

IMAGES Retail

www.imagesretail.com

FUTURE OF BUSINESSES

JULY 2011 • VOL. 10 NO. 7

Rs50 US\$10

Store Intelligence Platforms

How they prevent shrinkage



INDIA RETAIL FORUM
SEPTEMBER 21-22, 2011
MUMBAI, INDIA

- ➔ Retail 2.0: The Next Wave
- ➔ FDI in Retail
- ➔ Snap Deal's Success Mantra
- ➔ Fashion Retail



editor-in-chief amitabh taneja
 editorial advisor r s roy
 deputy editor sanjay choudhry
 contributing editor nupur chakraborty
 director - planning anjali sondhi
 sr. assoc. editor-cum-chief of bureau nivedita j pawar (mumbai)
 associate editor purnima mehra
 sr. correspondent payal Kapoor
 correspondent shubhra saini

creatives
 art director pawan kumar verma
 dy art director deepak verma
 asst. art director lakshmi shankar
 sr. photographer vipin kardam
 asst. photographer deepak malik
 photo coordinator kamal kumar
 publisher s p taneja

business development
 chief operating officer sandipan singh

advertising lead group
 assoc. vice president, product head vineet chadha
 assoc. vice president (technology) vijay bajaj
 assoc. vice president (fashion) lokesh chopra
 general manager (retail support) arti kapur
 general manager (food retail) lokesh arora
 dy. general manager (fashion) rajesh kaul
 assoc. vice president (circulation) anil nagar
 assoc. vice presidents & regional heads waseem ahmad (mumbai)
 piyali roy obero (kolkata)
 sr. managers deepak tamhankar (mumbai)
 naresh kumar (bangalore)
 sr. manager (circulation) r p singh (mumbai)
 manager anil nalvade (bangalore)
 asst. manager sachin khanna
 sr. executives rohan narayan (kolkata)
 pratik ghosh (kolkata)
 marketing associates s venktraaman (chennai)
 9444021128 (m)
 hemant gupta (punjab)
 9814019745 (m)

production
 general manager manish kadam
 sr. executive ramesh gupta

services
 general manager (logistics) rajeev mehandru
 general manager (customer relations) hemant wadhawan
 subscription rajesh kumar
 sr. executive (logistics) shambhu nath

Shrinkage and theft have always been major problems for retailers. In recent years, the problem has got compounded because of automation and computerisation. Hundreds of thousands of transactions get executed daily at a busy retail store, with no managerial supervision.

Finding fraud and theft in such a scenario is like finding a needle in a haystack. However, technology comes to our rescue. Our cover story focuses on how store business intelligence platforms can help reduce shrinkage and detect fraud in a modern retail environment.

FDI in multi-brand retail is back again in news, with renewed hope that the day is not far when foreign retail chains will arrive in India. In one of our features, Shabbir Motorwala argues that FDI in multi-brand retail is an idea whose time has come and it can give a solid boost to the Indian economy.

Indians airports are no longer the dull and dreary places that we had got to know and hate so much over the last few decades. With privatisation, they are on steroids and so are the shopping areas inside them. In this issue, we investigate how the airport-retailing scenario has changed in India.

It is that time of the year again when we eagerly begin to look forward to the India Retail Forum in September. This year's IRF -- from September 21-22 -- promises to be much bigger and better than the previous ones. We talk to Bijou Kurien, who chaired IRF 2010, to discover his vision and experiences of this mega-event.



Amitabh Taneja

Corrigendum:

With regard to the article "Southern Sizzlers" published in the January 2011 issue of *Images Retail*, its author Amit Bagaria states: "In the article written by me on the south-based CDIT retailers published in the January 2011 issue, it was erroneously mentioned that Adishwar was in talks to acquire the Hyderabad-based Shah's Electronics, and that Shah's is in financial trouble. Both parties have represented that this was not the case and that there was a mix-up of names. The inadvertent error is regretted."

– Editor

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@imagesgroup.in

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: waseemahmad@imagesgroup.in

Kolkata: 30-B, Anil Roy Road, Ground Floor, Kolkata - 700 029
 Ph: +91-33-40080480, Fax: +91-33-40080440, email: piyalioberoi@imagesgroup.in

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@imagesgroup.in

All material printed in this publication is the sole property of Images Multimedia Pvt. Ltd. All printed matter contained in the magazine is based on the information from those featured in it. The views, ideas, comments and opinions expressed are solely of those featured and the Editor and Publisher do not necessarily subscribe to the same.

