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FACE OF THE FUTURE

Spectacular retail design aids that transform shopper experiences

- The Science of Apparel Retail
- Store Design: Carrefour Planet

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The month of April is indeed the most crucial and significant month of the year for all businesses since it marks the beginning of a new financial year. Industries gear up with new expansion – or consolidation, depending upon the colour of the previous fiscal's balance sheet – plans for the ensuing fiscal. Needless to say, all want to raise the bar on performance in comparison to the year gone by. At IMAGES, similar activities are in effect as we go into print; the business of retail in India can expect even bigger and better initiatives from us in this new fiscal.

Going by the current trends, innovation and renovation are the two mantras for retail renaissance. In this issue, our cover story highlights some stunning innovations in the retail support business – from shop fitting to cash management, visual merchandising, loss prevention and more. As retailers read the story, they will, like us, be floored (pun unintended) by the gigantic leaps technology and imagination have taken to deliver even more cutting-edge shopping experiences.

Meanwhile, Harminder Sahni writes about about the FMCG sector and the key categories and areas that are yet left unexplored. Also, take a look at our store design feature on 'Carrefour Planet', on how a hypermarket format has been completely redesigned to woo the customer in fresh ways.

Amit Bagaria candidly takes a glance at the current reach of national retailers across sectors, and questions the very notion of 'successful retailing'. One of the sore points with retailers in India is what is perceived as a high rental scenario. But it is also true that many modern retailers are under-performing in key markets, although I expect many retailers to vociferously argue that point at the India Shopping Centre Forum (ISCF) 2011 next month in Mumbai. ISCF will this year focus on "Laying the foundation for Retail 2020", and will bring together some of the sharpest minds in the business to discuss fresh ideas for profitable shopping centre development with scores of investors, developers, retailers and service providers. I look forward to seeing you in Mumbai...

Amitabh Taneja

IMAGES MULTIMEDIA PVT. LTD.

Delhi: S-21, Okhla Industrial Area, Phase II, New Delhi 110020, India
Ph: +91-11-40525000, Fax: +91-11-40525001, email: info@imagesfashion.com

Mumbai: 1st Floor, Bharat Tin Works Opp. Borosil Glass Works, Off Military Road Marol Maroshi, Andheri (E), Mumbai - 400 059
Ph: +91-22-42567000/29200043/46, Fax: +91-22-42567022
email: waseem@imagesfashion.com

Kolkata: 30-B, Anil Roy Road, Ground Floor, Kolkata - 700 029
Ph: + 91-33-40080480, Fax: +91-33-40080440, email: piyali@imagesfashion.com

Bangalore: 523, 7th Cross, 10th Main (Jeevanbhima Nagar Main Road), H.A.L. 3rd Stage, Bangalore - 560075
Ph: +91-80-41255172, 41750595/96, Fax: +91-80-41255182
email: bangalore@imagesfashion.com

