

# PRIMAGES

# Retail

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- Ron Kaufman's uplifting vision ←
- 'Good' vs 'Great' retail teams ←
- Fitness chains in focus ←

## SCHOOL OF THOUGHT

Are retail academicians matching the ground realities of an ever-mutating industry?

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Modern retail in India continues to grapple with problems and bottlenecks – restrictions on FDI, lack of well-trained staff are just a few of them. While there are ‘signs’ that FDI may open sooner or later, the huge demand-supply gap in terms of quality and quantity of professionals in the sector may take a lot longer to be filled. This despite the fact that retail schools are mushrooming in the country. No doubt, these schools are churning out ‘classroom-trained’ manpower. But is this manpower, retail ready? I think not. The right fit-ins are still a rare case. It, therefore, seems that modern retail will take sometime to be called ‘truly modern’. While that happens, let’s just divert our attention to another hot topic – fashion.

The modern-day consumer has money to spend, and to spend wisely. Demand is now for fashion that returns value for money and is yet novel. Clearly, the customer is getting more demanding and is not ready to accept anything that’s below their standards. In such a scenario, expanding consumption is a difficult task.

Knowing this well, the upcoming India Fashion Forum 2011, organised by IMAGES Group, will attempt to make the lives of fashion retailers a lot more easier. Let’s hope the forum succeeds in its attempt by pooling the knowledge and experience of national and international fashion retail chains. Here’s to the next growth phase of retail in India, and to everyone associated with it.

Cheers!



**Amitabh Taneja**

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### School of thought

WITH MANPOWER AS ITS CORE ELEMENT, RETAIL HAS MUCH TO OFFER AS A CAREER CHOICE – MANAGEMENT POSITIONS, MONITORING BACK-END, FRONT END, AND EVERYTHING IN BETWEEN. THE BURGEONING RETAIL SCHOOLS IN INDIA HAVE BEEN CHURNING OUT 'CLASSROOM-TRAINED' MANPOWER. BUT CAN THIS MANPOWER SOLVE ON-THE-JOB PROBLEMS OF RETAILERS AND CONVERT WALK-INS INTO SALES?

# Working out Retail

By Shubhra Saini

THE PRESENCE OF ONLY A FEW PLAYERS IN THE GYM EQUIPMENT RETAIL MARKET, ALONG WITH THE GROWING FITNESS CONSCIOUSNESS AMONG INDIAN CONSUMERS, OFFERS ENOUGH OPPORTUNITIES TO ESTABLISH ONE'S PRESENCE IN THIS CATEGORY. THE RETAILER MUST, HOWEVER, BE CAREFUL ENOUGH TO OFFER THE LATEST EQUIPMENT AND ENSURE THAT THE STAFF HAS COMPLETE KNOWLEDGE OF FITNESS PRODUCTS.

→ With lifestyle diseases taking a toll on people's health, physical and mental fitness is growing in importance for most people, especially in metros. The pace at which health clubs are opening up in various parts of the country is testimony to the growing health consciousness among Indians.

This increased focus on fitness is acting as a growth driver for the gym equipment market – which caters to health clubs, hotels and corporate houses as well as individual households – in India.

“Gyms as a category has evolved drastically in the last five years.

Due to media, fashion and western influence, the induction of spacious health clubs with high-end expensive equipment has been drastic in the last five years,” says Puneet Nindra, director, Fitline Retails Pvt Ltd, one of the leading gym equipment retailers in India.

He says the home fitness category has also grown at a stupendous pace as people are now getting used to lifestyle modifications and incorporating fitness as a daily regime. “A few years ago, it used to be a certain class who would invest on equipment for wellness; now domestic fitness equipment is very much the

need of the hour. Users want to have better equipment. Though cost is still a constraint for many, fitness equipment are available in various price points catering to different customers,” he adds.

## TARGET CUSTOMERS

Among the most important customers for a fitness equipment retailer are gyms or health centres, which require fitness machines to

cater to all kinds of customers. These machines usually come at a high price point and accommodate a number of features, including health monitoring systems which can show heart beats and the number of calories burnt.

As a standard gym goes shopping for branded gym equipment, it is important for the retailer to keep a variety of branded equipment.

