

6/28/2011



PBIT

## PAKISTAN: RETAIL SECTOR SNAPSHOT

# Pakistan Retail Sector Report

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# Pakistan Retail Sector Report

## EXECUTIVE SUMMARY

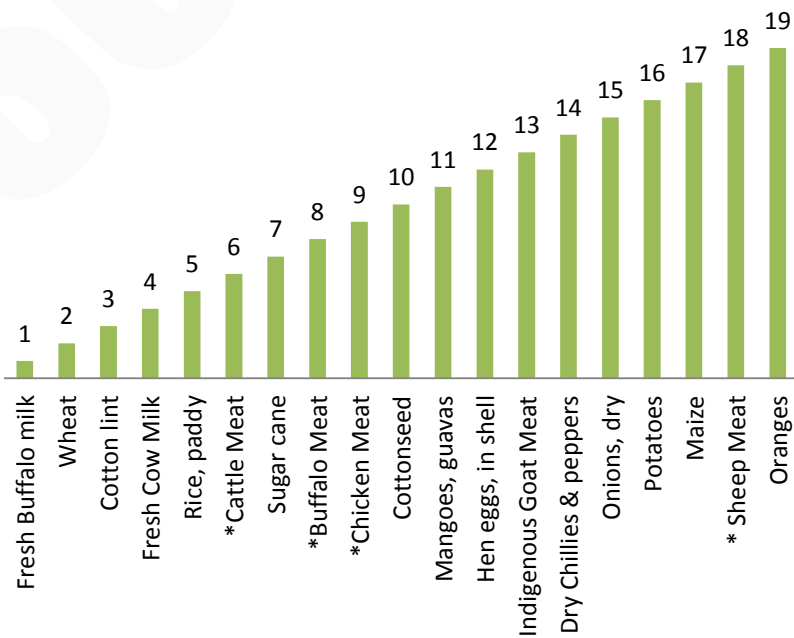
While most of the world was battling an economic slump, Pakistan's Hyper and supermarket sector was not only surviving, it was growing at a steady rate of 13.5% from the year 2006 to 2010. Nonetheless this was not just a sporadic boom – the growth is projected to remain above 10% up to the year 2015.

The retail sectors were seemingly vibrant with multinationals such as German-based Metro opening 5 stores in less than a year in Pakistan, mostly in Punjab province. The retail industry was estimated to be USD 42 Billion in 2010.

Even more lucrative to an international investor is the fact that the retail sector's most vibrant segment is Food, Grocery and Beverage which comprised of 91% of the total hypermarket sales in 2010. Given the backward linkages available in Pakistan in the food sector, it breeds perfect synergy to establish large hypermarket chains. With over 50,000 Hectares of cultivable land in Pakistan, and an irrigation network of 16,000 km<sup>2</sup>, Pakistan ranks among the top 20 producers of perishable produce in the world according to United Nations FAO.

The local market of Pakistan is 180 million and growing, with a population bulge – over 60% of the population is under the age of 30. The Purchasing Power according to the World Bank is projected at USD 3000 in 2012. The regional market opens up to over 2 billion with neighboring India and China, the GCC, Central Asia and South East Asia.

### Global Ranking in Agriculture and Livestock



## TECHNICAL DEFINITIONS

### **Convenience Stores and Gas Stations**

Stores generally less than 3,000 sq ft that specialize in a limited range of food and grocery products designed primarily for convenience seeking consumers. It also includes traditional independent and often family run grocers that are not part of a larger multiple retail group.

### **Food and Drink Specialists**

Includes the sales of specialists - Selling from retail stores or temporary stalls, such as bakers butchers, delicatessens, fishmongers, greengrocers and drink specialists

### **Clothing, Footwear, Sportswear and Accessories Retailers**

This includes the sales of specialists - Selling from retail stores or temporary stalls that specialize in the sale of clothes, footwear, sportswear and accessories.

### **Drug Stores and Health, Beauty Stores and Pharmacies**

Stores in which Over-The-Counter or OTC drugs and medications are sold. Also focuses on beauty and health items.

### **Home Furniture and Home ware Retailers**

This category includes retailers specializing in the sale of carpets, vinyl, laminate and other floor coverings. It also includes sale of furniture and curtains, bed linen, kitchen utensils, bathroom accessories and household ornaments.

### **Hypermarket/Supermarket and Discounters**

These are more commonly known in the US as mass merchandisers. This is defined as a superstore which combines a supermarket and a department store. The result is a gigantic retail facility which carries an enormous range of products under one roof, including a full line of groceries and general merchandize. As a general guide, hypermarkets are over 25,000 sq ft.

This is a departmentalized self-service store offering a wide variety of food and household merchandise. Because of its larger size it has a wider selection than a traditional grocery store.

