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APRIL 2012 • VOL. 11 NO. 4

INDIA'S BEST SELLING MAGAZINE ON MODERN RETAIL

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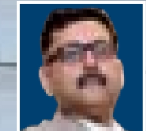
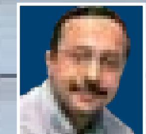
Optimising Store Count

The art of closing stores to bounce back into profitability



Entrepreneur:
Vikaas Gutgutia
MD, Ferns N Petals

- Opportunity: Taking Your Business Online
- Show Reports: India Fashion Forum; Food & Grocery Forum India



Retail Excellence:
Himanshu Chakrawarti
CEO, The MobileStore

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APRIL 2012 • PAGES 108 • VOL. 11 NO. 4

There will rarely be an ambitious retailer who doesn't want to grow big and expand his presence nationwide. But geographical expansion is of little use if the store-level profitability goes haywire. Indeed, the graveyard of the retail world is littered with retailers who tried to grow too fast and imploded because the new stores proved unviable and dragged the entire company down. That is why the art of closing stores and withdraw gracefully to a more sustainable level is something that every retailer must know. Our cover story this edition focuses on the important issue of store closure, the many mistakes retailers make that lead to downing shutters down the line, and the best way to optimise the store count without harming the reputation of a brand in the market.

Our newly launched Retail Excellence column takes the spotlight this time to The MobileStore of the Essar Group, which, with 800 stores across 145 cities, is one of the largest mobile phone retail chains in India. The retailer has carved out a niche for itself in its segment and plans to grow aggressively to a 1,000 stores in the next few years.

We believe that each successful entrepreneur has an interesting story to tell. That is why from this issue we have begun a new section on retail entrepreneurs of India where we will tell their story to our readers in their own words. We begin the series with Vikaas Gutgutia, the down-to-earth founder of the flower retail chain Ferns N Petals who has carved out a niche in a category that is still dominated by the ubiquitous footpath florist. His story proves that the much-touted American dream can be lived in India too provided you have enough grit the and determination to make it big.

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Printed & published by S P Taneja on behalf of Images Multimedia Pvt. Ltd. Printed at Modest Print Pack (P) Ltd. C-52, D.D.A. Shed Okhla Industrial Area Phase -1, New Delhi - 110020 and published by S P Taneja from S - 21 Okhla Industrial Area Phase – 2, New Delhi.110020 Editor: Amitabh Taneja

CONTENTS

APRIL 2012

IN THIS ISSUE

REGULARS

CLOSING STORES MAY BE AN EMBARRASSING AND UNPOPULAR ACTIVITY WITH RETAILERS, BUT IT IS ONE OF THE ESSENTIAL ARTS THEY HAVE TO LEARN TO SURVIVE WHEN THE CHIPS ARE DOWN. HOWEVER, THERE IS MORE TO IT THAN JUST PULLING DOWN SHUTTERS AND LETTING THE EMPLOYEES GO – THERE ARE LEGAL AND FINANCIAL IMPLICATIONS INVOLVED. YET, RATIONALISING THE STORE COUNT IS CRITICAL IF A RETAILER HAS TO JUMP BACK INTO PROFITABILITY AND LIVE TO FIGHT ANOTHER DAY cover story

Store Count Optimisation

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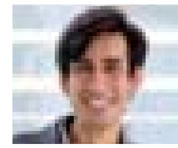
By Priyanka Dasgupta

The issue of optimising store count came into spotlight after Subhiksha became over-extended and imploded


Parikshit Sharma
COO, NewU


Mohit Seth
Business Head, Nautica


Nasir Jamal
Founder, Citywalk Shoes

The decision to rationalise store count by closing down the loss-making or unviable outlets is something that almost every retailer worth his salt has to take at one time or another. This is needed to alleviate the negative effects of breakneck expansion, wrong choice of location, or poor sales. This is not a pleasant process for anyone because closing down stores is not only an indication that the retailer made some mistakes, it has its fair share of challenges and legal complications too. But industry experts say it is worth the effort as the brand can bounce back to profitability and embark on a more cautious expansion strategy later.