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

In relation to any advertisements appearing in this publication, readers are recommended to make appropriate enquiries before entering into any commitments. Images Multimedia Pvt. Ltd. does not vouch for any claims made by the advertisers of products and services. The Printer, Publisher and Editor-in-Chief of the publication shall not be held for any consequences in the event of such claims not being honored by the advertisers.

Copyright Images Multimedia Pvt. Ltd. All rights reserved. Reproduction in any manner is prohibited. All disputes are subject to the jurisdiction of competent courts and forums in Delhi/New Delhi only. Images Retail does not accept responsibility for returning unsolicited manuscripts and photographs.

CONTENTS

JULY 2011



IN THIS ISSUE

28.....QnA
'GST will be a game-changer, turning us into a sunrise industry'
Vineet Kanaujia of SAFEXPRESS shares his vision for future.

34.....Opinion
Bazaar on the Web
E-retail is on a fast track and retailers should explore new formats to woo the customers says Harminder Sahni.

50.....QnA
'Most of our competitors are living on borrowed time'
Kunal Bahl reveals the secrets behind the success of snapdeal.com, one of the hottest portals in the country.

58.....Online Retailing
Retail 2.0: The New Paradigm
Ashutosh Shukla explains how using new technology offers more value and returns to both shoppers and retailers.

62.....In Focus
FDI in Retail: An Idea Whose Time has Come
FDI in multi-brand retail, if allowed with adequate safeguards, will boost the economy, argues Shabbir Motorwala.

68.....Operations
WMS: Why They Make Sense
Souma Das discusses the advantages of WMS across manufacturing, distribution, logistics and retail.

70.....Case Study
Carrefour Belgium: The Case for Infor WMS
The benefits of Infor WMS in optimising depot management, fraud prevention and increasing efficiency.

74.....Fashion Retail Trends
Fashion Retail: On the Move
Timmy Sarna says Indian retailers have to learn to compete with global players entering the domestic fashion market.

78.....Sector watch

Airport Retailing: On a High!

Just a few years after privatisation of some airports in India, airport retailing has finally taken off in the country. The once-skeptical retailers have begun to regard it as a high potential zone within modern retail.

DESIGN

86.....Superdrug, London
High-street shopping needs to be more fun and engaging than ever before. Superdrug's new store concept addresses that need, asking customers to "take another look" at the retailer.



REGULARS

8.....International Updates

16.....National Updates

92.....Stores of the Month

98.....Word Count

100.....Situations Vacant

COVER STORY 38

Store Intelligence

HOW INVESTING IN A STORE BUSINESS INTELLIGENCE PLATFORM CAN REDUCE SHRINK AND IMPROVE PROFITABILITY FOR A RETAILER



→ With the sudden rise of online retailing in India, many retailers have begun to plan a web strategy. The Indian online market tipped over when retailers such as *makemytrip.com* listed and *fashionandyou.com* got funding. Now, it has become a matter of routine for Indian e-commerce retailers to get funded.

The latest entry to this club is *exclusively.in* that has received US\$ 16 mn of funding after one year of the launch of its online store. The numbers look unbelievable and make retailers wonder what investors are seeing that they cannot. In my view, it is not about the amount but the rapidity with which the online funding scenario is moving.

Even though the dot-com boom busted a decade ago, some of the lessons learnt still hold true. One of

these is that a business has to offer sustainable value to customers while making decent returns for investors. Another is that any successful business is 1 per cent strategy and 99 per cent execution, whether it is an e-store or a brick-and-mortar store.

Investors and entrepreneurs should remember such lessons from the past. While uttering this word of caution, I would still like to re-emphasise the fact that online retail is here to stay in India and will become a much bigger market than what many of us are currently imagining.

Till recently, the only thing that was hindering the growth of online retailing was the lack of enough options in terms of categories and brands. But that is changing really fast and it is anyone's guess how big this market will be in the near future.

THE NUMBERS GAME

I looked at some figures from China and was astonished to find that the online retail market is close to US\$ 50 bn there compared to a measly US\$ 600 mn for India. While this means that Indian online sales are almost 100 times less than China's, it also shows the unrealised potential of the market. It is clear that we Indians have not tapped this humongous online retailing opportunity even a bit. For the record, the US online market is already at US\$ 170 bn and growing faster than all other segments of consumer retail.

One of the reports from eBay Inc. recently mapped the most frequently selling items on its India site. The top three positions are occupied by jewellery, mobile phones and apparel, in that order, selling one

BAZAAR on the WEB!

ONLINE RETAIL IS ON A FAST TRACK OF GROWTH. IT WILL INEVITABLY CAPTURE A VERY LARGE SEGMENT OF THE CONSUMER MARKET IN INDIA. RETAILERS SHOULD NOT ONLY TRY TO EAT THE PIE BUT ALSO EXPLORE NEW FORMATS FOR LURING THE CUSTOMERS.

