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MAGAZINE  
ON MODERN  
RETAIL

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## Flagship Stores: Boosting the Brand



**ENTREPRENEUR**

**Ishveen Anand**  
Founder  
**Nyassa**

The story of the bath-and-body products brand



**RETAIL EXCELLENCE**

**Samir Sikka**  
Head, Retail Division  
**Basecamp**

Travel equipment retailer has aggressive growth plans



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#### THE POWER OF FLAGSHIPS

Modern retail is known for cut-throat competition and razor-thin margins – perhaps the biggest challenge for retailers today is to establish an emotional connect with consumers and create a strong brand recall in their minds. One of the most powerful tools they have to create an impact in the marketplace is flagship stores. These are big stores located at prominent locations and are designed to make a clear statement about the brand to the consumers. They dazzle people with their product range and some of them go out of their way to offer something unique that leaves a lasting impact on visitors.

Indeed, some retailers manage to turn their flagships into tourist destinations – I mean, which visitor to New York won't have heard of the iconic stores of the Macy's or the Tiffany's? Indian retailers too have to learn the art of using flagship stores to not only get noticed in the world but also to leverage them in different ways to boost the brand. I believe each retailer should have a clear flagship-store strategy because these are such a potent medium of expression for a brand.

But to make their flagships a success, retailers must get the location right, find the right balance between size and rentals, create a smashing design that overawes visitors and fine-tune the merchandise mix depending on the catchment. So what is your flagship strategy and have you got it right? Read our cover story to gain some insights into what makes flagships tick.

Apart from flagships, technology is something that offers retailers a clear competitive advantage. I am therefore happy to announce that the next issue of Images Retail is going to be dedicated to retail technology where we will investigate how retailers in India are using technology to gain an edge and the hottest technologies available to them today. Feedback welcome, as always!



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# Flagship Stores: Boosting the Brand

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→ I am a bath and body products junkie. While I was living in the United States, I got obsessed with these. Bath and body products are a huge industry there. You find people selling handmade soaps at every corner in America. It became my indulgence. Most women would go out shopping for shoes and bags, but I would go out to stock up on exotic soaps and scrubs. Slowly, I started spending more time on [www.soapmaking.com](http://www.soapmaking.com) instead of [www.wallstreetjournal.com](http://www.wallstreetjournal.com). That's when I realised there's something wrong in here. I took two weeks off from work and learnt the process of soap-making. It's not rocket science – it's

very much like a kitchen operation, just like making a nice cake. You use butter, natural oils, sugar, salts, etc. to make a soap.

My husband Rishi Kar [currently with JP Morgan] and I moved to India in 2006 to work with a company in their global finance division. But as fate would have it, the job never materialised. So here I was in India with no work. That's when I thought I could give my passion of bath and body products a start with making a few items at my home in Mumbai.

#### FIRST STEPS

When I told my dad I was going to make soaps, he laughed. 'If all you

had to do was make soaps, why did you study finance all this while?' was his reaction. I did some research and realised that to make these products, I needed a food and drug license issued by the state's Food and Drug Administration (FDA). The laws in India are the same for the largest soap manufacturing units as well as the smallest. It took me about three months to convince the authorities that I wanted to make salt body scrubs and sugar body scrubs. Looking at my profile – a US-returned finance professional who wanted to make soap bars in her backyard – they thought I wasn't even serious.

# Soap Opera

WHAT MADE A CHARTERED ACCOUNTANT AND MBA IN FINANCE FROM THE STERN SCHOOL OF BUSINESS, NEW YORK UNIVERSITY, LEAVE A LUCRATIVE CAREER IN THE US AND START MAKING SOAPS IN INDIA? THE ANSWER: A PASSION AND VISION TO LAUNCH THE MOST EXOTIC AND LUXURIOUS HAND-MADE RANGE OF BATH AND BODY PRODUCTS. WHEN **ISHWEEN ANAND** STARTED SELLING HER BRAND AT THE ATRIA MALL IN MUMBAI IN APRIL 2007, IT WAS THE BEGINNING OF A WHIRLWIND ENTREPRENEURIAL JOURNEY.

