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COLLABORATION FOR GROWTH

FRANCHISING - THE WAY FORWARD FOR RETAILERS

- Emerging Role of HR in Indian Retail Scenario
- Report on South India Retail Summit 2015
- Trends and Retail Strategies for 2016
- Report on Retail Employees' Day 2015

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Much has been said about the many benefits that franchising a retail business brings to the owner. But what of the franchisee? What are his compelling reasons to be a partner? There are many pitfalls for a franchisee. The franchisor could place restrictions on how one runs the business and not allow a franchisee to make changes to suit a local demographic.

When, we talk about India, even though retail is enjoying the status of a sunrise industry, franchising systems are still not in place to safeguard the interests of either party or the brand itself. According to retail industry veterans, franchising should be considered only when a brand has sound processes and systems, which can be replicated elsewhere. Also, a brand must master the business before it ventures into seeking franchisees.

Hence, it's extremely critical to lay out control mechanisms and standard operating procedures before taking the franchising route. A strict set of do's and don'ts need to exist and be audited continuously.

In the January issue of IMAGES Retail, we have tried to empirically study the viability of franchising in retail sector and what is the future franchising model in India. What kind of cautionary measures should be taken by both franchisor and franchisee before getting into the alliance.

In this cover story, we have analysed that franchising in India still has a long way to go. For the model to continue its growth run, the many stumbling blocks need to be removed. Also, we need to analyse that is there a large enough pool of capable and committed franchisors to take India's retail story forward?

At IMAGES Retail, we got the feedbacks of many retailers and analysts on the aspect of franchising and the point everyone zeroed down upon is that to up the ante in retail franchising the focus should be more on transparency and trust between the franchise partners.



Amitabh Taneja

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56

COVER STORY

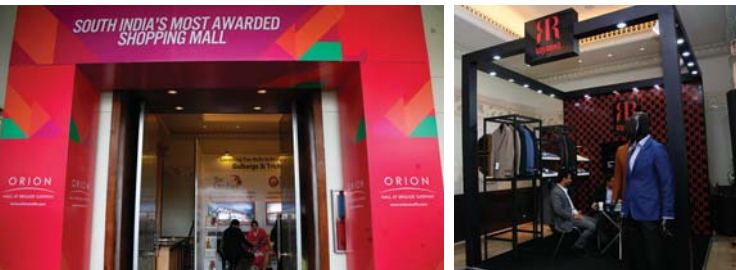
COLLABORATION FOR GROWTH FRANCHISING - THE WAY FORWARD FOR RETAILERS

In this New Year special issue of IMAGES RETail, we have analysed that how brands across categories that have expanded using this business model are fairing in modern retail scenario.



JANUARY 2016 CONTENTS

- 10 INTERNATIONAL ROUNDUP**
Global retailers are tweaking their strategies when it comes to doing business in difficult markets like China. For instance, Yum Brands Inc's China division is simplifying menus, speeding up service and increasing convenience ahead of next year's planned spinoff that aims to tee up the business to eventually triple in size.
- 16 NATIONAL ROUNDUP**
It seems Indian retailers are on an expansion spree, either by drawing up new capex plans or by getting into newer categories. Aditya Birla Group controlled Grasim Industries has drawn up capex plan of ₹150 crore for product development, R&D and business development for its new fabric brand Liva in next fiscal.
- 24 EVENT**
The first-ever South India Retail Summit was held on December 10 at the ITC Gardenia in Bengaluru. Comprising a day-long conference and exhibition, the event's mission was to focus on 'Building successful retail models and growing the retail ecosystem in a technology and digitally-enhanced retail atmosphere to delight new age consumers'.
- 42 CELEBRATIONS**
Retail Employees' Day (RED), celebrated every year on 12th December is aimed at applauding the efforts of retail employees in India - and eventually the world. The theme was born from the need to create the pride of belonging to the retail community by recognizing their efforts through public appreciation.
- 48 IN FOCUS**
The 4th R in the strategy loop completes with hiring the right people in retail companies. The article talks about the paradigm shift in role of HR function from a mere operational partner to a more strategic partner.
- 76 PROFILE**
Victorinox Swiss Army watch is suitable for any activity or function it carries a premium, thanks to the Swiss heritage. In an exclusive interaction with Anil Prabhakar, Debraj Sengupta, CMO and Country Head talks about the journey of the brand and their future expansion plans.
- 80 TRENDS**
At the brink of 2016, as we gaze in to the crystal ball of emerging trends for retailers, technology trends exist at two levels. We will look at the top 5 near-term technologies which should be on top of most retail CTO's shopping lists to ensure parity.
- 82 ANALYSIS**
As 2015 comes to an end, it's time for an annual round-up of how the retail sector performed in 2015 and predictions for the year ahead.
- 84 INDEX**