By Harminder Sahni



Store Intelligence

INVESTING IN A STORE BUSINESS INTELLIGENCE PLATFORM CAN DRASTICALLY REDUCE SHRINKAGE AND IMPROVE PROFITABILITY FOR A RETAILER

By Ramesh Jayaraman

→ Shrinkage is any loss of inventory due to shoplifting, internal theft, vendor fraud or administrative error. Each year, retailers lose billions of dollars in profits due to shrinkage and inefficiencies.

A good example of how this loss occurs within the retail store environment is 'return fraud.' Consider an employee who rings a fraudulent return – taking cash from the register or recording a credit to their credit card. Because there is no product that is actually returned to inventory, shrink expense is recorded for the value of the item returned. The financial cost retailers recognise for inventory they have recorded but is not physically accounted for, is about US\$40.5 bn annually.

To fight these losses, retailers need to implement better internal processes and controls that address the entire shrink cycle, from shoplifting to vendor and employee theft. Loss-prevention technologies such as EAS





New developments in the retail life cycle, primarily automation, have led to an increasing number of possible points of leakage where a transaction can create a shrinkage event.

STORE INTELLIGENCE GATHERS INFORMATION FROM ALL THE KEY DATA PRODUCING SYSTEMS WITHIN THE STORE, INCLUDING POINT OF SALE, ELECTRONIC ARTICLE SURVEILLANCE, TRAFFIC COUNTERS, VENDOR DIRECT-STORE-DELIVERY ACTIVITY, AND IN-STORE INVENTORY TRANSACTION DATA. THE DATA SO GATHERED IS STORED IN A POWERFUL DATA MART WHICH IS AUTOMATICALLY SUMMARISED INTO TABLES AND LOGICAL GROUPS.

The challenge in the new retail process is to improve control without offsetting the financial and operational benefits of automation.

(Electronic article surveillance) and CCTV have been very effective in delivering a positive ROI on retailers' shrink-reduction efforts.

TYPES OF SHRINKAGE

Shrinkage is classified into four broad categories: external, internal, vendor and paperwork/processing errors.

External theft is generally defined as shoplifting. Typical external theft prevention methods include EAS, cameras and store detectives.

Internal theft is due to employees. This includes "sweet-hearting" or "sliding", where an employee passes merchandise to someone without scanning or recording it in the point of sale (POS). Typical

FDI in Retail

An idea whose time has come

FDI IN MULTI-BRAND RETAIL, IF ALLOWED WITH ADEQUATE SAFEGUARDS, WILL CREATE LARGE-SCALE EMPLOYMENT, DEVELOP BACK-END INFRASTRUCTURE AND BOOST THE ECONOMY.

By Shabbir Motorwala

→ In recent times, urban and semi-urban India has witnessed a significant change in its disposable income, lifestyle, demographics and consumer preferences. The Indian consumer is now more conscious of brands and individual comfort. Most working families today prefer one-stop shopping with an assurance of best prices, maximum discounts and a good product range. All this has given a momentum to the organised retail industry, which is a way of life for consumers in the West and other developed countries. India finally seems to be moving away from the neighbourhood mom-and-pop stores which offered limited goods to meet just-in-time demand.

The Indian retail market is currently unorganised and highly fragmented, with an estimated 13-15 mn outlets countrywide. The overall retail market is forecasted to grow at a CAGR of about 11-13 per cent by 2020-21, with the organised retail market expanding at 21-24 per cent.

India significantly liberalised its Foreign Direct Investment (FDI) policy in 1991, with most sectors becoming eligible to receive foreign investment. However, the policy framework for the trading sector and more so the retail sector continues to be highly restricted. Many multi-national players are eagerly awaiting



opening up of the Indian retail sector. Most believe that such opening up, subject to certain safeguards, would be a win-win situation for the Indian consumers and the economic development of the country.

WINDS OF CHANGE

India repealed the Foreign Exchange Regulation Act, 1973, and the Foreign Exchange Management Act, 1999 (FEMA), with effect from 1 June 2000 to facilitate external trade and payments as well as promotion of foreign exchange markets. The FEMA

regime is now a liberalised one with very few restrictions and controls on foreign exchange transactions. The rules and regulations under FEMA issued by the Reserve Bank of India formed the statutory framework for the FDI policy that is announced by the Government of India from time to time.

The FDI policy is reviewed on an ongoing basis and changes are notified to the public regularly. The Government now issues a consolidated FDI policy every six months (effective 1 April and



1 October) which consolidates and subsumes all such statutory documents at one place for ease of reference and guidance, and also brings in new policy initiatives to the extent warranted.