AFTER A SUCCESSFUL STINT WITH ERNST AND YOUNG (NEW YORK) IN ITS MERGERS AND ACQUISITIONS DUE DILIGENCE GROUP, ANAND JOINED AVON, THE GLOBAL BEAUTY PRODUCT COMPANY, WHERE SHE GOT TO SEE THE BUSINESS UP-CLOSE. WALKING THROUGH THE WEEKEND FARMERS' MARKETS IN NEW YORK, SHE REALISED THAT HER CALLING HAD NOTHING TO DO WITH FINANCE AND EVERYTHING TO DO WITH SOAP-MAKING. IT THEN BECAME HER GOAL TO BRING NATURAL BATH AND BODY PRODUCTS TO INDIA.

WITH ZERO BUSINESS KNOWLEDGE, ANAND VENTURED OUT TO MAKE SOAPS IN MUMBAI. FIVE YEARS ON, HER BRAND CALLED NYASSA IS A MAJOR PLAYER IN THE BATH AND BODY SEGMENT WITH INSTITUTIONAL COLLABORATIONS, TWO STORES AND A COUPLE OF KIOSKS IN MUMBAI, A STORE EACH IN HYDERABAD AND PUNE, AND SHOP-IN-SHOPS AT THE SHOPPERS STOP. HERE IS ISHWEEN ANAND'S STORY IN HER OWN WORDS, AS TOLD TO **NIVEDITA JAYARAM PAWAR**

Ishween Anand, Founder and Director, Nyassa



I was told that I needed around 2,000 sq.ft. of space to manufacture soaps. Where was I going to get this kind of real estate in a city like Mumbai? I had numerous discussions with the authorities to get my license. They didn't bend the rules but gave me a little leeway since the soaps were going to be hand-made in a small workshop. I was persistent with them to an extent that you can't even imagine. It took me three months to get the license. It was perhaps the quickest that anyone ever got an FDA license in Maharashtra!

Armed with the license, I hired my first chemist. I had all the formulations. The next challenge was to get the ingredients. For this, I was advised to go to a place called Dawakhana in the city's Crawford market. I would set out early in the morning to the place to buy coconut and palm oil. I had no idea how a business was run. Sourcing the ingredients was one big hurdle. I was shown the door by all plastic manufacturers as nobody was willing to give me small quantities. Just because I was buying only 20 empty bottles for my products, they were being sold to me at ₹40 a piece while the actual rate was only ₹3-4 each. It was all a great learning experience.

With the license, ingredients and the chemist in place, I set out to make my first two products – hand-made soap and lotion. I started initially with just ₹2-3 lakh. It was not actually a business. I was completely anal about the law. I named the products Lavender Lane, but later realised that the range can't be called Lavender Lane – and then sell strawberry and rose soap to customers. I then renamed my brand Nyassa which means "well being through *tantras* and mantras" in Sanskrit.

#### UNDERSTANDING RETAIL

Around that time, the Atria Mall was launched in Worli, Mumbai. I somehow convinced the mall manager to give me some space at the food court over the weekend to sell my soaps and lotions. So for ₹60,000 a month, I got a small kiosk for the weekends. On the first day, until about 1 pm, I hadn't sold a single bar



The Nyassa product range includes soaps, scrubs, shower gels, lip balms, face creams, and face wash

I began my business from my dad's office. If not for this, I couldn't have started Nyassa. I didn't pay any rent. My first store in Khar, Mumbai, is my parent's bungalow

**AS AN INDIVIDUAL I HAVE ALWAYS BEEN VERY CONSERVATIVE. THOUGH I STUDIED FINANCE, I DON'T THINK I CAN EVER TAKE LOANS AND OTHER PEOPLE'S MONEY FOR MY BUSINESS**

of soap. I had almost given up when I made my first sale at 3 pm. By the time we wrapped up at 7 pm, I had clocked a sale of ₹14,000! We never looked back from there.