The supermarket typically comprises of meat, dairy and baked goods departments, along with shelf space reserved for canned and packed goods as well as for various non-food items such as household cleaners, pharmacy products, and pet supplies.

Most supermarkets also sell a variety of other household products that are consumed regularly such as household cleaning products, medicine, clothes and some sell a much wider range of non-food products.

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## Retail Electronics

This category includes fixed-line telecommunications such as answering machines, fax machines, telephones and mobile telecommunications equipment such as handsets, accessories, computers, storage devices such as hard disks and memory sticks, and peripherals such as PDAs and satellite navigation systems.

It also has audio visual equipment such as television, music systems and in-car entertainment systems such as home use and portable game consoles. Games Software includes games software for console games, handheld games and PC and Mac games.

In addition to this, it has major domestic appliances such as air conditioners, refrigerators, washing machines, blenders, coffee machines, irons and juicers. It also includes cameras, camcorders and photographic accessories such as film. Also, optical equipment such as projectors, binoculars and telescopes are accounted for.

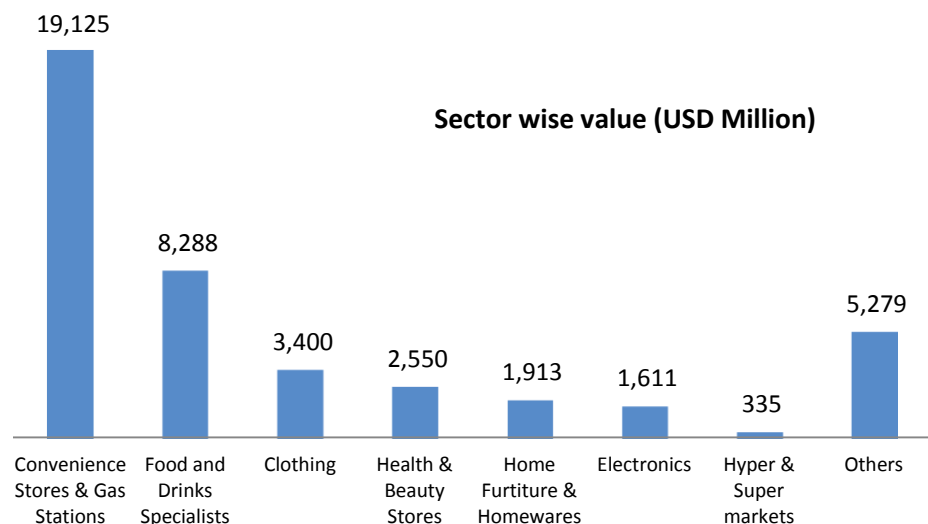
## Others

The "Others" category includes gardening supplies retailers; discount, variety store, and general merchandise retailers; music, video, books and stationery retailers; duty free retail; and other retailers.

## MARKET VALUE BY SECTOR

The total market value of retail sector was \$42.5 Billion in 2010. The Hyper and Super market sector accounts for 0.79% share of the total retail market. This sector was valued at \$335 million in 2010, with a CAGR of 13.50% over the 2006-2010 periods.

The convenience stores hold the largest segment of retail as it accounts for 45% of retail market in Pakistan in 2010. Food and beverages is the second largest segment of retail accounting for 20% of total retail market while clothing and health accounts for 8% and 6% of the retail market.

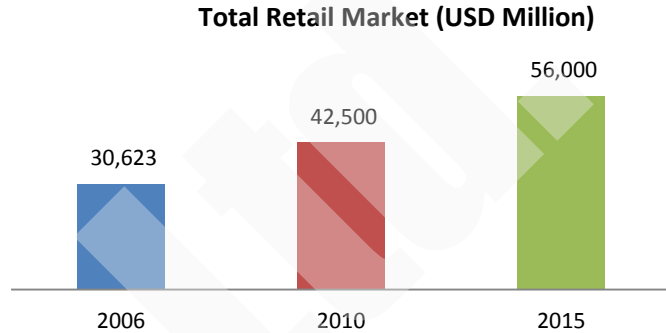


The detail breakdown of share of each sector in retail market is given in the graph below:

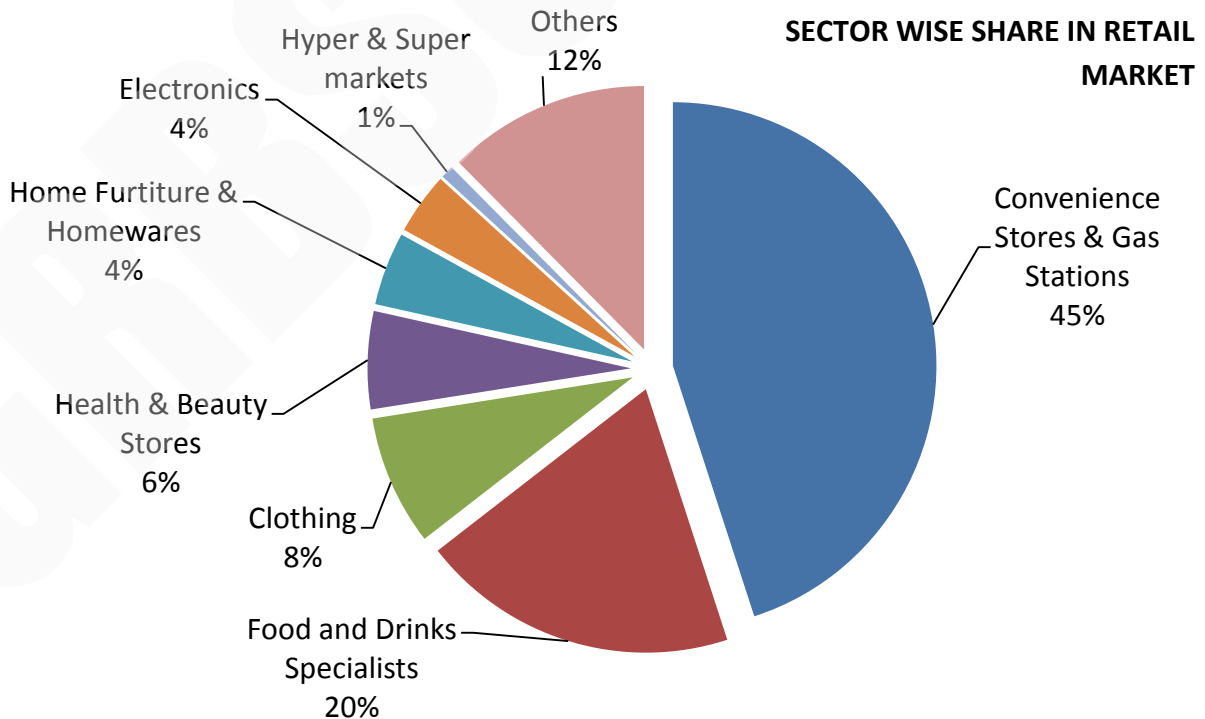
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## HISTORICAL COMPARISON and FUTURE PROJECTION

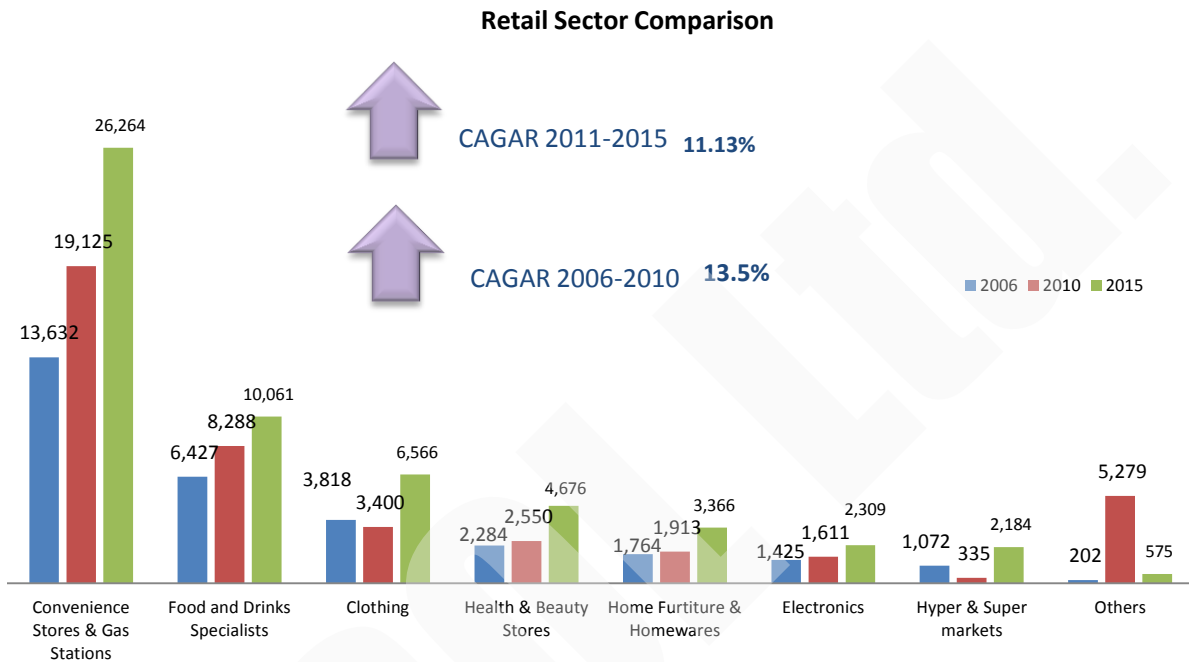
The retail market has witnessed tremendous growth over the past few years. The retail sector is one of the fastest growing sectors of Pakistan. In 2006, the size of the market was USD 30,623 Million and in year 2010, the market value has increased to USD 42,500 Million while in year 2015 the value is forecasted to be USD 56,000 Million.



