

# RI IMAGES

# Retail

TM

DECEMBER 2014 VOL.13 NO.12 ₹100

# 50 *Innovative* Online!

*Retail Concepts*

FROM ACROSS THE WORLD!



THE AIMIA  
LOYALTY LENS  
SURVEY 2014 –  
INDIA FINDINGS

MAXIMISING  
SECURITY WITH  
24X7 REMOTE  
MONITORING SERVICE

ROLE OF SUPPLY CHAIN  
SYSTEMS IN ADDRESSING  
CHALLENGES OF  
ORGANISED RETAIL

TARGETED  
MARKETING: A TOOL  
TO STREAMLINED  
RETAILING

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“Humney bhi koi chudiyian nahin pehni hain (we are not wearing bangles!)...” – thus roared Kishore Biyani at a recent e-commerce conclave, in which the organisers--Technopak also revealed that by 2020 this market is projected to be nearly USD 32 billion in India. While he was sweetly playing to the press galleries the seriousness was unmistakable. So, what is totally clear to all today is that intent and money both are cascading in, and seemingly the gloves are off. The obvious next question is what are we in for now? Are we going to see a massive slug-fest for the Indian digital mind space? Oh dear, we so much hope not.

We at our end are sure that what will drive the future growth of e-tailing in India is great innovation and not a mad rush of everyone trying to be everything for every customer. It is also perhaps time that that old “location, location, location” gets replaced by innovation cubed.

Dear December draws curtains onto 2014, the Christmas holidays beckon, and yes, it is sometimes very important to switch off from the daily battles and hark a while at the nicer possibilities. It's a beautiful day and a beautiful world with a lot of beautiful things around us. Let us break free from the battles, technologies, the sciences, the models, the jargons and the mountains of gyaan around us. And as we end this one circle around the sun and begin another, let us not just talk about us and others around us. Let's talk some nice things. Let's inspire nice and let us create nice.

So, for this the December issue of Images Retail we look at some very creative and innovative e-commerce players from across the globe. While some of them have become the biggest and the best in the trade, others have won a million hearts on the sheer freshness of what they stand for. As we give a quick snapshot of the ones we like, we strongly recommend a leisurely visit to them too.

In the year 2015 I have hopes of the most creative years ever seen in Indian retailing.



Amitabh Taneja

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# 50 *Innovative* Online!

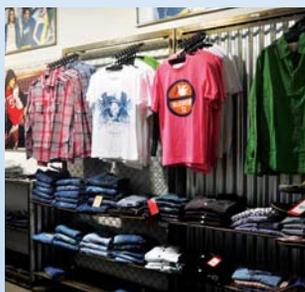
*Retail Concepts*

FROM ACROSS THE WORLD!



Business news we hear as reports of great success and massive investments in online business. Really great news is that Indians are beginning to feel comfortable with on-line shopping, with an average active-online Indian already spending more on-line than his Chinese counterpart. As this business space heats up, I am sure we all await the next level of its evolution.

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**12 INTERNATIONAL ROUNDUP**

Global retailers for sure have pulled up their socks ahead of the holiday season. With the encouraging numbers posted by brands like Michael Kors, which posted a growth of 42.7 per cent compared to last year, there are reasons enough to cheer.

**14 NATIONAL ROUNDUP**

It's time for the apparel brands to show some movement in the stagnant retail market. So Monte Carlo Fashions is all set to raise ₹350 crore through an offer on sale by promoters group and private equity firm Samara Capital, while, Levi Strauss & Co has finally turned profitable in India,-

**18 PROFILE**

Founded in the year 1991 as a processing plant, Suditi Industries has grown in both size and scale over the years. The company has a set-up that includes knitting, dyeing, printing, finishing and garmenting departments.-

**20 INTERFACE**

In an elaborate discussion with IMAGES Retail, Vasanth Kumar, Executive Director, Max Fashions talks about their pragmatic step of associating with Flipkart.com and how and why omni-channel retailing will become market reality for the retail sector.

**24 BRAND WATCH**

Founded in London's East End by Morris Cooper in 1908, Lee Cooper is the original British denim brand with an international appeal and a loyal fan base in over 100 countries worldwide.

**26 MARKETING**

Marketing lies at the heart of any successful business. There are various functions under the aegis of marketing like advertising, public relations, promotions and sales. A company may be offering the best of the products but the potential customers will never know about them if they are not marketed properly.