SOUTH INDIA RETAIL SUMMIT 2015

The first-ever South India Retail Summit was held on December 10 at the ITC Gardenia in Bengaluru. Comprising a day-long conference and exhibition, the event's mission was to focus on 'Building successful retail models and growing the retail ecosystem in a technology and digitally-enhanced retail atmosphere to delight new age consumers'.

By Roshna Chandran

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UNDERSTANDING SOUTH INDIAN CONSUMERS

Changing consumer behaviour dynamics have retailers struggling to drive in more shoppers. Online innovations and enhancing consumer experiences at the store level are some of the interesting evolutions in the South Indian market. Rashmi Nair, Associate Director of Deals Strategy PwC gives a brief over view on the South Indian consumer's various segments.

Segmenting consumers through various surveys and studying why they shop at certain places, Rashmi Nair, Associate Director, Deals Strategy PwC, revealed that most South Indian consumer behaviour varies across sectors and what maybe the shopping scenario in the apparel segment, may not be the same in jewellery. They are price conscious. According to her detailed views on consumer behaviours in the Southern region which includes regions such as Kerala, TN, Karnataka, Telangana and AP, do have many consumers who are willing to spend a premium, "Brands are a way for consumers to tap into an aspirational lifestyle. They value variety," she pointed out.

There has been a significant increase in shopping in the jewellery, savouries segments, especially biscuits. The ethnic apparel, beauty and wellness and the need for natural product are some of the up coming segments.

The way consumers get segmented varies. There are consumers who are value conscious and price conscious. There is a large population of young shoppers who are educated and who most retailers refer to as the millennium generation. According to Nair, this is a very good segment but this is a customer who is very specific and not very loyal. These are mostly online shoppers who are located in tier 2 and tier 3 markets. They are not price sensitive. For the aspirational customer, the brand plays a very crucial role, where he shares his experiences with his strong network of friends, thus becoming an influencer to the aspirational group.

A typical female consumer nowadays uses her mobile phone extensively to check on-going deals. Such a consumer is more likely to return to a retailer who has made efforts in services. "We find the service element as part of the overall shopping experience, when she has an issue she is proactive in resolving it. This is not a snap shot of all consumers in the Indian population but a majority of the consumers comprise of this segment for most businesses in India," said Nair, "We have asked consumers why do they shop and why do they go to the store and some respond that the prices are good at that particular store. Price and value seeking is still dominant in the Southern states."

She went on to point out that value does improve shopping behaviour but the thumb rule is, it does not guarantee consumer stickiness. A lot of consumers are considering online shopping because the return policies are getting better.

There are still several brands who have found out that the shopping experiences are broken. Consciousness is rising in India. Based on Nair's research, she discovered that the gap between brands and unknown brands is much higher in India. Consumers are more willing to pay for an A brand. Talking to several consumers she found out that they are looking for variety. She explained, "6 out of 10 consumers fit into the category of style conscious shoppers who are aspirational and in this 3 out of 10 actually value variety and be able to use this variety to align to current global styles."