The wholesale trading sector was opened for FDI in 1997 under the Approval Route, that is, FDI allowed with prior approval of the Indian Government. In 2000, the policy incorporated the supplement of “cash and carry trading” to the wholesale trading sector. This was primarily understood to mean B2B (business-to-

India repealed the Foreign Exchange Regulation Act, 1973, and the Foreign Exchange Management Act, 1999 (FEMA), with effect from 1 June 2000 to facilitate external trade and promotion of foreign exchange markets.

THE INDIAN RETAIL MARKET IS CURRENTLY UNORGANISED AND HIGHLY FRAGMENTED, WITH AN ESTIMATED 13-15 MN OUTLETS COUNTRYWIDE. THE OVERALL RETAIL MARKET IS FORECASTED TO GROW AT A CAGR OF ABOUT 11-13 PER CENT BY 2020-21, WITH THE ORGANISED RETAIL MARKET EXPANDING AT 21-24 PER CENT.

The Government permitted 51 per cent FDI in single-brand retailing because of a view that such products are high-end products, such as sportswear, luxury goods, apparel and other lifestyle products.



business) sales either on cash basis or with normal credit terms.

On 10 February 2006, the wholesale trading or cash-and-carry trading sector was put under the automatic route, that is, the requirement for prior Government approval was done away with. While this liberalization continues till date, the consolidated FDI policy obligates retention of several documentary records to demonstrate compliance with the wholesale trading or cash-and-carry trading criteria, and also includes some restrictions on inter-group entity sales.

On the same day in February 2006, the Government also announced its unique proposition of allowing 51 per cent FDI in single brand retail trading under the approval route. (It may here be mentioned that manufacturing of products in India and selling them in retail by an Indian company is not prohibited by the FDI policy.)

SINGLE-BRAND RETAILING

Under single-brand retailing, the foreign investor or brand owner can invest up to 51 per cent in an Indian company with prior Government approval. The Indian company can undertake retailing of single-brand products which are branded at manufacturing stage. These products should be such that they are sold internationally in at least one country other than India. The exhaustive list of products to be sold under the single brand umbrella needs to be intimated to the Government at the time of approval, and any addition to products or product categories requires fresh approval or amendment.

The Government permitted 51 per cent FDI in single-brand retailing because of a view that such products

Carrefour Belgium

The case for Infor WMS

CARREFOUR BELGIUM IS USING THE INFOR WMS AT ITS DEPOTS TO OPTIMISE DEPOT MANAGEMENT, PREVENT FRAUD AND CATER TO THE UNIQUE NEEDS OF ITS 'EXPRESS' STORES BY APPLYING THE PRINCIPLE OF 'MULTI-PICKING.'



→ The €4.53-bn Carrefour Belgium is a part of the Carrefour Group, a French store chain which is the second largest retailer worldwide. The Group has three store formats: Carrefour Hyper, Carrefour GB/Market and Carrefour Express, with 47, 356 and 202 stores, respectively. The Carrefour Group in 2000 acquired GB, a Belgian store chain. With this acquisition, Carrefour gained access to the Belgium market.

The Belgian retailer stocks over 100,000 articles across its stores, with 40 percent of the range accounted for by the food segment. Add to this the over 500 stores spread across the country, and the complexity and magnitude of the entire process of stocking up becomes clear.

Carrefour Belgium has five depots, all of which use the Infor SCM Warehouse Management System to ensure their order collection structures continue to run smoothly. About 125 people work with the application per shift at each depot.

WHY INFOR?

Carrefour Belgium has been using the Infor warehouse management solution since the 1990s. Explains Hans Proot, Managing Director, IT Supply Chain Business Solutions, with the Belgian retailer: "Our history with Infor goes way back in time. From a rudimentary home-made product on a Siemens mainframe in the 1980s, we transferred to the Infor WMS solution. We wished to invest in automation

to increase our competitive edge by performing our warehouse activities faster and more effectively. The reason for selecting Infor arose from a benchmark where we believe Infor has the best solution with regard to functions and price setting."

The takeover by the Carrefour Group brought about many internal changes in Carrefour Belgium. Though the Group uses Infolog as the standard WMS for its sites, Carrefour Belgium continued to trust the Infor WMS because of its good experience with Infor. Even today, the Infor SCM WMS rules the roost at the depots of Carrefour Belgium.