Setting up the kiosk at Atria was my first retail experience with Nyassa. People balked when we sold lavender soap oil at the Atria Mall. They associated lavender with the Ponds Lavender talcum powder. Think about this – in 2006, I was selling soaps at ₹135-200 a piece! We were the first company in India to come out with truly hand-made natural soaps. Whoever I showed the product to, they just said "Wow!" So more than me convincing people about Nyassa, I think it was the product that did it for us. For

the first six months after launching, we were just training and talking to people about how our products were different from the rest. They had questions like – is this a soap or a sweet? Will it lather? Can I use it every day? We went through that process. Slowly and steadily, I added scrubs and bath salts to the range. Today, we sell over 180 products at Nyassa.

I began my business from my dad's office. If not for this space, I couldn't have started Nyassa. I didn't have to pay any rent. My first store in Khar, Mumbai, is actually my parent's bungalow. So it was zero rentals for me. As an individual I have always been very conservative. Though I studied finance, I don't think I can ever take loans and other people's money for my business. When I go to bed every night, I want to be assured that I don't owe a penny to anyone. It may be a short-term thinking, but I didn't want to take that kind of risk initially. Of course, now if I want to grow my business, I will have to look at the issue differently. My basic logic is to sell the product, get the money, and reinvest it into the business.

#### PRODUCT PORTFOLIO

The Nyassa product range today includes soaps, scrubs, shower gels, lip balms, face creams, face wash,





# Flagship Stores: Boosting the Brand



FOR MOST RETAILERS, FLAGSHIP STORES ARE AN ESSENTIAL PART OF BRAND STRATEGY. THESE LARGER-THAN-LIFE BRAND BOOSTERS ARE NOT THAT IMPORTANT FROM THE POINT OF VIEW OF SALES BUT HAVE A VERY IMPORTANT PART TO PLAY IN TERMS OF BRAND AWARENESS, MARKET POSITIONING, CUSTOMER ENGAGEMENT, AND LONG-TERM BENEFITS. WHILE FLAGSHIP STORES CAN HELP UPLIFT THE PROFILE OF A RETAILER IN THE MARKET, OPENING TOO MANY OF THEM OR GOING OVERBOARD WITH THEIR SIZE AND INTERIORS CAN MAKE THEM UNVIABLE AND INEFFECTIVE

By Payal Kapoor



→ Competition in every product segment has intensified with the proliferation of brands, and retailers vying with each other to attract more and more customers to their stores. One of the most important and powerful tools in this contest is flagship stores, and there is hardly any retailer who can do without these in today's world.

No surprise then that flagship stores are proliferating everywhere in India and the world. Bata India has announced it is opening 70 flagship stores this year all over the country. Jubilant FoodWorks a few weeks ago marked the entry of F&B chain Dunkin' Donuts into India by opening a flagship store in Delhi's Connaught Place area. DLF Brands in May this year launched a 15,000 sq.ft. flagship store at Delhi's Moments Mall. Woodland on the other hand is planning a new 3,500 sq.ft. flagship store in Ahmedabad, its biggest in Western India, while Indian-wear brand Biba has already opened a 2,000 sq.ft. flagship store in the city. A couple of months ago, JSL Lifestyle's home-improvement products brand arttd'inox re-entered direct retail by launching its first 2,000 sq.ft. flagship store in the national capital.

Elsewhere in the world, digital electronics retail giant Apple is beginning construction of a new 12,000 sq.ft glass flagship store in Palo Alto, California. It has an exquisite building design with a tall glass cube that has an overhang extending beyond the building, making the space between inside and outside indistinguishable. In London, English

fashion designer Victoria Beckham is planning her first flagship store in the city for her luxury clothing and handbags line.

Some flagship stores are so iconic, they have turned into tourist destinations. Indeed, "flagship shopping" is emerging as a popular hobby with many shoppers. For example, no visit of a tourist to the New York City is complete without a trip to the Tiffany's 124,000 sq.ft. flagship store on the 5th Avenue (that accounts for 8 percent of the retailer's total sales worldwide), the Macy's nine-floor store on 34th Street that has a shoe department spanning two floors, and the Apple's impressive 5th Avenue store which has a 32-foot glass cube entrance.