Nair also pointed out that off late, a lot of local brands have expanded into becoming national brands. There has been a significant shift, especially in the savoury segment, where several unbranded retailers were turning into branded players within the biscuits categories.

Nair concluded that from the feedback she had received from clients revealed that there is a rising interest in ethnic apparel especially for women. These are segments that continue to create traction or see a shift in brands. There is a rise in the beauty and well ness providers as well as natural products. There is also a growing urge for consumers to be like their celebrity icons. She said, "Price and brand are closely associated and customers cannot associate one without the other."



▲ RASHMI NAIR, ASSOCIATE DIRECTOR, DEALS STRATEGY PWC



Role of HR in Retail

The 4th R in the strategy loop completes with hiring the right people in retail companies. The article talks about the paradigm shift in role of HR function from a mere operational partner to a more strategic partner.

By Manisha Bapna

Mydala inspires and engages its employees with a Resolute Wall to lend their ears to employees' personal targets, resolutions and projections along with resolutions from the founders. Job enrichment and job rotation are regular functions of the HR department at Indus League Clothing Ltd. What is exciting is that they provide extraordinary opportunities to employees to acquire new set of skills in their interested areas. With retail industry undergoing a massive change, the HR function needs to be well-versed with thorough knowledge of the structure of every work-system in an organization. Earlier, retail sector was only driven by the "right product at the right time and the right place" strategy. Today it is essential to have the right people to facilitate the same in a competitive scenario" feels Rajeev Gopalakrishnan, Group Managing Director-South Asia, Bata India Limited.

"In the Indian retail scenario, consumers are pampered and spoilt for choice. Unlike western markets, where consumers can scout, explore and purchase products themselves using technology, Indians require and desire plenty of help and assistance from the store managers, sales executives and sales associates. And hence human resource department or personnel play a pivotal role in shaping these executives" says Anupam Bansal, Executive Director, Liberty Shoes.

"We have piloted a "mood meter" which enables store managers to get a quick pulse check of how employees are feeling and then initiate activities that can enhance the mood if required" says Rajnarayan, Senior Vice President & CHRO.

Not only the role of HR has changed within the organisation structure per se but HR department has also undergone overhauling in terms of their functioning, treating employees, addressing grievances, understanding human behavior etc. “Employees are not known anymore via their number or ID cards, neither are they restricted to lunch in the common hall with the management team, instead its equality and humanity which defines HR departments today” says Rohit Ahuja, Independent HR consultant. Human resource departments are moving away from the mundane age old tricks of engaging employees. Companies are perking up the incentive systems, compensation packages, recruitment processes, development processes to create value among employees. “Most retail companies are in the process of developing a robust PMS. Some companies take advantage by adopting the parent group’s PMS, while some operate through balanced scorecard or an online PMS. However, measuring individual contribution at the store level is still a challenge” says Sajimol Mathews, HR Consultant & Strategist, Sparkles. However, with higher thrust on talent building, HR department at Lacoste has linked PMS outcomes to appraisals and variable pay for sales force also, to bring into perspective a holistic performance review which includes an analysis of potential as well.

Challenges with HR

With growth, the challenges have also grown to the next level for retail companies. It is no longer implementing systems processes or people etc., instead calculating their impact on business. With the millennials beginning to enter the workforce and the increasing use of technology the work environment is undergoing a change. Some of the critical challenges are tracking ROI effectiveness, calculating individual performances at store level, culture, learning technologies for employees etc. “Organizations are constantly being challenged to redefine, reorganize and reskill their employees to promote efficiency and lessen attrition. Given the nature and requirement from the customer facing roles involved, one of HR’s challenges is to design initiatives to motivate the workforce on the frontline to invest in themselves enough in order to effectively communicate each brand’s story to customers” says Rajnarayan.