Many time-pressed individuals, who fail to visit health clubs, also

need machines to set up their own gyms at home. This category is increasing in size with many people preferring to workout at their own house. This category of customers generally looks for lightweight machines available at lower price points.

But as space is a constraint in most houses, especially in cities, individual customers usually look for machines that encompass a number of features and can easily be moved from one place to another.

Nowadays, hotels and residential societies have their own gyms to attract customers; even companies set up health clubs with a few equipment to cater to the health needs of their employees. Customers who fall in this category generally look for latest and modern equipment.

Talking about the most sought-after fitness equipment, Nindra says, “Treadmills are easy to use and establish an immediate connect with all user categories. They are also the most popular. Fitness enthusiasts who understand exercises better have also shown a preference for the cross trainer as it facilitates arm and leg exercises. It also gives the benefit of a stepper. Exercise bikes are also

preferred because of their economical value.”

preferred because of their economical value.”

## GROWTH DRIVERS

As the modern fitness industry in India is still at a nascent stage, there is huge potential for modern players to expand and grow. There are only a few modern gym equipment retailers in the country; they work on thin margins and face constant competition from small-time traditional retailers.

The factors that will lead to the growth of this segment include availability of established resources, including trained human resource with knowledge of the market and the equipment, and availability of technologically advanced equipment. “Being in the industry for a longer tenure than others has helped Fitline achieve a better market standing and reliability factor. With better companies to source equipment from, along with a well equipped service support, back-up team and effective solutions to offer, we cater to end consumers as well as to those who aspire to open health clubs,” says Nindra, adding, “We have a huge population to serve and our economy is developing. There is ample scope for expansion and more people to venture into retailing.”

He maintains international fitness equipment brands, such as Cybex, USA's largest fitness equipment giant, are available in India through Fitline. “Though we can't yet claim parity with developed countries, the fast pace of growth of the Indian fitness industry has ensured gymnasiums that are bigger, better and fully equipped with world-class fitness equipment. But we still have miles to go in volumes terms,” he stresses.

## ROADBLOCKS

Opening a store selling fitness equipment is easier said than done because a number of factors continue to limit the growth of the segment.

One of the major hindrances is that many traditional players source cheap material and equipment with a view to cut costs. These are at times not



There are only a few modern gym equipment retailers in the country. They work on thin margins and face constant competition from smaller traditional retailers.

**THE FACTORS THAT WILL LEAD TO THE GROWTH OF THE GYM EQUIPMENT SEGMENT INCLUDE AVAILABILITY OF ESTABLISHED RESOURCES AND TECHNOLOGICALLY ADVANCED MACHINES.**



# School of thought

By Ananya Saha



WITH MANPOWER AS ITS CORE ELEMENT, RETAIL HAS MUCH TO OFFER AS A CAREER CHOICE – MANAGEMENT POSITIONS, MONITORING BACK-END, FRONT END, AND EVERYTHING IN BETWEEN. THE BURGEONING RETAIL SCHOOLS IN INDIA HAVE BEEN CHURNING OUT ‘CLASSROOM-TRAINED’ MANPOWER. BUT CAN THIS MANPOWER SOLVE ON-THE-JOB PROBLEMS OF RETAILERS AND CONVERT WALK-INS INTO SALES?

→ Retail, in India, is emerging as a bi-polar entity. The modern retail sector – which stood at ₹100,000 crore in 2009-10 according to Indian Retail Report 2011 – is still fighting to get an industry status and increase its penetration in the country, while traditional retail continues to rule the roost. Modern regional retailers have been clocking revenues that give competition to any national retailer!

Introspecting closely, modern retail is fighting with its own dual personality. On one hand, there is unavailability of trained manpower and, on the other hand, the so-called trained manpower fails to satisfy the needs of retailers or customers to drive the necessitated growth. So, how does one solve this intrinsic issue?

The industry coherently accepts the fact there is a huge gap between demand and supply of professionals for the retail sector, both qualitatively and quantitatively. No doubt, retail schools are churning out ‘classroom-trained’ manpower. But it is still a difficult task for retailers to find people suited for various positions.