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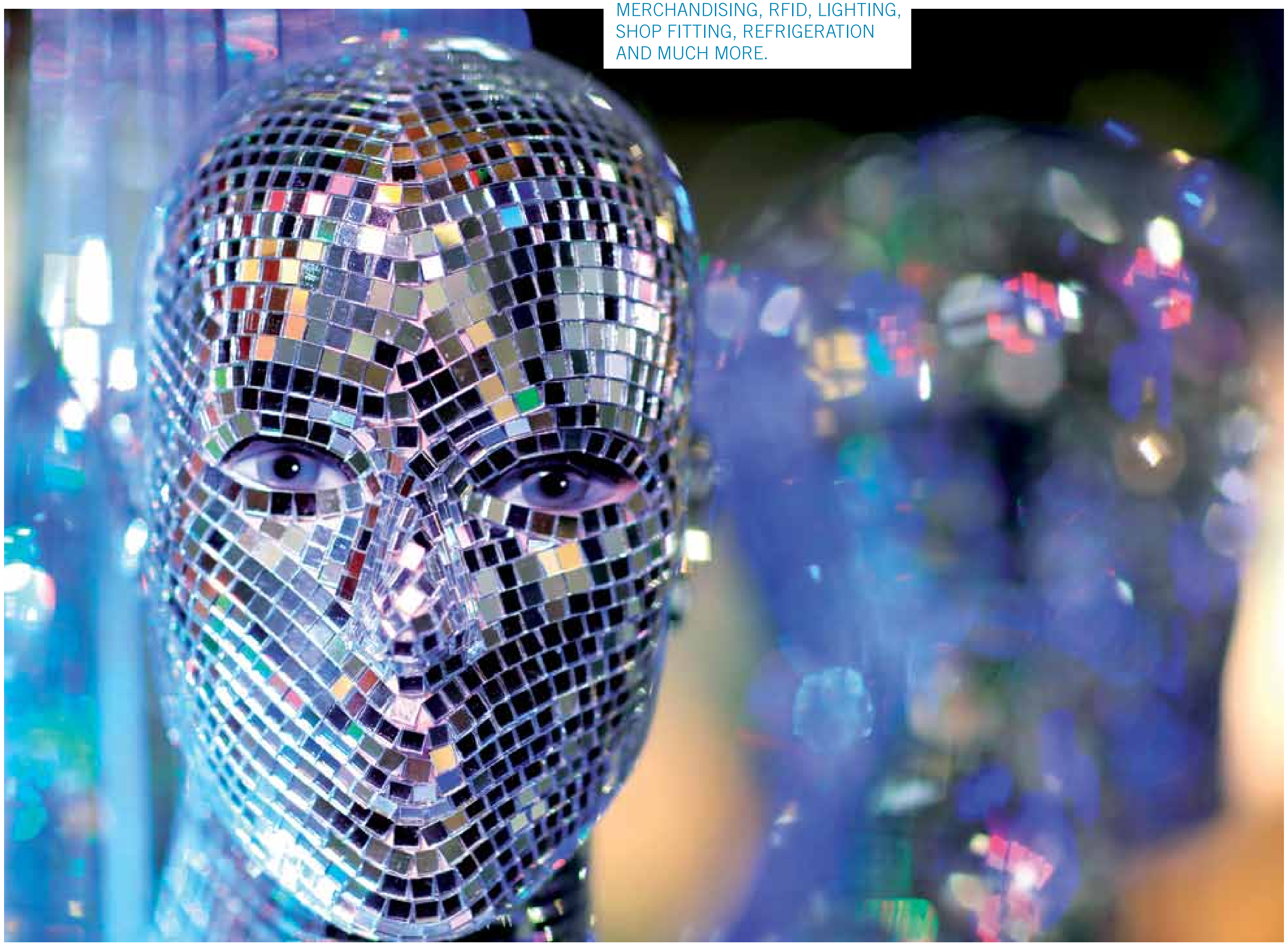
WHEN RETAILERS TURN SHOPPERS!

By Susanne Weller. Photos from Messe Dusseldorf/ ctillmann.

AT EUROSHOP 2011, OVER 2,000 EXHIBITORS FROM 53 COUNTRIES SHOWCASED NEW SOLUTIONS AND PRODUCTS FOR THE GLOBAL RETAIL INDUSTRY, GIVING RETAILERS A WIDE RANGE TO CHOOSE FROM. THE PRODUCTS AT DISPLAY COVERED VARIOUS ASPECTS OF THE BUSINESS, INCLUDING VISUAL MERCHANDISING, RFID, LIGHTING, SHOP FITTING, REFRIGERATION AND MUCH MORE.



After nearly two years of stagnation in the industry, EuroShop – the world's biggest trade show for retail investment goods – has revealed retailers' concrete investment plans. Strengthening of the buyer's confidence, along with a higher disposition of spending money for up-to-date presentation of merchandise, is what many exhibitors experienced during the mega event of the retail industry, held for the 17th time in Düsseldorf, Germany, from February 26 to March 2, 2011.

Held every three years, EuroShop showcases the whole range of innovations in retail – visually, technically, contractually and energetically. In the 2011 edition of the retail event, over 1,00,000 visitors, 60 per cent from outside Germany, descended on Düsseldorf. With a net surface area of 1,07,000 sq.mt, there was much to see. More than 2,000 exhibitors from 53 countries showcased their new solutions and products. The products at display covered almost every area – from sustainability to LED technology, new materials and mobility in shopping.

A tour through various exhibition sectors – EuroConcept, EuroExpo, EuroSales and EuroCIS – captures the following highlights.