One of the critical challenges faced by companies is to objectively measure individual contribution especially at the store level. KRAs are set for all corporate employees, however only 58 per cent of the employees at the store level have unique KRAs set for them. The main reason identified is the inability to differentiate between individual and store performance at that level.

“The focus now has shifted to developing the talent in-house and building their capabilities to match the ever-increasing demands of business communication. The challenge really is not only to create and manage a highly productive workforce; but to look beyond and develop a holistic approach to train and retain the talent” says Gopalakrishnan.

“The biggest and most prominent challenge we face in our work environment is how to break the monotony and boredom in the organization along with handling human beings belonging to diverse cultures, backgrounds, educational levels and aspirations” says Bansal. On the corporate level, various training sessions and inter departmental meetings are organized, idea sharing conventions on new technologies and market insights etc. On the store level, the staffs is provided with persistent inducement sessions which motivate them, arouse their passions towards work, and improve their approach and attitude towards work along with intriguing story telling sessions.

“One of the primary challenges in retail employment is the issue of retention. In order to address on-going challenges of retention, HR needs to continue to deploy effective on boarding programs, engagement initiatives, regular review and constant motivation. It is important to measure effectiveness of existing programs and improvise as needed to ensure goals are consistently being met” believes Saji.

The average attrition rate in the retail industry stands close to 25 to 35 per cent. “Employers will have to accept that staff turnover will be there, but the real challenge is to minimise it and reduce the impact on the business” says Ahuja. What companies need to do is retain them through by a lot of engagement activities to maintain their work-life balance, constant support in resolving the employee grievances, emphasizing fun at work culture, creating a friendly atmosphere among peers and the management.



COLLABORATION FOR GROWTH

FRANCHISING - THE WAY FORWARD FOR RETAILERS

From fashion retailers to salons and even restaurants, the franchise business model has been in existence for a period of time now. However, what remains imperative to realise is whether this business model is apt for your brand to grow. In this New Year special issue of IMAGES Retail, we have analysed that how brands across categories that have expanded using this business model are fairing in modern retail scenario.

By Zainab S Kazi

“No Franchise Queries please!”, reads the WhatsApp status message of Srinivas Kamath, the young and dynamic scion from Kamaths Ourtimes Ice Creams Pvt Ltd. which is better known for its brand – Natural Ice-cream. The revelation further is more surprising – in 2015, according to Kamath, they did not give any new franchisee rights but have gone ahead to enter new markets with their company own and company operated stores in the country. This is worth taking note of since so far, the company was operating with just one company owned and company operated store and had more than 100 franchise store. The case of Natural ice-cream accentuates the potential franchise business has in India and this is our theme for the story to follow.



Aptly encapsulating the dynamics of franchising business as seen in India, Ravi Kant, CEO- watches and accessories division and Executive VP- Corporate Communications, Titan Company Limited shares, "When you break it down to basics, franchising is an asset light model that enables a retail format to expand quickly using multiple partners. While the franchising model has been thriving for years in Europe and other western countries, India has been bitten by the bug in the last decade or so. In the West, many retail formats have spread effectively through organized and professional master or regional franchisees. However, it is a challenge in India - to find the right master-franchising partner with the mindset, resources and the ability to work across diverse markets and geographies that this country affords."

According to Kant, this has been the main reason for Indian retailers to appoint multiple franchisees - from store to store or city to city and this has contributed to a slower pace of development. Kant elaborates, "However, because it is not easy to run retailing businesses in India - it is a good model for international brands to enter and expand quickly. Formats like QSR have taken the lead and India is already home to more than 3,700 brands that use the franchise model. With the economy poised for another growth cycle and consumption expanding to newer markets, franchising will develop, mature and be an important driver to grow reach / access and realize this potential." Anupam Bansal, Executive Director - Liberty Shoes agrees to the point raised by Kant. He shares, "Europe and western countries are mature markets, with laws and regulations being more flexible. In the European and western markets, there is a strict adherence to rules, law and regulations and minimal deviation from company standards due to the maturity of the market. But in India, the scenario is different. Indian franchisee market is at a nascent stage and not so

Franchising is a good model for international brands to enter and expand quickly. **India is already home to more than 3,700 brands that use the franchise model.**

matured observing certain deviations from the company standards."