Given the fact that retail as a sector has not attained a mature model in India, people from different sectors are populating the industry and trying to bring in their understandings into the domain. Though it can be a blessing in disguise to learn and forget and learn again, it does come at a cost.

“With the high rate of growth in the retail segment and employment opportunity, there is an immediate and growing need for retail education in India. There has been some progress in the last couple of years to impart education and develop the talent pool for the retail industry, but it has not been adequate. In order

to support a high level of growth in retail, there is a need to bridge the gap between the industry and the academia so that the industry does not feel the pinch of unskilled talent pool,” concurs Vijay Sinha, business head, human resources, HyperCity.

## MANPOWER REQUIREMENT

HyperCity has over 1,700 employees, of which close to 90 per cent constitute customer care associates, while the remaining 10 per cent constitute office employees. The service office teams comprise finance, marketing and VM, buying and merchandising, planning, institutional sales, human resources and administration, logistics and technology, whereas the store teams consist of associates and the management team.

While maintaining low cost of operations is important for the sector, hiring trained manpower from other retailer establishments at higher cost adversely impacts the operating cost.

**THE INDUSTRY COHERENTLY ACCEPTS THE FACT THERE IS A HUGE GAP BETWEEN DEMAND AND SUPPLY OF PROFESSIONALS FOR THE RETAIL SECTOR, BOTH QUALITATIVELY AND QUANTITATIVELY.**

Titan employs around 4,200-odd people in its retail system. These people are broadly divided into three segments – eyewear, jewellery and watches. Roughly 300-350 people are employed in the eyewear division; around 2,000-2,250 in jewellery; and 1,600-1,700 people in the watch division. These are typically the people employed in the front end. The size of the store, volume of business and the extent of service determine the number of people to be employed by Titan.

The total manpower employed at multi-brand fashion value retailer The Loot stands at 600. The headcount is divided among management, clerical, skilled and semi-skilled staff. At The Loot, the headcount ratio of front-end to back-end staff is 80:20.

“Typically, the manpower strength of each segment depends on the benchmarked service intensity at different stores, which largely depends on the stores size, budgeted sales as well as products and services offered to customers. The mix of permanent employees, outsourced employees and the brand staff constitute the manpower in the stores which are engaged in customer service; the number ranges from 300 to 400 depending on the need,” says Sinha.

Even as retailers decide on the number of persons needed to handle retail operations, it is not easy to fill in vacancies. This is, thus, increasingly resulting in poaching. No wonder the attrition rate, especially in front-end, is quite high in retail. Given the fact that maintaining a low cost of operations is important for the sector, hiring trained manpower from other retail establishments at a higher cost adversely impacts the operating cost.

# The Existential Dilemma

By Piyush Shah

PEOPLE HAVE ALREADY FORGOTTEN SUBHIKSHA. A FEW MORE NAMES FROM THE SO-CALLED MODERN RETAIL IN INDIA ARE ON THE PATH OF EXTINCTION. SUDDENLY, THE TALE OF ROMANCING THE CUSTOMER HAS TRANSFORMED INTO A HORROR STORY OF SURVIVAL. THE ARTICLE ARGUES THAT IN THE EXISTING MODE OF OPERATION, MOST OF THE MODERN RETAIL TRADE IN INDIA IS NOT SUSTAINABLE.

→ There is a huge sense of caution in the retail domain and growth plans are not ambitious like a few years ago. Profitability is an issue even at the store level. While all major retailers are in the red, the profits of a few are not worth mentioning.

Looking at this now, it seems the meltdown was bound to happen. Retailers had broken every single norm of business and seemed to charting into too many uncertainties. Corporate houses pumped in massive investments to the tune of thousands of crore rupees. Every major format existing in some part of the world was suddenly seen in India. We had neighbourhood convenience stores, large box electronic retailers, hypermarkets and supermarkets all competing for the attention of the same consumer.

At this stage we, of course, have the advantage of hindsight. There were too many elementary mistakes. The problem is that in spite of the massive hit, retailers do not seem to have learnt a lesson. They are chugging along on more or less the same path, albeit a bit slowly. The errors start from the top level of strategy to the ground level of execution and control.