**30 LOYALTY**

What makes our younger Indian consumers different? Are they any less loyal than consumers in other countries? How should Indian brands appeal to the needs of our newly digital consumers? These are the sorts of questions we recently explored in our Aimia Loyalty Lens online survey conducted across 24,335 respondents in 10 countries including 2,849 here in India. Let me give you a snapshot of what we found.



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Retail is one of the fastest growing sectors in India, ranking second amongst the world's largest consumer markets, and is expected to increase to US\$ 750-850 billion by 2015. The future of the Indian retail industry shows terrific potential with the continuous market growth, favourable government policies and emerging technologies.

## 74 IN CONVERSATION

Número Uno began its journey in the year 1987, as was hailed as one of the first Indian denim brands. With jeans at its core, Número Uno offers a complete range of apparels and accessories.

## 78 TÊTE-À-TÊTE

Personalised gifts are now a popular search keyword in Google and consumers are increasingly demanding personalisation in gifts.

## 82 STRATEGY

In 2009, Amazon.com acquired Zappos.com, a niche e-commerce company that sells shoes and clothes. Again, in the year 2010, it acquired Quidsi, Inc., which operates Diapers.com, an e-commerce venture that sells baby products.

## 86 CONCEPT

Brand Factory, India's largest fashion discount store, was launched in 2006. The first store, touted as the destination store of the company, opened doors at Marthahalli in Bengaluru.

## 88 SCM

India's retail market is expected to grow at a CAGR of 13 per cent to reach around US\$950 billion. Currently, organised retail penetration that is estimated at 7.5 per cent, is expected to reach 10 per cent by 2018 clocking 19-20 per cent p.a. growth.

## 92 SECURITY

The Indian retail industry is on a roll. The country ranks fifth, among the largest retail markets in the world. The market size of the Indian retail industry was around US\$ 500 billion (Source: IBEF) in 2013, and it is expected to grow at the rate of 15-20 per cent per annum.

## 96 PERSONALITY OF THE MONTH

Vishal Singh, Business Head, Vans India (part of VF Corporation)

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**What makes our younger Indian consumers different? Are they any less loyal than consumers in other countries? How should Indian brands appeal to the needs of our newly digital consumers? These are the sorts of questions we recently explored in our Aimia Loyalty Lens online survey conducted across 24,335 respondents in 10 countries including 2,849 here in India. Let me give you a snapshot of what we found.**

# THE AIMIA LOYALTY LENS SURVEY 2014

## INDIA FINDINGS

By Vikas Choudhury

**F**irst and foremost, we found a good 51 per cent of our online users in India describe themselves as “early adopters” of technology, meaning they would be the first person in their group of friends to purchase new technology or try something new. This is interesting. 50 per cent said they are active on social media communities, 60 per cent said they use smartphone apps to make purchases online, and 52 per cent said they use company websites to look for deals and coupons. We also found that 59 per cent are downloading or using coupons on their smartphones and tablets, and a whopping 30 per cent showed interest in using digital wallets. And, as it relates to how Indians interact with loyalty programs through new age digital, a good third earning and redeeming loyalty currencies through apps and social. All in all, it is clear our consumers are digitally savvy and actively engaging brands online.

We then looked at which industry categories Indians feel more loyalty to brands within. Banks