Flagship stores are clearly important. In popular imagination, they represent the most prominent physical manifestation of a retailer – which draws hordes of protestors and admirers alike. In April 2012, Greenpeace activists let loose black balloons inside flagship Apple stores in New York, San Francisco and Toronto, trying to draw attention to the fact that companies like Apple use electricity generated by coal plants to run their data centres!

Flagship stores are rising in prominence as part of the growth strategy of retailers, but compared to the scenario worldwide, Indian players have a lot of catching up to do in the area.

#### **HOLDING THE FLAG HIGH**

Flagship stores are a retailer's most prominent stores – and often their

biggest ones – that stand out from others in terms of their large size. In the Western markets, most flagship stores fall between 10,000 and 30,000 sq.ft. in size, but in India, even a 10,000 sq.ft. store is considered impressive. The flagship stores display and sell the most comprehensive selection of merchandise of a retailer and offer the best from a brand in terms of products and shopping experience. They are premium concepts where the full might of the retailer is on display to the world, with customers exploring the full range of products and services in a comfortable, stylish environment.

Flagship stores mostly cater to upscale customers, charge higher prices for products than standard stores, and rarely run sales or promotions so as not to lower their brand value. Retailers choose the most high-profile high street or mall in a location to open these stores which usually have a remarkable design to overawe visitors.

Dilip Kapur, President of the premium leather goods retailer Hidesign, says a flagship store must be created as a destination for customers and not just as another store in the retail chain. "It should speak not only through its products but also tell the story of the brand through its heritage and values. Flagships should always remain unique in one way or the other in terms of the shopping area, target group, iconic location and features and services." True to his vision, the Hidesign flagship store in the heart of Pondicherry (Puducherry) has paintings and sculptures that express





# Is Reliance Retail's Performance Matching Mukesh Ambani's Expectations?

IT HAS BEEN SIX YEARS SINCE RELIANCE ENTERED THE RETAIL SEGMENT. RELIANCE RETAIL LAST YEAR NOTCHED A TURNOVER OF ₹7,599 CRORE, WHICH IS A SMALL DROP IN THE OCEAN FOR THIS MEGACORP. THOUGH ITS RETAIL BUSINESS CONTINUES TO GROW AT 25 PERCENT PER ANNUM, RELIANCE INDUSTRIES ITSELF IS EXPANDING AT 30 PERCENT PER ANNUM. STILL, RELIANCE RETAIL RANKS AS ONLY THE FIFTH LARGEST RETAILER IN INDIA.

IT IS SENSELESS COMPARING RELIANCE WITH OTHER INDIAN RETAILERS, AS IT IS LIKELY TO BECOME THE NO. 1 IN THE NEXT TWO TO THREE YEARS. BUT WE ALL KNOW THAT THIS WILL NOT SATISFY MUKESH AMBANI'S AMBITION. FOR HIM, THE REAL COMPETITION IS NOT FUTURE GROUP – IT IS WALMART. SO HOW DOES RELIANCE'S RETAIL BUSINESS COMPARE WITH WALMART AND OTHER GLOBAL RETAIL GIANTS?

By Amit Bagaria

→ *“Growth in our modern retail business is reflective of the changing habits and increasing aspirations of millions of fellow Indians who seek modern conveniences without losing focus on value. In a short period and as a reflection of consumer preferences, Reliance now has leadership positions in food, apparel and consumer electronics retailing in the country. With over 1,300 stores operational and more being opened, Reliance is positioned to be India's premier retailer even as modern retailing becomes a more meaningful part of the changing consumer preference in the country,”* says Mukesh Ambani in

his Letter to Shareholders published in the 2011-12 Annual Report of Reliance Industries Limited (RIL), India's second largest company (by sales), after the public-sector Indian Oil Corporation.

In the first time in six years since Reliance entered retail, this business has managed to get almost 10 percent share of Ambani's Letter to Shareholders and more than 15 percent share of the Business Performance portion of the Management's Discussion & Analysis section in the latest Annual Report. More importantly, RIL has invested ₹5,027 crore (\$967 mn) in the retail business last fiscal – more than it ever did earlier.





