

Retail

IMAGES

FUTURE OF BUSINESSES

JULY 2012 • VOL. 11 NO. 7

INDIA'S
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₹50 US\$10

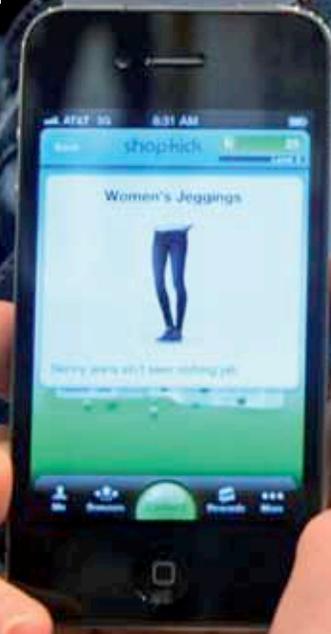
Technology: The Great Enabler



ENTREPRENEUR
Varsha Bhawnani
Founder
Vinegar Fashion India
The apparel retailer makes
a come-back



RETAIL EXCELLENCE
Dilip Kapur
President
Hidesign
The leather accessories retailer
has made luxury affordable



INDIA RETAIL FORUM
OCTOBER 10-11, 2012
MUMBAI, INDIA

Special
Technology Issue

RIMAGES Retail

www.indiaretailing.com

JULY 2012 • PAGES 108 • VOL. 11 NO. 7

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As modern retail expands in India, technology can help retailers reach the next level of growth. Lean and efficient but aggressive and forward-looking operations are the key to market domination in today's cut-throat world. No wonder then that technology has come to be seen by Indian retailers as the great enabler which can help them cut costs and boost operational efficiency. They are increasingly open to new technological innovations, from enterprise resource planning (ERP) and in-store inventory management to mobile technology, social media and cloud-based solutions.

Indian modern retail is just a decade old – this has actually been a blessing in disguise. Indian retailers are not constrained by investments in legacy systems and can leapfrog to the latest technology available. And many of them are doing so already to gain a competitive advantage. In this special technology issue, we discuss the latest technologies available in the market for retailers and the opportunities these represent. One thing is clear though – for a modern retailer to grow and expand in the modern age, there is no alternative to technology, a fact that Indian retailers have increasingly begun to understand.

The next edition of *Images Retail* would be the special annual edition with a focus on Vision 2020 of modern retail. How will modern Indian retail look like eight years from now and what are the main bottlenecks hampering its growth? We will connect with dozens of prominent national and regional retailers all over India to ask their views about how modern retail in India is going to shape up and what needs to be done for the country to emerge as a retail powerhouse. So stay tuned and keep your feedback pouring in!



Amitabh Taneja
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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

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Technology: The Great Enabler

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Hidesign: Luxury Made Affordable



Hidesign clocked a turnover of ₹120 crore last fiscal and has been showing a growth of 20–30 percent year-on-year

HIDESIGN IS A BRAND THAT HAS BECOME SYNONYMOUS WITH HIGH-QUALITY LEATHER ACCESSORIES SUCH AS BAGS, BELTS, AND WALLETS. WHAT BEGAN AS A HOBBY OF ENTREPRENEUR DILIP KAPUR IN 1978 TODAY BOASTS OF 3,000 EMPLOYEES AND 78 EBOS. THE COMPANY IS NOW LOOKING TO EXPAND ITS FOOTPRINT IN TIER II AND III CITIES AND HIKE ITS STORE COUNT TO 100 BY THE NEXT YEAR

By Payal Kapoor

→ The premium leather accessories market in India is growing steadily over the past few years due to the increasing wealth and fashion consciousness among people, which in turn is leading to a greater emphasis on products such as bags, belts, and wallets to go with one's lifestyle. According to an estimate, the market for women handbags alone stands at ₹2,000 crore in India, growing at a CAGR of 15 percent.

The long-standing industry leader in the "affordable but premium" leather

accessories segment in India is the Pondicherry-based Hidesign, which clocked a turnover of around ₹120 crore in the last financial year and has been enjoying an average growth rate of 20–30 percent year-on-year (y-o-y), according to the company officials.