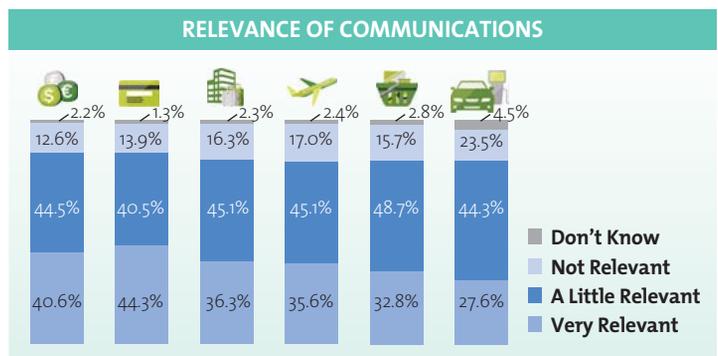
### DIGITALLY ENGAGED WITH BRANDS



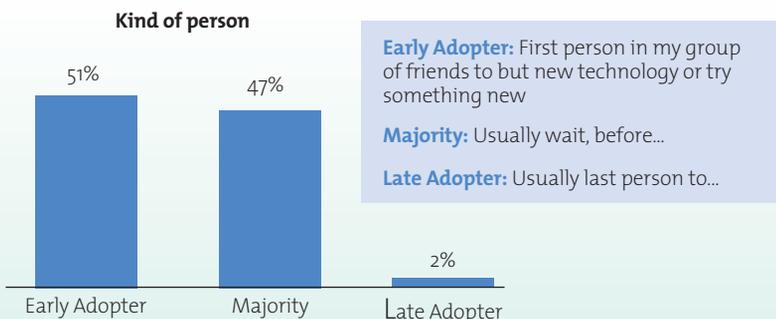
and financial services enjoy the highest level of loyalty with 50 per cent saying they are most loyal to this category. Mobile network operators came in second at 40 per cent, and technology brands followed at 36 per cent. Categories such as supermarkets, restaurants and pharmacies rated low. When we looked into why some categories dominated, our respondents cited reputation as the main reason for remaining loyal to specific banks, getting loyalty rewards as the main reason for remaining with credit cards, price as the main reason for remaining with supermarkets and airlines; and quality as the main reason for remaining with fuel retailers and hotels. And when we looked even deeper into the why we uncovered that it all translates to trust and relevance. Indians trust financial services companies the most with their personal data, and find their communications the most relevant.

On the subject of data privacy and sharing, we found 56 per cent Indians are more concerned with their data privacy than they were a year ago, and 21 per cent have actually closed accounts or subscriptions due to such concerns. But on the flip side, we also found that 74 per cent of them, compared to just 55 per cent internationally, are willing to share their personal data if the data is used judiciously for the purpose of providing them relevant offers and discounts. Further illustrating the openness of Indians to brands, many more Indians than the international average said they would be willing to share their online purchase data. Two thirds said they would use Facebook login to register into a loyalty program. A vast majority would like to know more about the information collected on them, would like to exert greater control over this data sitting with companies, and do not want to be pushed information and offers from a brand unless they have expressly opted into a related program. The inference is clear. Tell customers what you are collecting and why, and then use that data just for the purpose you said you would collect it.

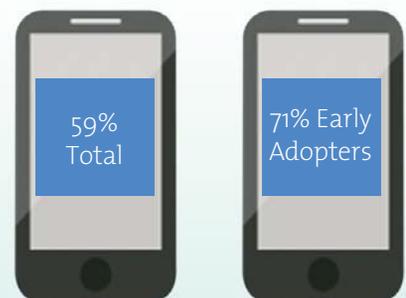
Now to the subject of people's expectations of and interactions with loyalty programs in our market. We



### EARLY ADOPTERS



### COUPON USE ON MOBILE DEVICES





# 50 *Innovative* Online!

## *Retail Concepts*

FROM ACROSS THE WORLD!

Business news we hear as reports of great success and massive investments in online business. Really great news is that Indians are beginning to feel comfortable with on-line shopping, with an average active-online Indian already spending more on-line than his Chinese counterpart. As this business space heats up, I am sure we all await the next level of its evolution.

As part of our passion to inspire and catalyse retailing in India, in this cover feature of Images Retail December 2014 issue, we ask senior columnist *MANISHA BAPNA* to make a pick of 50 innovative global concepts. These 50 stars are a must visit as happy idea-inspiring elixir. We also pay a tribute to some big guns.



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**W**hen it comes to online marketing, it is not just important but critical to take advantage of the right opportunities and options. Players regularly emerge with disruptive approaches to either the models, core offerings, value offerings, delivery, freebies, incentives, to grab repeat online shoppers.

Online shopping is one of the most prominent ways the internet has changed how people live today. And by this we do not mean how it has changed the way how Jeff Bezos, Pierre Omidyar or Jack Ma live, but also for millions across the world. The era of e-commerce imbibes the very old notion of “sell and buy” with the coming of electricity, cables, computers, modems, and the internet. To pick a year, we can say that e-commerce became possible in 1991 when the internet was opened to commercial use. Since that date, thousands and thousands of businesses have taken up residence at myriad websites. A biography of e-commerce is unthinkable without stellar mention of Amazon and eBay which were the pioneers in allowing electronic transactions during 90’s followed by Dell, Staples, Office Depot and Hewlett Packard. But as more and more people shopped it spawned the rise to newer and diverse businesses and online models.

The principles of segmentation and niches have held true over the digital space.

Not only this but today every major brick and mortar department store and specialty store is also operating sophisticated shopping sites offering very significant value and fashionably using incredibly attractive online design and optimising upon social media. The multi-channel era has arrived.