SHOP FITTING

The five halls of "EuroConcept" traditionally host the biggest and most amazing stand constructions in the areas of shop design and shop fitting, lighting, flooring and materials. This year, a major highlight in stand constructions was a 680-sq.mt booth of Italian shop fitter Schweitzer Project. The booth had a wooden installation of Southern Tyrolean artist Harry Thaler which, until the end of the show, had to be – and was – knitted completely by an assiduous employee.

Next to it, Vizona showcased a six-metre-high booth square constructed by staples of natural wood – just in front of the Ansorg stand.

The 380-sq.mt stand of Ansorg was enclosed by a net-like façade, allowing people to look inside.The façade was dynamically illuminated with LED spotlights, which transformed the location into a pulsating element. The networked interior was shaped by individualised room units, 'light boxes', which varied in terms of concept, atmosphere and interactivity. In total, they conveyed a differentiated competence spectrum of the German luminaire manufacturer. The main areas presented were energy efficiency, LED concepts and solutions as well as dynamic lighting concepts for the food and non-food sectors.

In shop fitting, the magic words were flexibilisation and individualisation. Examples of a flexible system could be seen at the booth of Kraiss Ladenbau, Germany, which presented a changeable support system – "Shift".

category watch

Creating a Luxury Culture

EXPECTED TO EXCEED $30 BN BY THE YEAR 2016, THE INDIAN LUXURY MARKET OFFERS HUGE POTENTIAL. HOWEVER, EXCESSIVE GOVERNMENT REGULATIONS, CUSTOMS DUTIES AND INADEQUATE INFRASTRUCTURE ARE ACTING AS MAJOR HINDRANCES TO ITS GROWTH.

By Shubhra Saini

In the words of famous fashion designer Gabrielle Coco Chanel, "Luxury is a necessity that begins where necessity ends." Luxury as a category – a long gestation, low volume, but high margin business – has grown tremendously in a host of countries, including the US, Japan, China, the UK and Dubai, among others. One reason behind these countries doing so well in the luxury segment is that they have successfully created "Brand Cults".

In India, though, the culture of luxury retailing is yet to be created. But with the surging number of HNIs (high net-worth individuals) and upper middle-class households, India is likely to emerge as the next luxury retail destination.

As per a 2010 joint report by CII and A.T. Kearney, titled "Luxury in India: Charming the Snakes and Scaling the Ladders", says the growth of India as a luxury goods market and its emerging potential can be gauged by the increasing number of premium luxury brands entering India.

According to the report, the Indian luxury consumer is a 30-45-year old. "While he/she values high quality exclusivity and social appeal as key drivers of luxury purchase, he/she is very price-conscious and often straddles the marketplace with a 'middle-class mindset'," says the report, adding, "the segments are composed primarily of medium-sized enterprise owners, traditionally wealthy families/large industrialists and top-notch corporate executives."

No doubt, awareness about luxury goods is growing and so is the aspiration of the growing middle class, even in tier II and III cities. This presents a huge scope for the growth of the segment. And, to tap the growing potential of the luxury retail market, many groups, such as Genesis Colors, Blue Clothing Company, DLF Brands, Reliance Brands, Murjani Group and The Sachdev Group (TSG), have played – and continue to play – their roles by bringing a host of luxury brands to India.

"Luxury shopping is like an addiction – once you start shopping for luxury brands, you can't go back to 'lower' brands. In India, there is a niche segment for luxury retail brands, and this segment is evolving," says Priya Sachdev, COO and creative director, TSG International Marketing Pvt Ltd.

Upbeat about the potential of luxury retailing in India, TSG had launched Kitsch – a multi-brand retail format for luxury goods – in 2008. Today, the format has two outlets in India – one at DLF Emporio, Delhi and the other at Kala Ghoda in Mumbai.

The company is now planning to expand the presence of Kitsch across

Awareness about luxury goods is growing and so is the aspiration of the growing middle class, even in tier II and III cities. This presents a huge scope for the growth of the segment.

LACK OF A PROVEN REAL ESTATE MODEL, A HIGHLY FRAGMENTED CONSUMER BASE AND NO CENTRAL ORGANISATION TO ADDRESS REGULATORY ISSUES ARE THE MAIN PROBLEMS THAT LUXURY RETAILERS FACE IN INDIA.

In the last five years, though, things have changed drastically. Luxury malls have come up and the govt is working towards reducing the duties, thus, giving a boost to the sector.