HISTORY

Hidesign was founded in 1978 as a hobby by Dilip Kapur, who was born in Delhi but moved to Pondicherry at the tender age of six to grow up in the Sri Aurobindo Ashram. Later,

for higher studies, Kapur moved to the US where he graduated from the Princeton University, and then went on to complete his PhD at the University of Denver. He took up a job in a leather company called Poor Richard's while pursuing his studies and thus was born his interest with all things leather.

In 1977, Kapur returned to India to live in Auroville and started Hidesign next year as a two-man workshop to pursue his passion of leather crafting. Initially, the products used

to be sent to alternative shops in the US, the UK, and Australia for sale. It took another 15 years for the brand to move to department stores in London, California, and Australia. By 2000, over 90 percent of Hidesign production was being exported.

Finally, in 1998, the company opened its first-ever exclusive store in India at Bangalore and then at Pondicherry. Today, Hidesign has a total of 78 EBOs – out of which only five are franchisees – and employs around 3,000 people. It has a distribution network in 23 countries that has placed its products in over 2,000 stores, yet only 35 percent of its business is now accounted for by the international markets.

Over the years, the company has become synonymous with high-quality leather and brass fittings. Says Hidesign President Kapur: “The history of Hidesign has been defined by the rebellion against uniformity and synthetic flatness of the mass market.”

Sensing the long-term potential of the brand, Louis Vuitton invested in Hidesign in 2007. In 2009, Hidesign tied up with the Future Group to launch another bags and accessories brand Holii in a 50:50 joint venture. It currently has 10 stores in India.

POSITIONING AND CUSTOMER PROFILE

Hidesign is positioned in the category of premium but affordable luxury. The

typical customer profile comprises of successful, upwardly mobile and young-at-heart people with a strong sense of independence. The Hidesign customer is likely to be:

- Between 25 and 40 years of age
- Career-focussed, part of the middle and senior level management
- Belonging to the high income group
- A frequent traveller
- A buyer of quality products that have a lasting value
- Having a strong commitment to nature and ecology

The brand is increasingly being sought by career aspirants and fresh graduates and aligns well with the values of people in alternate professions such as media, fashion, art, education, and home-makers. Says Kapur: “With the expansion of the brand and a growing customer profile, we find that Hidesign also holds a loyal customer base with the younger urban Indians who are entering the workforce. They regard the brand as their first ‘serious’ purchase.” Hidesign initially started out as a men’s accessories brand



HIDESIGN STARTED OUT AS A MEN’S ACCESSORIES BRAND BUT THE CUSTOMER BASE HAS NOW SWUNG TOWARDS WOMEN WHO CONTRIBUTE 60 PERCENT OF THE TOTAL SALES



Dilip Kapur, President, Hidesign

but the customer base has gradually shifted to women who now contribute to 60 percent of the total sales.

MERCHANDISE MIX

The Hidesign products are individually handcrafted using high-quality leathers, many of which are purely vegetable-tanned using natural seeds and barks in the company’s own tanneries. Says Kapur: “We are a leader in researching the ecological use of vegetable tanned leathers for our products. Learning from the traditional skills of tanning with natural seeds and barks, we have managed to create leathers that age exceptionally well.”

The products available at Hidesign stores are split into the following categories:

- Women’s handbags, wallets, work and day bags, clutches, and belts
- Men’s wallets, travel wallets, belts, and passport holders
- Men’s briefcases, cross-bodies, messenger bags, city bags, and backpacks
- Travel bags, duffels, and wheelies
- Laptop and iPad sleeves
- Accessories and small-coin pouches, key chains, and pencil cases

Hidesign intends to extend the range further with new products such as sunglasses, scarves, and pens. All its stores currently showcase its entire range of products except the “Alberto Ciaschini – Handcrafted by Hidesign” luxury sub-brand of the company,



The price range of ₹4,500–6,000 is currently the most popular with customers

Sweet Taste of Vinegar



Varsha Bhawnani, Owner, Vinegar Fashions India and Vinegar Exports

FROM AN MBA TO BECOMING AN ENTREPRENEUR, **VARSHA BHAWNANI**, OWNER OF THE BRAND VINEGAR FASHIONS INDIA AND VINEGAR EXPORTS HAS LEARNT THE BUSINESS OF FASHION THROUGH CONSTANT HARDSHIPS. NEVER ACCEPTING FAILURE, SHE BELIEVED THAT EVERY PASSING DAY TEACHES A NEW LESSON. HER LOVE FOR FASHION AND PASSION TO DO SOMETHING BY HERSELF INTRODUCED HER TO THE WORLD OF RETAILING. STARTING HER BUSINESS WITH JUST FIVE SEWING MACHINES IN 2005, BHAWNANI HAS MANAGED TO ESTABLISH HER BRAND "VINEGAR" IN THE MARKET WELL.