## THE STRATEGY ISSUE

Walmart has three formats – the discount stores, Supercenter and Sam's club. All of these are basically large-format stores that focus on the low price segment. All of the more than 38,000 stores of 7-Eleven are in the convenience store format. Fashion retailer Zara has more than 850 stores operating across the world. All of these stores are oriented towards

selling fashionable goods at an affordable price.

The key point here is that every successful retailer has grown itself in one format only. The simple reason is that different store formats need different systems. A smaller 7-Eleven store might need twice-a-day delivery in smaller vehicles, while a Walmart could use large trucks coming in at a lesser frequency. The type of people needed, the software used, the goods stocked are all different. It becomes impossible for an organisation to serve diverse requirements. Cost efficiency is important for Walmart, but not so much for Zara. Imagine the same organisation having a large-format store and a fashion store served by the same supply chain organisation. In most cases, both formats would be under-optimised.

There are some international firms, such as Woolworth's of Australia, which are highly diversified and operate across various formats. Such stores have opened in one format, stabilised it over a few decades and only then moved on to other systems. Woolworth's first store had started operations in 1924 as a supermarket.

in multiple markets. Way back in 1997, Prof Marshall Fisher of Harvard Business School had very clearly said that different supply chains need to be designed to serve different products to different markets. While successful retailers in Europe and the US have followed Prof Fisher's advice, Indian retailers have ignored it totally.



The discount store came only in 1970s and the electronics business came up only in 1981. The long time allowed such stores to design different systems suitable for each format.

The Future Group, which is the largest 'modern' retailer in India, operates almost 10 totally different formats. Till the end of 2008, the RPG group had flirted with more than five formats. The number is same for Reliance Retail. It is very difficult, if not impossible, for the supply chain head of any of these retailers to optimally serve all the different formats in the store. The manager would have to mentally switch on and off continuously to be able to serve different formats from one location.

Every business has to have a definite strategy and it is very difficult for a firm to exist and thrive

Modern retail is competing with *kiranas*, whose costs are 90 per cent lower. Survival in such a scenario needs super-efficient operations or very high volumes.

**EVERY SUCCESSFUL RETAILER HAS GROWN ITSELF IN ONE FORMAT ONLY. THE SIMPLE REASON IS THAT DIFFERENT STORE FORMATS NEED DIFFERENT SYSTEMS.**

Retailers need to create a specific image for themselves in the minds of the consumer.

# Akshayapatra

By Meera G Harish

THE DIFFERENCE BETWEEN GOOD AND GREAT COULD OFTEN BE THE WILLINGNESS OF THE RETAIL TEAM TO STRUCTURE SURPRISING MOMENTS AROUND CALENDAR OPPORTUNITIES.

→ It would perhaps be appropriate to start this article quoting Starbucks, the global coffee chain, which has been in news recently for two reasons:

- Their announcement of a strategic tie-up with Tata Coffee, Asia's largest coffee plantation company, to bring Starbucks to India and to source and roast coffee beans at Tata Coffee's Coorg facility. Phase II of this entry would in all probability include setting up of a retail chain of Starbucks cafes in India!
- The unveiling of its new logo – after dropping the words “Starbucks” and “Coffee” – which has come in for much debate.

Starbucks has been another personal favourite of mine in the ‘customer experience’ space. The company calls it “The distinctive Starbucks Experience”. They have a unique culture, which defines empowerment, entrepreneurship, quality and service as the values of the company. Everything that the company does is intended to give customers a positive, uplifting experience while purchasing a quality beverage or food item from its store. And as is widely known in business circles, the Starbucks store is called the “third place” as it captures a unique warmth that sets it apart from the first two places in most people's lives – work and home.

This is also because of the emotional connect the “Starbucks partners” (as their store employees are called) establish with their customers. In the words of Starbucks

management, “We build an emotional connection with our customers. We have a competitive edge over classic brands; every day, we touch and interact with customers directly. Our product is not sitting on a supermarket shelf like a can of soda. Our people do a wonderful job of knowing our customer's drink, their name and their kids' names!”

