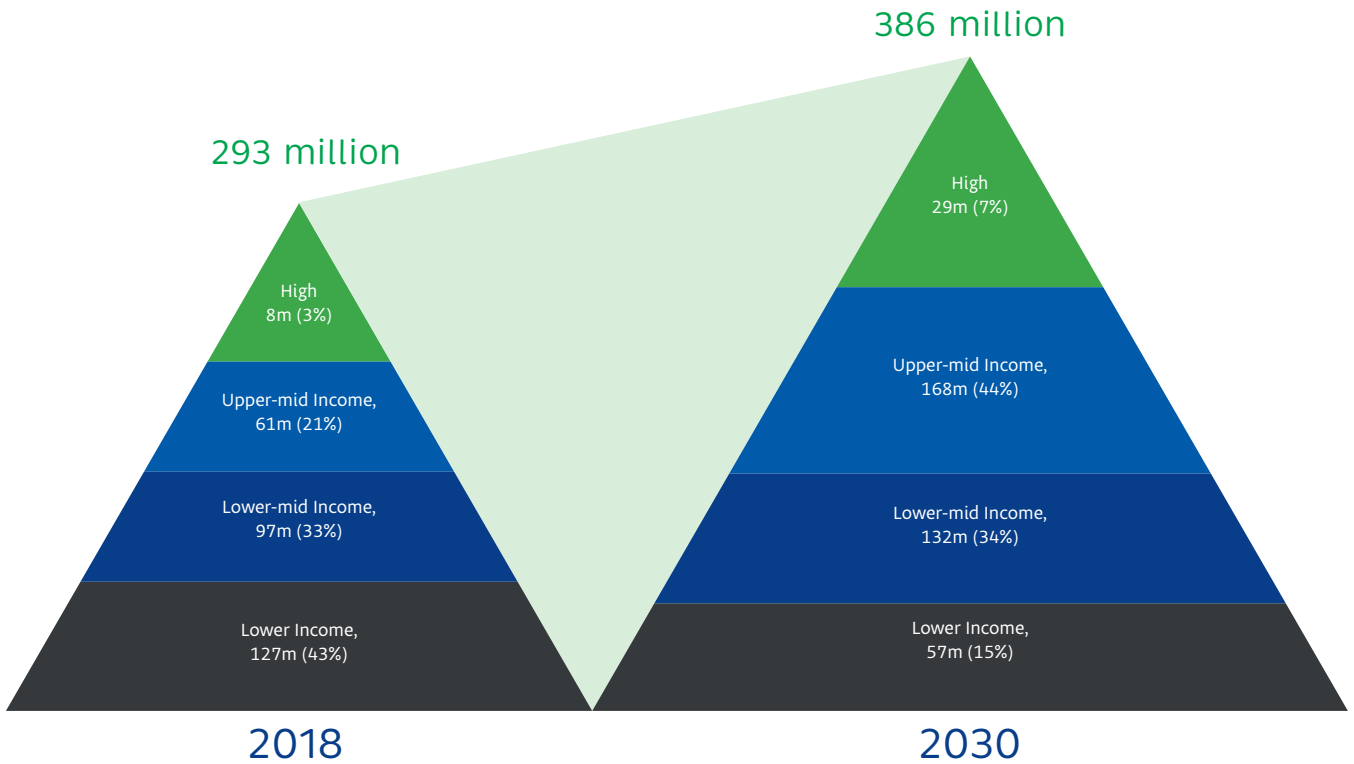
In terms of consumption patterns, the upper middle-income households are estimated to account for 47% (USD 2.8 trillion) of the total consumption, and high-income households will contribute ~14% (USD 0.8 trillion), compared to 30% and 7%, respectively in 2018.

Household Annual Earning Details

Year	Total Households (in million)	HHs with Annual Earning USD 5000 - USD10,000 (mn)	% of Total HHs	HHs with Annual Earning USD10,000 - USD50,000 (mn)	% of Total HHs
2009	221	34	15.4%	10	4.5%
2012	230	55	23.9%	20	8.7%
2014	236	65	27.5%	24	10.2%
2015	239	74	31.0%	32	13.4%
2018	249	103	41.4%	73	29.3%
2021	300	133	44.4%	103	34.3%

Source: EIU, Wazir Analysis

## Number of Households in India



Low income: >USD 4000, Lower-mid: USD 4,000-8,500, Upper-mid: USD 8,500-40,000, High income: >USD 40,000 basis income per household in real terms; projections are as per annual GDP growth assumed at 7.5%  
 Source: World Economic Forum, Wazir Analysis

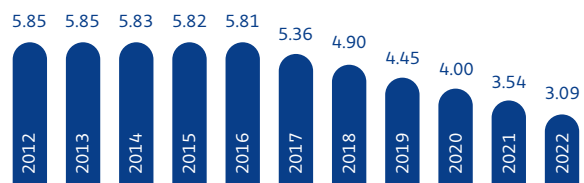
Due to the continued income growth, the World Economic Forum expects nearly 25 million households in India to be lifted out of poverty by 2030, with less than 5% of households below the poverty line, down from 15% in 2018.

### 6.5. Nuclearization

The increase in the number of households in India has been exceeding the increase in population growth, indicating increasing nuclearization trend in India. The average household size in urban India has been in the range of four to five people for many years and is rapidly shrinking further. The primary reason for this is the availability of extra space for the members of the family. According to young couples, there are many advantages of nuclear families. One of them being the financial stability – nuclear families are more financially stable and due to this reason parents can provide their children with

better opportunities. Expenses also reduce as the number of family members are less. This implies that discretionary spending on family bonding activities like restaurants, shopping, etc, would increase.