DESPITE FAMILY RESISTANCE, SHE NEVER GAVE UP AND KEPT HER HOPES OF CREATING A BIG FASHION BRAND. TOTALLY UNAWARE OF HOW THE INDUSTRY WORKED, BHAWNANI WENT FROM PILLAR TO POST TO GAIN KNOWLEDGE ABOUT MANUFACTURING, COSTING, BRANDING, AND ADVERTISING. THOUGH SHE INCURRED HEAVY LOSSES INITIALLY AND SHUT DOWN HER BOUTIQUES, BHAWNANI NEVER GAVE UP THE FIGHT AND CAME BACK TO THE MARKET WITH A BANG.

HERE IS BHAWNANI'S JOURNEY, IN HER OWN WORDS, INTO THE CREATION OF A SUCCESSFUL APPAREL BRAND, AS TOLD TO **TISTA SENGUPTA**

→ Doing business is something I always had on my mind. Mumbai being the commercial capital of India and, more aptly, the city of dreams, I knew it was the right place to give wings to my aspirations. With a natural inclination towards fashion and style, I wanted to launch my own fashion label for women. Despite holding an MBA degree, I still had to work very hard and research extensively on India's fashion retail sector, before taking the plunge.

Though my strengths lay in marketing and finance, I wasn't totally unaware of production, costing, and manufacturing. I always knew that I had to learn the tricks of the trade well. Though the concepts of manufacturing and retailing were new

to me, I never let my hopes of owning a women's-wear brand diminish. I always wanted to create a brand that would cater to women who are fierce, independent, fashionable, and quirky. My family is based out of Bangalore, and here I was in Mumbai all alone striving to achieve something in life. And to accomplish something big like this, there is no better place in the world than a city like Mumbai!

EARLY DAYS

Building a brand is not only about retailing, it is about manufacturing too. As I was a novice in this field, I knew that gaining practical knowledge about manufacturing would be the founding stone of my brand. So in 2005, I quit my one-year-old job at

an equity firm in Mumbai (that I had bagged through campus placement at the Indian School of Business, Hyderabad) and immediately put myself at work to learn everything possible about manufacturing.

Initially, I faced some resistance from my family, but I was confident about my decision to do something on my own. I realised there was a dire need for an Indian export house that had knowledge of fashion. Keeping this in mind, I created around 30 garment samples from local tailors in Mumbai, took up a stall of 12 sq.mt. at the International Garment Fair being held at Delhi's Pragati Maidan and put up the samples on display. Being the youngest exhibitor at the Fair to showcase a collection, people

were very skeptical of placing orders, even though many of them visited my stall. It was in fact quite weird when people approached me and the first thing they asked was: "What's the production capacity of your export house?" Well, aware of the fact that I wasn't well-equipped to take up the consignments, I still told them I had around 100 machines in my factory! Having said that, I would have made sure that I had a good number of workers and machines before any deal got finalised.

After the Fair, I got five or six inquiries from some international buyers but nothing really materialised. As months passed, my hopes started to fall apart. I was broke too but never really wanted to ask my father for monetary help. I still remember the day when I was left with only ₹40 in my bank account and was surviving on a bowl of Maggi noodles! Knowing that the situation had gone from bad to worse, I had already made up my mind to call my father for help, but was still hesitant.

With a slight ray of hope still left within me, I thought of checking my mail box before I called up my parents. As I didn't have a laptop then, I had to visit the nearest cyber café to check my mails. And to my utter surprise and joy, I found a mail from a Spanish buyer who sent me my first consignment order for his boutique for ₹7,000. Happy and relieved, I immediately called back home, expressing my joy over cracking the first international deal in December 2005. Though the amount was meagre, I was still happy with the thought that I would now be able to manufacture garments.