Does this mean that the time has come for Reliance Retail to start taking big boy steps instead of baby steps? After all, a six-year-old cannot be considered a baby anymore.

With a sales turnover of ₹7,599 crore (\$1461 mn) in FY12, RIL's retail business is a small drop in the ocean for this megacorp, representing just 2.24 percent of its total turnover, not even finding a separate mention in RIL's segment-wise revenue.

And if RIL itself continues to grow at a CAGR of 30.2 percent (like it has over the last five years), a growth of only 25 percent per annum in the retail segment will make the share of this business smaller by the year.

Despite being present across several formats, Reliance Retail now ranks as only the fifth largest Indian retailer after Future Group (Pantaloon Retail India, Malabar Gold, Kalyan Jewelers, and Titan Industries).

If Reliance continues to grow at 25 percent p.a. for the next several years, it can probably cross Asia's largest retailer Seven & I Holdings on a PPP basis in 16 years and on real revenue terms in 22 years, assuming that Seven & I will grow at only 4 percent per annum

**IF RELIANCE CAN REPLICATE THE SUCCESS OF CHINA'S BAILIAN GROUP IN THE FOOD & GROCERY BUSINESS, IT CAN ACHIEVE A TURNOVER OF ₹33,000 CRORES FROM THIS BUSINESS ALONE IN FIVE YEARS**

It is senseless comparing Reliance with other Indian retailers, as it is likely to become the No. 1 in the next two to three years. But we all know that this will not satisfy Mukesh Ambani's ambition. For him, the real competition is not Future Group – it is Walmart. So how does Reliance's retail business compare with Walmart and other global retail giants? The table below shows Reliance's turnover compared with the top four global retailers and the top

four Asian retailers – with additional comparisons based on the purchasing power parity (PPP) index, as well as the Big Mac Index.

Obviously, Reliance is currently nowhere on the radar. Even on a PPP basis, Reliance's revenues are less than 1 percent of Walmart's, just about 3.4 percent of Tesco's and less than 9 percent of the revenues of China's largest retailer Suning Appliance. Can Reliance therefore do a Pearl Harbour on the American behemoth Walmart? Seems highly unlikely for the next 30 years, even on a PPP basis.

However, if Reliance continues to grow at a steady 25 percent per annum. for the next several years, it can probably cross Asia's largest retailer Seven & I Holdings (the operator of 7-Eleven stores, Denny's restaurants and other retail formats) on a PPP basis in 16 years and on real revenue terms in 22 years, assuming that Seven & I will grow at only 4 percent per annum. With the same growth rates, Reliance can also overtake Europe's largest retailer Tesco in 20 years on a PPP basis, and in 25 years on real revenue terms.

So what will make Reliance a global retail giant and all of us (Indians)

HOW THE REVENUES OF GLOBAL RETAILERS STACK UP				
RETAILER	HOME COUNTRY	ACTUAL REVENUE (\$M)	PPP-CORRECTED REVENUE (\$M)	REVENUE PER BIG MAC INDEX
Walmart	USA	446,950	446,950	446,950
Tesco	UK	115,778	104,998	127,295
Carrefour	France	104,995	82,785	99,544
Metro	Germany	86,172	73,255	81,698
Seven & I Holdings	Japan	63,767	47,825	64,380
Aeon	Japan	59,885	44,914	60,461
Yamada Denki	Japan	26,940	20,205	27,199
Suning Appliance	China	24,749	39,979	42,601
Reliance Retail	India	1,461	3,538	3,788

Source: Asipac Research. Data based on published information available

concept



At Branded Bargains, you can buy, consign and sell pre-owned branded products

# Old is Gold

BRANDED BARGAINS SPECIALISES IN THE SALE AND PURCHASE OF PRE-OWNED EXPENSIVE BRANDS, CATERING TO DISCREET BUYERS AND SELLERS. THE 200 SQ.FT. STORE IN MUMBAI'S FORT AREA STOCKS SECOND-HAND PRODUCTS – ANYTHING FROM HANDBAGS AND SHOES TO BELTS AND SUNGLASSES – FROM BRANDS SUCH AS SALVATORE FERRAGAMO, BOTTEGA VENETTA, PRADA, GUCCI, BURBERRY, VERSACE, AND LOUIS VUITTON. NIVEDITA JAYARAM PAWAR VISITS THE STORE FOR A FIRST-HAND LOOK AT THE UNIQUE CONCEPT