The ‘Starbucks experience’ tenets are very simple, yet powerful:

- Make it your own
- Everything matters
- Surprise and delight



- Embrace resistance
- Leave your mark

Keeping this in mind, at Starbucks, they have very simple principles to welcome customers which are printed in a Green Apron Book, which fits into the partner's apron pocket:

- Be welcoming
- Be genuine
- Be considerate
- Be knowledgeable
- Be involved

For instance, to ‘be welcoming’



would imply knowing the customer's name. Welcoming people by name and remembering them from their earlier visit is a small thing, but it counts. Starbucks partners enter their customer names and minor details about them on spreadsheets and review them later. This is followed in India and worldwide by most hotels, including the Taj group. They have a database, which has such customer data such as their favourite food, favourite drink, favourite newspaper,



Effective teams facilitate communication and knowledge sharing among team members, thus, enabling the members to understand and learn from each other.

**IT IS IMPORTANT THAT STORIES WHERE THE FRONTLINE STAFF WALK THE EXTRA MILE ARE PUBLISHED AND CIRCULATED FOR MOTIVATION.**

Frontline staff must also have a clear idea of the limits of their authority, and it is the responsibility of management to make it clear what they mean by empowerment.

specific room requests, etc. These then leads to personalisation, which leads to customer delight. We practice this at Titan, Tanishq and Goldplus.

At Tanishq, for instance, when we want to send a gift to a customer for a birthday, it is not a mundane gift voucher, but a personalised gift since we have a database of customer likes and preferences. It could be a music CD of their favourite artist, or a gift voucher from their favourite restaurant or even tickets to a premiere of the movie of their favourite movie star. Such small touches add a lot to the customer experience.

#### MOMENTS OF DELIGHT

It is said that in retail, the difference between good and great could often be the willingness of the retail team to structure surprising moments around calendar opportunities. When a group of people do something unexpected for a customer, it is almost as if they

are taking time to show that they care. Although Starbucks mainly sells coffee, they Fedex-ed ice creams to all their stores and one million free ice cream cups were given out at Starbucks stores while observing the National Ice cream Month!

Genuine and meaningful gestures is all it takes. Once, Starbucks gave away free books on poetry written by poets from the countries where the coffee beans were sourced from, such as Indonesia, Latin America, Africa. This was seen as “an act of thoughtfulness and joy” by many customers.

In fact, the element of “surprise” is something even management can use for their employees. At Tanishq and Titan, we do that consistently for our frontline retail sales staff. Once, for a Store Manager's birthday, (his family used to live in Kolkata while he worked in Bangalore), alongwith cake cutting at the store, a video was played for him. This was a video of his wife and son greeting him for his birthday and talking to him (we had specially shot this video in Kolkata at his house and kept it as a surprise from him). He was moved to tears to see his family on video and was moved by the extent to which the company went to make him happy.





## Smarter stores already know what shoppers will buy tomorrow.

Outlet stores and online shopping have blessed consumers with more diverse purchasing options. Retailers, on the other hand, are having a difficult time staying on top of customers' needs. On a smarter planet, we can predict and deliver what customers want with greater precision.

MrMax, a medium-sized discount store chain in Japan, saw an opportunity to streamline their order and stocking process. With the help of IBM and our Business Partners, MrMax implemented IBM's Category Profit Management solution to manage inventory. This automated ordering system helps predict demand based on variable product-related information including bargain, discount, event and seasonal factors, and can adjust order quantity automatically. As a result, accuracy of demand prediction improved compared to when employees were determining the basic stock level. This solution has helped MrMax to reduce inventory by over 10% and reduce purchasing and ordering-related workload. Now, MrMax is better able to focus on their goal of ensuring that their customers have a truly delightful shopping experience. Let's build a smarter planet. [ibm.com/in/retail](http://ibm.com/in/retail)

**Medium-sized businesses are the engines of a Smarter Planet.**





Space for a million smiles



**ALONE**  
**WE CAN DO SO LITTLE**  
**TOGETHER**  
**WE CAN DO SO MUCH**

**DEDICATED TO ALL OUR PARTNERS IN PROGRESS**



COME  
**MAKING**  
AMBIENCE MALL  
GURGAON • VASANT KUNJ