For the Indian retail industry, the issue came into spotlight after the R Subramanian-promoted Subhiksha started shutting down stores after it ran into a huge debt due to a massive expansion spree. The discount retail chain's fate – it imploded after it became over-extended with 1,600 stores and ran out of cash – was an eye opener for other players who realised that, all said and done, size does not matter – it is profitability that holds the key to success in a low-margin business like retail.

Many retailers thereafter started taking a fresh look at core issues such as the bottom line, locational feasibility, and conversion rate rather than just focussing on scaling up nationally. The Future Group re-evaluated its various formats and stores some years ago and merged its single-store formats with its department stores.

Factors such as managerial neglect, inadequate capital, poor sales, over-expansion, and insufficient or ineffective advertising may gradually lead to a situation where a retailer needs to shut stores to maintain profitability

IN A LOW-MARGIN BUSINESS LIKE RETAIL, ADEQUATE FUND INFUSION IS THE KEY. IN INDIA, HOWEVER, ACCESS TO FUNDS FOR RETAILERS IS LIMITED AT THE TIME OF SCALING UP NATIONALLY

Aditya Birla Retail has announced it intends to shut over three dozen stores which have become unviable due to wrong location or high rentals. It has already shuttered over a dozen 'More' branded stores and is identifying other loss-making ones to reduce its net loss of Rs 423 crores.

In the West too, store closure is a routine phenomenon. With consumer spending still moving at a slow pace, international players are identifying and shutting down their weakest stores to protect profits. By doing this, they are putting themselves in a stronger position and not spending cash in places that are not likely to produce the results they want.

For instance, Superdrug Stores, the second largest health and beauty retail chain in the UK, selling products such as vitamins, toiletries, and beauty products, is currently rationalising operations. American retailer Abercrombie & Fitch closed almost 50 stores in 2011 for reasons of profitability. Best Buy is closing 50 large-format stores and will now focus on smaller stores selling mobile electronics to increase profits. High business rates and rents are forcing many retailers to close stores.

WHY STORES CLOSE

There are many entrepreneurs who are attracted to India's consumption story and want to take advantage of the spending power of its consumers. However, after the initial surge, many retail businesses loose track and flounder. This is dangerous because, like anything else, a business requires careful maintenance by the management to sustain its performance. A steady stream of funds to finance day-to-day operations is also important. According to Parikshit Sharma, COO of the national beauty retail chain NewU, factors such as managerial neglect, inadequate capital, poor sales, over-expansion, ineffective or insufficient advertising, and cash-flow problems may gradually lead to a situation where a retailer needs to shut stores to survive.

Says Harish Bijoor, CEO, Harish Bijoor Consults: "In a low-margin business like retail, adequate fund infusion is the key. While some companies are able to start up with little capital, they often reach a point where they need additional financing to continue operations. Without those funds available, they are unable to meet their day-to-day expenses. In India, access to funds for retailers is limited, especially during the time of scaling up nationally."

Dial S for Success

The MobileStore, India's first national chain of telecom retail outlets, has 800 outlets in 145 cities

THE MOBILESTORE, A PART OF THE ESSAR GROUP, TOOK AN EARLY LEAD IN THE MODERN RETAIL OF MOBILE PHONES BY SETTING UP A NATION-WIDE CHAIN OF STORES IN 2006. TODAY, IT HAS AN ANNUAL TURNOVER OF ₹1,500-1,600 CRORE THROUGH MORE THAN 800 STORES, AND CLAIMS OVER 40 PERCENT MARKET SHARE OF THE MODERN TELECOM RETAIL MARKET IN INDIA. THE COMPANY'S OFFERINGS INCLUDE MULTI-BRAND HANDSETS, ACCESSORIES, MOBILE CONNECTIONS, TABLETS, DATA CARDS AND VALUE-ADDED SERVICES SUCH AS HANDSET REPAIR AND EXCHANGE. THE MOBILESTORE CEO HIMANSHU CHAKRAWARTI, WHO JOINED THE CHAIN IN APRIL LAST YEAR, HAS INTRODUCED A SLEW OF MEASURES TO CONSOLIDATE ITS MARKET POSITION AND EXPAND FURTHER ALL OVER THE COUNTRY

→ Mobile telephony over the last two decades has turned India's telecom market upside down. The mobile subscriber base in India is expected to rise 9 percent this calendar year to reach 696 million (Gartner figures). The market is being driven by expansion into rural and semi-urban areas and the availability of inexpensive handsets.