Significantly more than 50 per cent of all income worldwide in the multichannel retail segment is generated online today, and e-tailers are investing in large amounts of imagination to offer more than just basic hygiene features like free delivery, faster payment gateways, and wide choices of millions of listed products.

Some have even begun pumping muscle into mentoring or self-motoring. Alibaba has been aggressively investing in start-up firms, shelling out \$8 billion just in the past six months. Target, the supermarket giant, until recently outsourced its e-commerce to Amazon but is now building its own e-business. Apple’s shops continue the brick and mortar legacy and thrive on beautifully designed stores, cool products and nice people. Some play great host like Flipkart nor Amazon, neither of whom technically engage in online retailing. Instead, both companies serve as Internet-based hosts for thousands of third-party sellers, raking in commissions in exchange for marketing and, often, arranging shipping of the products.



# THE POWER OF NICHE IN E-COMMERCE

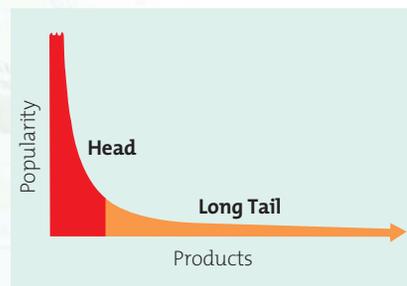
By Harsh Pamnani

In 2009, Amazon.com acquired Zappos.com, a niche e-commerce company that sells shoes and clothes. Again, in the year 2010, it acquired Quidsi, Inc., which operates Diapers.com, an e-commerce venture that sells baby products. Though Amazon.com is already selling everything, it has acquired many unique e-commerce companies and has validated the power of niches.

## The power of niches

In 2004, Chris Anderson, editor of the Wired magazine, popularised the term 'long tail'.

The picture shows a demand curve in which Head products are in high demand. Long tail products are in lower demand and contribute less in terms of unit sales.



Source: [www.thelongtail.com](http://www.thelongtail.com)

Online stores show pictures and descriptions in the front-end and stock inventory at huge warehouses in the backend, so have infinite shelf space and can keep niche products that are part of long tail. They can aggregate demand of like-minded customers from different

The power of the Internet and long tail strategy has given rise to opportunities to create full-fledged **e-commerce businesses out of niche categories including the categories which have small market demand and are part of tail.**



geographies and even long tail products could be sold in large numbers. On the contrary, offline stores have to keep physical products and due to increasing real estate cost, they are able to keep limited fast moving products.

### Baby & Kids Online Store vs. Large Offline Store

The power of the Internet and long tail strategy has given rise to opportunities to create full-fledged e-commerce businesses out of niche categories including the categories which have small market demand and are part of tail.

In the Indian e-commerce sector, mass and big retailers such as Amazon and Flipkart could be considered as part of the head as they are popular, sell almost all the categories and attract consumers of all age groups, but niche players such as Firstcry.com, Healthkart.com, Lenskart.com, etc. serve small market sizes and could be considered as part of tail.

### BUT, HERE IS THE INTERESTING MATHEMATICS

The number of products in the tail (Big Number) x Revenue from sales of each product in tail (Small Number) = A very big number.

Now the question that arises is: When mass market players are selling everything, where is the need for niche players? A popular specialist doctor is more valued by customers than a generalist doctor. Similarly, a popular specialist store is more valued by customers than a generalist store.

By being able to sell multiple products to the same customer, mass merchants (generalists) have the advantage of higher lifetime value of the customer. But, to maintain site layout consistency, mass merchants give the same kind of look and feel to all the categories and to meet the objective of profit of overall business, which is dependent on sales of both top selling and niche categories. Mass merchants focus more on top selling categories and are not able to gain specialisation in every category.

On the other hand, niche players (specialists) have strong focus and defined target groups, so they

differentiate themselves through in-depth understanding of customers' needs, huge variety, high quality products, and exceptional services. Niche players have a clear value proposition and a focused positioning. By providing huge variety including long tail products, they are able to manage business economics and margins and need a smaller scale to get profitable. They create consistency in communication through all the channels such as social networks, blogs, site content, etc. and get preference in search results.

However, owing to small market size, only one player stands to gain sustainable business in each niche category, that is tail, and that one player has to become leader, that is head, in the niche market by serving customers through all possible means. Let us have a look at the emergence of head in one of the categories in tail.

ORION

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