### Average Household Size



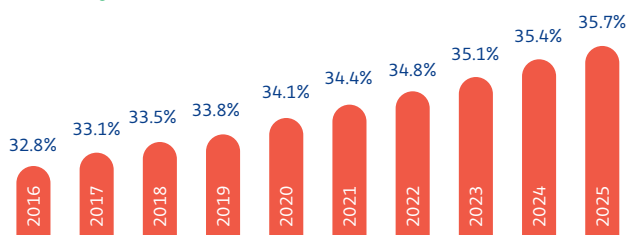
Source: Global Data Lab, Wazir Analysis

### 6.6. Urbanization

India's urbanization is largely attributable to the deregulation of its economy in the 1990s, which facilitated the growth of the private sector. Even though India's urbanization is accelerating, just one-third of the country's population lives in urban areas. According to the United Nations University,

India currently has 53 cities with a million or more population. Going forward, it expects this to climb to 87 cities by the end 2031.

Increasing Urbanization, 2016-2025 (%)



Source: Ministry of Health and Family Welfare, Government of India

As shown in the table above, India's urban population as a percentage of total population is expected to grow from 423.6 million in 2016 to 522.2 million by 2025. The Indian government has been fine-tuning its urbanization strategy and investing funds to rejuvenate its urban areas through various initiatives

such as the Smart Cities Mission, Pradhan Mantri Awas Yojana (PMAY or Housing for All) and Atal Mission for Rejuvenation and Urban Transformation (AMRUT).

Summarizing the above, India shows high potential in terms of investments and brands foray because of the relatively stable economy, favourable demographics, urbanization, nuclearization and growing middle class.

# About Wazir Advisors

Since its inception in 2009, Wazir Advisors has established itself as a dependable and forward-thinking consulting organization. We pride ourselves on being unconventional and entrepreneurial, going the extra mile to transform our client's vision into tangible achievements. Backed by extensive research, intellectual property, and implementation experience, we have become the trusted advisors to the industry.

Our primary objective is to work together with the clients and create innovative and transformative solutions. By transforming vision into reality, we empower our clients to deliver remarkable value in their respective markets and for the stakeholders.

## Our Services

---

### Strategy and Implementation

Our team offers comprehensive “concept” to “commissioning” solutions to cater to the needs of our clients. Our core focus lies in optimizing the use of available resources and creating a future-proof sustainable business. Whether it's a corporate strategy to enhance revenue and profitability, an expansion strategy to increase the footprint, or an operational strategy to reduce supply chain costs, we are focused on delivering it effectively and efficiently.

*Go-To-Market Strategy | Market and Consumer Assessment | Location Evaluation & Selection | Online and Omni-Channel Retail*

### Cross Border Alliances

Wazir aids companies in global expansion, providing expertise in market entry strategies, analysis, partner identification, and negotiation facilitation. Services encompass joint venture structure development, governance models, and ongoing support for cross-cultural dynamics, aiming to forge collaborative partnerships that leverage strengths for mutual global growth.

*Market Assessment | Partner Screening and Shortlisting | Market Feasibility | Partnership Structuring | Market Entry Models | Implementation Support*

### Business Transformation

At Wazir, our services encompass a range of strategic initiatives aimed at transforming the organization. Through a comprehensive assessment of strategy, processes, systems, and technology we identify areas for transformation and develop tailored strategies.

*Defining Business Strategy | Cost Transformation | Revenue Enhancement | Preferred Supplier Program*

### Transaction Advisory

To achieve the ambitious goals of a developing business, supplementing organic growth with inorganic measures is crucial. If you are considering acquiring, raising private equity, divesting, or fundraising to obtain necessary financial resources as a tactic for your business, Wazir can be your trusted partner. We possess a blend of sector expertise and M&A proficiency that ensures your success. Our objective is to help your organization enhance shareholder value by executing an efficient process with a beneficial transaction framework.

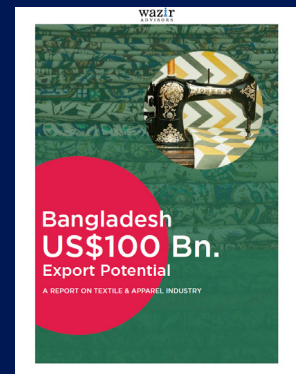
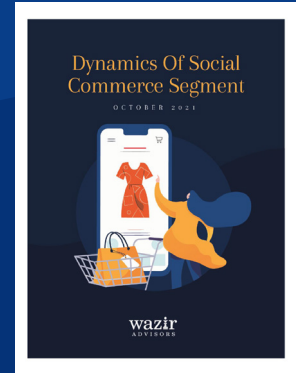
*Due Diligence | Financial Modelling | Target Identification | Deal Structuring | Capital Raising | Post Merger Integration*



# Our Clients



# Our Knowledge Papers







For Business Enquiries Contact:

**Pakhi Saxena**

Retail CPG Practice Head

[pakhi.saxena@wazir.in](mailto:pakhi.saxena@wazir.in)

+91 99716 66404

---

Wazir Advisors Pvt. Ltd. 3rd Floor, Building No. 115, Sector 44, Institutional Area,  
Gurugram - 122 002, National Capital Region, India.

 [wazir.in](http://wazir.in)

 [www.linkedin.com/company/wazir-advisors](https://www.linkedin.com/company/wazir-advisors)