Deep Discounts Still Unexplored?

By Harminder Sahni

GIVEN INDIAN CONSUMERS' PROPENSITY TO ACCEPT NEW BRANDS AND OPENNESS TO LOOK FOR BEST VALUE, ALONG WITH HUGE MARGINS BEING EARNED BY FMCG COMPANIES, THE MARKET APPEARS TO BE READY FOR THE 'DEEP DISCOUNT' RETAIL MODEL.

The Indian FMCG market – already the world's sixth largest – has been growing at a double-digit rate for last 10 years. Multinational firms, such as HUL, P&G and GSK, among others, as well as Indian FMCG biggies, including Dabur, Godrej and Marico, have not only been growing steadily, but also increasing their margins every quarter.

Not only are the margins higher for FMCG companies than many other consumer products companies, these companies also have the power to pass on most of the increase in the cost of raw materials, besides other expenses, to the consumer by periodically increasing the prices.

The FMCG companies have an immense control over their distribution channels and leave very little margins for retailers and distributors. Also, the inventory and working capital management of Indian FMCG companies is remarkably efficient and most of the time it is the retailers and stockists who carry stocks at their own cost. Hence, it's not a surprise that they are highly profitable.

The other side of the story is that the success of FMCG companies has been a major bane for modern supermarkets such as Reliance Fresh, Food Bazaar and More. Most supermarkets were set up on the assumption that there was a lot of margin in fresh fruits and vegetables, milk and meat. The FMCG basket, anyway, constitutes less than 20 per cent of the monthly household consumption and FMCG companies offer very little margins – so all focus was on the fresh range.

As we all know, the issues in fresh F&V (fruit and vegetables) supply chain turned out to be far more complex than imagined and most companies seem to have given up on sorting these out. On the other hand, when these retailers tried to squeeze more margins from FMCG companies, most companies didn't oblige.

The argument from FMCG companies has been that most modern retailers have failed to deliver on the aggressive roll-out plans and, hence, not lifting the volumes they had promised initially. Also, modern retailers were being given higher margins as compared to traditional retailers; they were also seeking a lot of other services such as direct-to-store delivery and longer credit periods. In the last few months, many FMCG companies have actually started renegotiating the margins, claiming their traditional distributors and retailers are unhappy with the higher margins being given to modern retailers who offer this as discounts to consumers to pull them away from traditional retailers.

FMCG companies believe they create the product, brand it, create consumer pull and make consumers seek out their brands. Hence, they are right in keeping most of the margin to themselves.

THE IDEA IS TO CREATE AN FMCG COMPANY OFFERING A COMPREHENSIVE RANGE OF ITEMS AND RETAIL THROUGH ITS OWN STORES. THE INSPIRATION FOR THIS COMES FROM STORES SUCH AS ALDI AND LIDL.

Aldi and Lidl have revenues in the range of $60-70 bn from thousands of stores they manage in their markets. In Turkey, a breakaway team of Aldi has created a 3,000-store-strong chain, BIM, which is generating huge revenues.

For modern retailers, it seems like a really difficult situation where the original plan of being a store for all household needs seems hard to fulfill due to lack of success in the fresh range; on the other hand, FMCG was never supposed to be the margin driver and is becoming hard to manage.

FMCG companies believe they create the product, brand it, create consumer pull and make consumers seek out their brands, hence they are right in keeping most of the margin to themselves. These companies don't see much role of retail – modern or traditional. I fully agree with their viewpoint and believe that in case of FMCG, it is the product first and then the brand, and maybe retail comes far third in terms of importance from the consumer's point of view.

We have seen many Indian brands in the FMCG segment being created from scratch and becoming highly successful. Take the example of Ghari detergent, 'Moov', or even 'Shakti Bhog' (wheat flour, gram flour etc); all these brands have become huge due to their product quality that brought in more consumers and hence pulled in more distributors, increasing the virtuous cycle of growth.

If an upstart brand such as Shakti Bhog can come from behind with limited resources and expertise, beat MNC firms on their own turf and garner the biggest market share in their segment, then it must be possible to do so in any other segment.

While many FMCG companies have been doing it in a few product segments and successful at that, I am suggesting this can be done at a much bigger scale. The idea is to create an FMCG company offering a comprehensive range of items and retail through its own stores spread all across. The inspiration for this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