India has emerged as the world's largest mobile handsets market after China, with revenues expected to rise from ₹25,591 crore in 2010 to ₹35,005 crore in 2016 (Frost and


The MobileStore CEO Himanshu Chakrawarti

Sullivan figures). Around 200 mobile handset brands are today vying for the consumers' attention, from global ones like Nokia, Samsung, and Blackberry to home-grown ones like Micromax, Karbonn and Spice.

Sensing the market opportunity, the Essar Group in 2006 set up a pan-India chain of telecom outlets called The MobileStore Ltd. It is currently led by CEO Himanshu Chakrawarti who joined the mobile phone retailer in April last year.

POSITIONING

The MobileStore is positioned as a one-stop mobile-solutions smart shop that offers a convergence of mobility solutions and mobile lifestyle. It is India's first and one of the largest national chains of multi-brand and multi-service mobile phone outlets where customers are offered the touch and feel experience of buying phones through experiential selling in a sophisticated shopping environment.

The MobileStore, with an annual turnover of ₹1,500-1,600 crore, claims more than 40 percent market share of organised modern telecom retail in India. Its offerings include multi-brand handsets and accessories, mobile connections and recharges, computer tablets and data cards. Some value-added services are also provided such as handset repair and exchange, apps, mobile insurance, and extended warranty.

All major handset brands – both Indian and global – in mobiles, tablets and data cards are retailed at The MobileStore to ensure all consumer needs and tastes are catered to. These include names such as Samsung, BlackBerry, Nokia, Apple, Sony Ericsson, LG, Samsung, HTC, Spice, Karbonn, and Micromax. Customers can get phones at various price points, from the entry-level basic instruments costing around ₹1,000 (Nokia 1280/ Samsung 1081) to those on the very top, such as Apple 4S (64 GB) priced around ₹55,000.

The MobileStore has also tied up with leading telecom services operators including Airtel, Vodafone, BPL, Uninor, Idea, MTNL/BSNL, Reliance and Tata Indicom to sell new connections.

The MobileStore, with an annual turnover of ₹1,500-1,600 crore, claims more than 40 percent market share of the modern telecom retail market in India.

THE NATIONAL MOBILE-PHONE RETAIL CHAIN TODAY BOASTS OF A COMBINED BUILT-UP AREA OF 4,04,827 SQ.FT. ITS STORES ARE LOCATED ALL OVER, FROM MALLS AND HIGH STREET TO THE RESIDENTIAL AREAS.

REACH

Over the last few years, The MobileStore has grown to over 800 outlets across 145-plus cities, covering almost every major town in every state across India. The national mobile-phone retail chain today boasts of a combined built-up area of 4,04,827 sq.ft. Its stores are located all over, from malls and high street to the residential areas.

All the The MobileStore outlets put together attract over 1.2 million footfalls each month, accounting for about six lakh transactions monthly. It is also the largest organised chain in India selling new mobile connections – over 4 lakh are sold each month.

STORE FORMATS

The MobileStore's outlets are a mix of company-owned and company-operated (coco) stores, shop-in-shops, franchised stores, and kiosks. Only about 50 of its 800 stores are run by the franchisees, though the company aims to increase this figure to 60 in


The MobileStore is positioned as a one-stop mobile-solutions smart shop

Employees are your partners
Treat them like one!