→ For aspirational luxury buyers in India who save for years to buy a Louis Vuitton handbag, the launch of Branded Bargains – a store selling second-hand luxury products in Mumbai – has been something of a godsend. While consignment stores that specialise in high-end, pre-owned goods have been in existence for over a decade in the Western markets, such as Japan and Hong Kong, they are a novel concept in India.

Branded Bargains is positioned as a one-stop shop where you can buy, consign, and sell pre-owned branded products. An innovative, chic store set up by Fatema Lokhandwala, it allows you to not only sell your most-loved designer brands with a chance of getting some money back on them, but also to buy those luxury products you have always wanted.

A unique shopping concept, Branded Bargains offers an opportunity for anyone to sell last season's designer

goods which are not in use anymore but are otherwise in perfect condition and occupying precious wardrobe space. It provides the seller with a chance of recovering a portion of the amount spent on these expensive luxury items. At the same time, the authentic pre-owned luxury brands can be bought by people who aspire to own a designer product without breaking their bank.

Talking about the idea behind the launch of Branded Bargains, Lokhandwala says: "This is a thriving business in other parts of the world like in Europe and America. Mumbai is increasingly becoming a very fashion-conscious city. Brands are finding new lovers here everyday. But not everyone has the right wallet size to fulfill their brand-owning desires. Then there are those from the upper crust who are compulsive shoppers of the top-most fashion brands and want to be seen flaunting the newest

collections. Very often, these men find themselves stuck with their last season buys. These comprise goods that are in a splendid condition but are not being used anymore. They are too expensive to be just given away



Fatema Lokhandwala, Founder, Branded Bargains





## DISCOVER

A destination beyond compare

Spacious stores, generous natural light, easy navigability and ample parking make this mall a cheerful experience. The world-class infrastructure and smart assortment of brands guarantees an experience as great as the view of the man-made lake just outside. Welcome to the finest mall in Bangalore.

**Anchor & Mini Anchor Stores:** Zara, Debenhams, Westside, Landmark, Star Bazaar, Central, Reliance Digital, PVR Cinemas, Blu - O, Time Zone, RMKV

**Vanilla Stores:** Tommy Hilfiger, Jack & Jones, Esprit, U.S. Polo, Wills Lifestyle, Nautica, Chemistry, Reebok, Samsung, Nike, Van Heusen, Louis Philippe, Puma, Vinegar, Adidas, Arrow, Cello, Pepe, World Of Titan, Clarks, Allen Solly, Accessorize, The Body Shop, Rockport, Levis, Hush Puppies, Swarovski, Parcos, United Colors of Benetton, gordonMax, Affinity, My Planet Home, Canon, Samonite Black Label, Da Milano, Base Camp, Chicoo, Univercell, Bag Zone, VIP Lounge, Hidesign, Soch, Tamanna, Blackberry's, Lee, LP Peter England, Provogue, V, Wrangler, Zodiac, Bata, Mochi, Solas, Health & Glow, Fastrack, Mango, Ethos, Archie's Gallery, Addons Men, Inc5, Crocs, Footworks, Jashn, Bulchee, Scary House, Time Zone Creche and many more

**Fine Dining:** Kobe Sizzlers, Mainland China, Trader Vic's Mai-Tai Lounge, Toscano, Café Mangli, Café Noir, Chili's, Zafran

**F & B:** Mc Donalds, Subway, Sbarro, Rajdhani, Kailash Parbat, Beijing Bitas, Upsouth, Just Bake & Matka Kullfi, Pepsi, Empire, Empire Fresh Juice, The Chocolate Room, Fish 'n' Chips, Mad Over Donuts, Cookie Man, Café Coffee Day, Baskin Robbins

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