The Hyper and Super market sector accounts for 0.79% share of the total retail market. This sector was valued at \$335 m in 2010, with a CAGR of 13.50% over the period of 2006-2010. This sector is expected to reach a value of \$ 570m with a CAGR of 11.13% over the period 2011 - 2015 while the total retail sector is expected to reach a value of \$ 56,000m with a CAGR of 7.14%. The sector wise growth trend is given in the graph below:

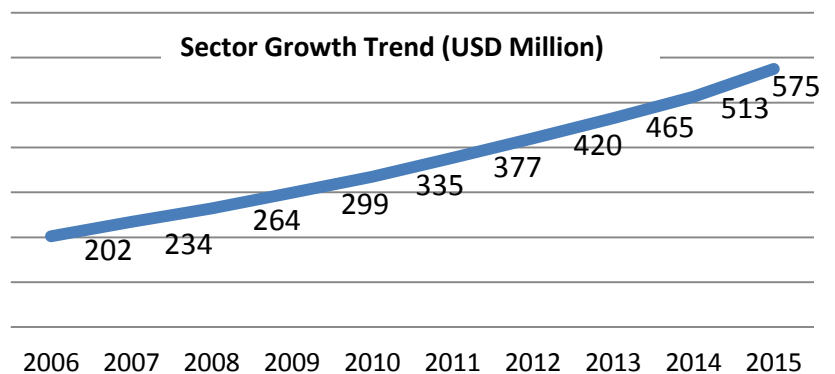


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## Sector Growth

Over past few years, the sector has shown a tremendous growth as depicted in the graph. The graph shows that the sector is growing well from 2006 – 2011 and is further predicted to continue positive growth in future as well. This is a very good indicator to tap into Pakistan retail sector with world class brands and products. This rise in growth also indicates the changing lifestyles of urbanized consumer market and also the expanding size of consumer market.



In Pakistan there are three big consumer markets one is Karachi with a population of 10 million people, Lahore with 5.7 million people and Faisalabad with 2.1 million people in which an average Pakistani consumer spends 42% of his income on food. Karachi, Lahore and Faisalabad are the most urbanized cities in Asia and also represent largest educated consumer markets in Pakistan.

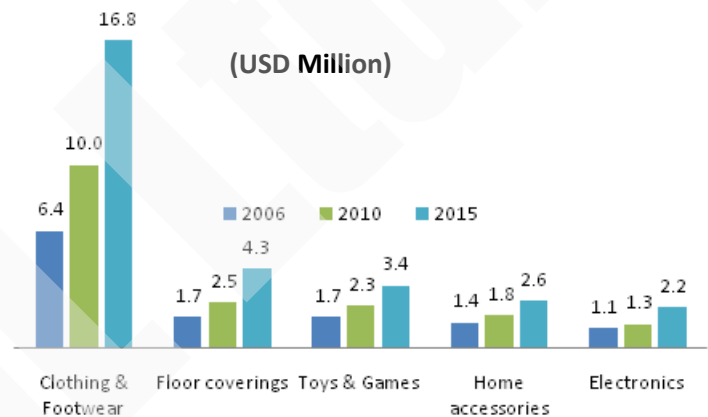
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## HYPER MARKET OVERVIEW

The hyper market segment of retail sector is growing with great pace. Large hyper market chains i.e. Hyperstar, Metro, Makro and Tesco Pakistan (about to launch as stated by UKTI) are all present in Pakistan. The presence of these large chains is a testament to the fact that the retail sector of Pakistan presents immense opportunity for investment.

### Segment Wise Break Up Of Hyper and Super Market Sector

- The hyper and super market sector is majorly comprised of clothing and footwear, floor coverings, toys and games, home accessories and electronics. Each segment within hyper and super market is showing an increase in value over the period of time. The segment wise break as shown in the graph depicting a growing snapshot of retail market of Pakistan. Presently the Hyperstar footprint average on weekends is 40,000.



### Existing Super Market Review

- Opportunity size is large
  - Rising middle class of 30 Million in Pakistan
  - Local Stores enhancing their growth like Al-Fatah in Lahore and Agha's Super Market in Karachi.

TARGETED OPPORTUNITY



## CONCLUSION

1. Retail Market is value at 42 Billion USD in 2010
2. Retail sector expected to grow at 7% till 2015 while the Hyper Market segment is expected to grow at above 10%
3. Currently the hyper/super segment has a 0.79% share (335 M USD). It is expected to grow to 1.02% (575M) by 2015, based on existing companies
4. In our estimate a new market entrant would help expand the market further and increasing the hyper/super segment