By Sheetal Choksi


Indian retailers should learn from global players about partnering with employees

THE SUCCESS OR FAILURE OF ANY BUSINESS TO A LARGE EXTENT DEPENDS ON ITS EMPLOYEES. MOST COMPANIES TALK OF THE IMPORTANCE OF TREATING EMPLOYEES AS EQUALS BUT ONLY A FEW FOLLOW ON THROUGH THE PROMISE. WE CAN LEARN FROM THEIR GLOBAL COUNTERPARTS AND BEGIN TO TREAT OUR EMPLOYEES AS PARTNERS IN PROGRESS. SINCE EMPLOYEES CONTRIBUTE TO THE ROI AND SALES OF A BUSINESS, THEY SHOULD BE GIVEN AN EQUAL CHANCE TO SHARE IN ITS SUCCESS AND PROFITS

Rising consumerism in India is leading to an upsurge in the number of brands available to consumers. The domestic brands are not the only ones proliferating – international brands too are being launched at a lightning speed. Looking at the larger picture, we find that global brands do not enter India with their product range alone – they actually walk in with a very different set of work culture and professional ethics.

We may not like to accept it but the fact remains that internationally, retail employees carry with them a much better sense of pride and commitment to their work compared to what we see in India. Due to the work culture existing in our country, most retailers automatically feel uncomfortable entrusting front-end employees with decision-making responsibilities. Most of the time, they do not get any opportunity to make some real contributions to the growth of the business beyond sharing a few of their ideas with the management.

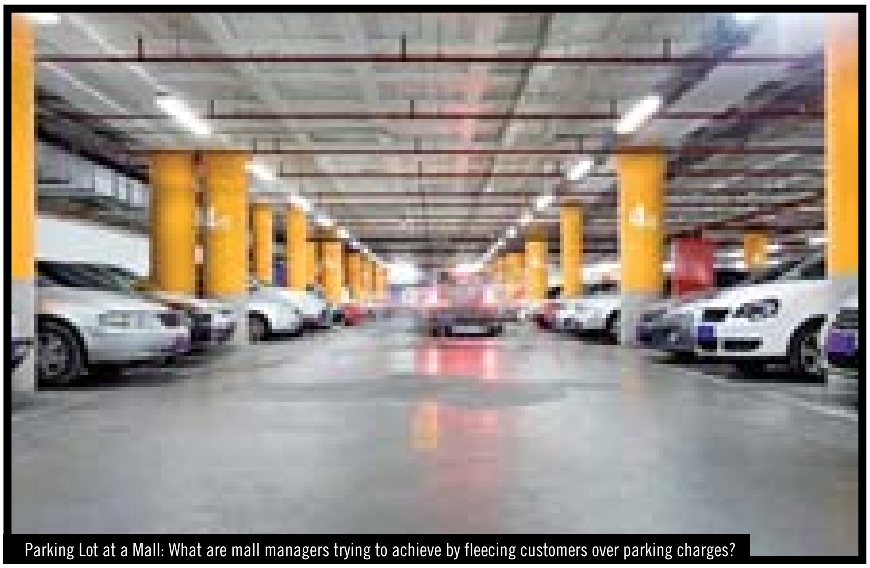
But it is time for all of us to involve our employees in our business and treat them as stakeholders. International success stories like Walmart, Starbucks, and John Lewis show us the way. We must shed our reservations and unleash the combined wisdom of our employees to mutual benefit.

THE NEED TO TREAT EMPLOYEES AS PARTNERS

Let us begin with understanding and, more importantly, accepting our basic psychological block: it comes naturally to most of us to view our employees as subordinates, as people who need to follow orders and instructions of their immediate superiors. But if, for a change, we begin to consider them as net contributors to our ROI and sales, perhaps we can remove this mental block and view them as our valued partners.

Employees can contribute much more to the company than they usually do. They shall be more

Malls Have to Respect Customers



Parking Lot at a Mall: What are mall managers trying to achieve by fleecing customers over parking charges?

MALLS ARE MUSHROOMING ALL OVER INDIA AND THEY ALL DEPEND ON CUSTOMER FOOTFALLS FOR SURVIVAL. WHY THEN DO MOST OF THEM INSIST ON FLEECING CUSTOMERS AND HUMILIATING THEM IN AN ATMOSPHERE OF MONOPOLISTIC EXPLOITATION? FORGET ABOUT CUSTOMERS, MOST MALLS AND STORES DO NOT TRUST EVEN THEIR OWN MANAGERS TO TAKE INDEPENDENT DECISIONS TO DIFFUSE A CRISIS WITH CUSTOMERS

By Harminder Sahni

Every single time I visit a mall in India, I am simply amazed at the audacity of mall managers to increase parking charges for visitors' vehicles. It is ridiculous to note that the charges during weekends are almost double those charged from mall customers during the weekdays. (It is not that the charges during weekdays are insignificant either!) I really do not understand what mall managers are trying to achieve by fleecing consumers who have no choice but to shop over the weekends and park their vehicles at the malls. We are all well-aware of the terrible shortage of parking spaces in our cities.