Hitting right on target with the dynamics of franchising in India, Hemang Bhatt, managing director, HAS Lifestyle Ltd. shares, "The franchising and entrepreneurial business has hardly completed 10 years in India. Our country is 2 per cent organized in franchise arena as compared to the developed western countries where its organized up to 52 per cent. We do face a few challenges as a whole compared to other developed nations as they enjoy sole language, religion, culture. India emerges as a bouquet of different traditions, languages changing every 100 kilometres etc. We are coming out of the mentality of shortcuts to success themes and programs and moving towards consistency and stability. Financial status has improved and a lot of change can be seen in brand awareness."

Adding to the numbers, Ashok Mukhi, MD - Solar Group shares, "Over the last 5 years, franchising in India has been growing at a rate of 30-40 per cent annually driven by factors such as opening up of FDI in retail, young demographic, expanding working class leading to improvement in disposable income and widening penetration of banking infrastructure especially in tier 2 and 3 cities thereby creating additional opportunities for franchising in smaller towns. With respect to the breadth too, franchising in India has mainly spread across only fashion, QSRs and the education sectors and largely in only the tier 1 and 2 cities viz-a-viz several more categories and across the smaller towns in the developed world."

SB Dey, MD - Sreeleathers makes a valid point when he shares, "USA has European companies have written the books in franchising. It will take a couple of decades for us to reach to their level in terms of infrastructure to support. Be it in terms of taxation or building enough roads throughout the country."

Advocating the advantages of having a franchise of a brand, Anurag Poddar, Director - Presto rightly points out that in this business model of operation, the individual is allowed to start his own businesses without



2016

TOP

RETAIL TRENDS TO VOUCH FOR



2015 was the year for the increasing maturity of mobile retail, the proliferation of omni-channel and greater advent of Internet of Things (IoT). At the brink of 2016, as we gaze in to the crystal ball of emerging trends for retailers, technology trends exist at two levels. One is the long term trend of AI (Artificial Intelligence), IoT. Another is a set of technologies which are more near-term. We will look at the top 5 near-term technologies which should be on top of most retail CTO's shopping lists to ensure parity.

By Vivek Wikhe



1. CONVERGENT POS

The way customers prefer to pay is bound to change in 2016. Handheld point-of-sale (POS) systems with a cloud-based back-end have proven to be the device of choice by customers to make payments. They also result in more conversions and better space productivity due to less queues and saving in space for traditional POS. Alongside this change, the adoption of mobile wallets and NFC (Near Field Communication) technologies will increase. Retailers will have to ensure that they keep up with the change in this interaction. 2016 will see adoption of smart terminals, acceptance of mobile wallets, and greater proliferation of NFC and EMV (Europay, MasterCard, and Visa) technologies.

2. AUGMENTED REALITY (AR)

It has been nearly 7-8 years since the magic mirror was first showcased to help shoppers make decisions among different apparel options. Virtual fitting rooms are now more widely accepted and visual merchandisers are constantly innovating to build interactive and more immersive displays. Online retailers like Lenskart allow users to add their own face to the image while making a choice between frames for eyewear. On the same theme, furniture retailers allow app-based augmented reality (AR) to photograph the room and visualize it with the selected furniture item. IKEA recently came out with an AR catalog which accurately measures room dimensions and recommends the best fit furniture options. The interactive nature of AR will attract customers and be a key differentiator in shopping experience. Retailers will have to move in this direction and start integrating AR aspects in their store similar to Van Heusen's recently opened first digital store in Bangalore or on their web and/ or app platform.

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