Adds Proot: "We are fully satisfied with the solution's results. Infor SCM WMS fully covers the functions we

Fashion Retail: On the Move

By Timmy Sarna

THE FASHION RETAIL INDUSTRY IS GROWING AGGRESSIVELY. INDIAN RETAILERS NEED TO TAP THIS OPPORTUNITY TO THE FULLEST TO EFFECTIVELY COMPETE WITH THE GLOBAL PLAYERS ENTERING THE DOMESTIC MARKET.



→ Fashion retail in India is a huge market growing aggressively every year. It is now placed on the map of the global apparel industry due to the changing tastes and preferences of consumers, international fashion shows and the coming-of-age of fashion trends followed by celebrities. The introduction of fashion labels and the presence of international brands, starting from the late 1980s, have created quite a stir in the Indian apparel market.

The Indian fashion retail scene is thriving. The organised players have ventured into every retail category in fashion. Large fashion retail houses from across the world such as Zegna, ZARA, DKNY and GAS have entered the domestic fashion retail market and are doing well.

The entire concept of shopping has today altered in terms of format and consumer buying behaviour. The purchasing power of the Indian urban consumer is growing. Branded merchandise in apparels, cosmetics, shoes, watches, jewellery, etc. is slowly turning into lifestyle products. With increasing incomes and the need to “Look Good and Feel Good”,

fashion is offering a huge potential to these foreign players to penetrate into the unexplored Indian market.

POWERING THE DOMESTIC SECTOR

The strengthening of fashion trends in India has revolutionised the merchandising system. Brands in segments such as apparel, textile, jewellery, accessories, footwear, cosmetics and salons are generating annual business worth over ₹40,000 crore. Fashion is leading the Indian retail industry boom and – if we consider apparel, textile and related segments as a whole – is responsible for as much as 60 per cent of its total turnover.

Fashion retail in recent years has witnessed many mergers and acquisitions, which has enabled huge brands to participate in the local market. India has been a part of the global expansion strategy of almost all prominent players in the world. Business alliances between fashion brands are waiting to happen in India, and there are ongoing talks for domestic sourcing not only for international brands but also for the home-bound ones.

SOURCING LOCALLY

To succeed in India, global brands are going local. They are taking their business to the next level by sourcing from within the country. This not only saves them import duty and helps in pricing the products more competitively but also ensures that latest fashion trends hit the Indian market much faster.

The domestic sourcing strategy makes sense for international players who want to make their premium brands more affordable for Indian consumers. Import duties, which were to the tune of 10 to 15 per cent a mere three years ago, have now increased to 35-40 per cent. This has given further push to local sourcing by global brands in India as a way to cut manufacturing costs and customise the brand according to the local market.

For instance, Italian fashion brands BOGGI Milano and Alcott are initiating local sourcing in India and intend to finalise the process soon. Another international brand Mothercare locally sources around 40 per cent of its total stock sold in India. Other players such as Cadini too have plans to step up local sourcing. Marks & Spencer has



THE MALL THAT EVERYONE LOVES, NOW IN PUNE.

Mumbai loves it. Near Mumbai is smitten by it. Cyberabad can't do without it. And now Inorbit is here in Pune to take your heart away. Thanks to the fact that every Inorbit Mall is conceptualized in such a way that it gives everyone a reason to smile. Putting top-of-the-line brands along with local brands. Mixing great ambience with great convenience. Marrying variety with exclusivity. And much more. So Pune get ready for a shopping experience that'll sweep you off your feet.

Inorbit, Viman Nagar, Pune.

muda 1093



www.facebook.com/inorbitmall



www.twitter.com/inorbitmall

109 F | Accessorize | Add Ons | Adidas | AND | Arrow | Basecamp | Basics Life | Bata | Blackberrys | Body Shop
 Chemistry | Cookie Man | Costa Coffee | Enamor | Envi | Ethos | Fabindia | Gili | Global Desi | Gloria Jean's Coffees
 Good Things | Headquarters | Hidesign | Jashn | Kashkha | Kidz Tribe | Lee | Levi's | Lifestyle | Lunettes | Max
 Nike | Om Ved | Peora | Provogue | Queen Anne's Label | Reebok | Shoppers' Stop | Spar | The Bombay Store
 The Mobile Store | Titan | Tommy Accessories | UCB | Vero Moda | Walkway | Woodland | Wrangler | Zodiac | Zuni

Come Live an Inorbit Experience



a new reason to smile, each time you visit the mammoth
Ambience Malls



Shopping | Entertainment | Food | Just Malling

Space for a million smiles



Ambience: L-4, Green Park Extn., New Delhi - 110 016, Tel.: 011-26195042, 4021, 8101, Fax: 011-26164757, E-mail: mail@ambiencemalls.com