MONOPOLISTIC EXPLOITATION

This practice is nothing but monopolistic exploitation at its worst. If some mall manager's logic is that they are trying to woo consumers to shop during weekdays by offering lower parking charges, I am not willing to buy it. I do not think any consumer will decide her shopping trip based on the level of parking charges. It seems to me that the mall managers are applying this same logic to charge from customers as much as they can get away with, because they know that consumers would not mind paying relatively small amounts of money, even if the charges are unreasonable. But the point here is not the money but the mall managers' attitude towards consumers who are actually the very reason why the malls exist and who pay for everything at the mall, including mall management's salaries.

I am quite certain that mall mangers will have a sufficient justification for charging extra parking fee from mall visitors, but I do not think even they can justify increasing these charges every few months. Does the cost of parking, which is basically a fixed asset, increase so often? Is there some serious running cost that goes into managing a parking lot that rises so often? What happens to the parking lot during the weekend to justify higher parking charges?

A parking lot has a certain space for vehicles and any mall manager would be happy to see it packed to capacity all the time. If it fills up during weekends, that is an excellent situation for the mall – why then charge a premium on parking tickets? Are the mall managers trying to dissuade consumers from coming to the mall over the weekends? I really do not get it despite trying my best.

HUMILIATION AND FLEECING

The humiliation and fleecing of visitors does not end at the parking lot but goes inside the mall right up to the stores. Once you are at a store, or – let me say – most of the stores, the security guard pounces on you to collect your bags as if each one of us walks around the mall with an intention to shoplift. We are supposed to trust the security guards with all the shopping done so far and collect a plastic token as receipt. How are we supposed to know nothing will be stolen from our bags by the guards? And if something is missing, how would we prove that the object was actually in the bag when we deposited it with the security?

It is amazing we do not see disputes around this at stores all the time. For this, I will give credit to the general

Shifting Gears: From Offline to Online

By Amit Jain

GROWING POPULARITY OF ONLINE RETAIL IS A FORMIDABLE CHALLENGE TO TRADITIONAL RETAILING. OFFLINE RETAILERS ARE FORCED TO THINK OUT OF THE BOX AS ONLINE RETAIL INCREASINGLY BECOMES "THE NEW NORM" THAN A "NICE TO HAVE." RETAILERS CAN NO LONGER AFFORD NOT TO SELL THEIR GOODS ONLINE

In the last 12 months, there has been a lot of media coverage about e-commerce, led by players which have become household names now, such as Fashion and You, Myntra and Snapdeal. Most of these are pure-play Internet businesses started by entrepreneurs from the technology space. A lot of money being spent by them is private equity or venture capital and most of them are still not making money. So what does all this mean for brick-and-mortar retail stores (offline retail)?

India is a nation of 1.2 billion people, with over half of them below the age of 24. That is a lot of people looking for goods and services, from basic needs like food and clothes to white goods, entertainment, and luxury products. About 40 percent of these live in tier 2 and 3 cities where modern retail has not reached yet and is unlikely to reach even in the near future, given the expensive real estate, wastages in supply chain, and paucity of trained manpower.

The mobile and TV penetration in India has reached 80 and 50 percent, respectively, which means that majority of people in small towns get to watch IPL matches and the *Saas Bahu* shows, making them aware of the latest fashions and gadgets and the lifestyle of those in the metros. There is a rising demand for famous brands and products. It is just a matter of getting access – the consumers are already there.

Tablet PCs will breach the Rs 3,000 barrier this year, broadband costs will become comparable to voice telephony and, most importantly, regulations on mobile payment systems are in the works.

Given the favourable demographics, awareness level and accessibility, the question for established offline

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