I had received ₹3 lakh as bonus from my previous employer which I immediately invested in purchasing five sewing machines. I also employed five tailors and a supervisor and rented a small space near Bandra Police Station, Mumbai, to start manufacturing. This was the inception of Vinegar Exports. By the time the assignment was executed, the international trade fair was back in the country again. This time, I got my in-house tailors to create more samples to put up on display at the



The 5,000 sq.ft. store of Vinegar on Mumbai's Khar Linking Road opened in May this year



WORKING WITH DESIGN SCHOOL GRADUATES WAS A SHOCKING EXPERIENCE. MY KNOWLEDGE ABOUT DESIGNING SEEMED TO BE MUCH BETTER THAN THEM!

fair. The second time I was at the fair, I cracked a big deal from a US buyer who placed an order of 24,000 men's shirts at ₹42 each. This time, I picked up 50 machines and rented a small factory in Mahim. But as there were not enough workers at my factory, I had to outsource a part of the consignment to external tailors. Being young, it was quite difficult to convince tailors to get my job done. I had to pay cash to almost everyone in advance. But this truly helped me in learning the dynamics of outsourcing in the business of fashion.

My forte was creating hi-end women's wear. Even though ₹42 for each shirt wasn't a very lucrative deal, I still didn't want to miss out on the chance. I lost almost ₹10,000–15,000 on that consignment, which the buyer was very much aware of. But my luck always favoured me. Even as I kept losing money, the buyer from the US kept placing new orders. This eventually helped cover up my losses. There were times when I was penalised for late deliveries. Though I felt exploited, I still got to learn a lot from such clients. Every loss I made taught me something new, made me stronger and cautioned me not to repeat the mistakes again.

In my initial days, I used to travel a lot to Spain to meet new buyers, designers, and boutique owners. I had built a very good rapport with them, which helped me in my business.

LAUNCHING BRAND VINEGAR

Though I never learnt designing myself, my inclination towards fashion helped me build my export house and the Vinegar brand. I believe fashion design schools in India do not teach students to implement their designs practically. They might be making brilliant sketches, but to implement them practically with the right fit and pattern is something very difficult and different.

Working with design school graduates was a shocking experience. My knowledge about designing seemed to be much better than them! The problem is, they try to create "out-of-the-box" garments that are hardly wearable. They don't realise that creating basic daily-wear can be tough too. Design schools should make it compulsory for their students to get trained under a designer or design house and learn the fundamentals of manufacturing and making patterns, knowing which fabric works best, draping, etc.

To understand retail and deliver something new to my customers, I had to research vigorously on the Indian market. I tried to discover what sells more in India, what should the price points be, which fabric works the best in which city, what are the Indian shoppers looking for, and so on. Gaining adequate knowledge about the local market, I launched "Vinegar, The Boutique" in 2009. I



Technology: The Great Enabler

By Priyanka Dasgupta

CAN RETAILERS TODAY SURVIVE WITHOUT TECHNOLOGY? THE ANSWER IS A CLEAR NO. AS THE CUSTOMER BASE OF RETAILERS GOES UP AND THEY EXPAND IN SCALE, THERE IS NO ALTERNATIVE TO TECHNOLOGICAL INNOVATIONS TO STAY AHEAD IN THE MARKETPLACE. TECHNOLOGY IS A FORMIDABLE FORCE MULTIPLIER THAT HELPS TAKE BETTER BUSINESS DECISIONS, CUT COSTS, INCREASE OPERATIONAL EFFICIENCY, AND BOOST THE BOTTOMLINE. IS TECHNOLOGY EXPENSIVE? THE UP-FRONT ACQUISITION COSTS MAY BE HIGH, BUT IN THE LONG RUN, IT PROVES TO BE QUITE COST EFFECTIVE BECAUSE OF THE RETURN ON INVESTMENTS IT PROVIDES TO THE RETAILERS

→ The Indian modern retail, though starting from a small base, is on a rapid growth trajectory. Driven by a slew of factors, the sector is pegged to grow at 30 to 35 percent year-on-year in the foreseeable future. While multiple modern retail formats are mushrooming across the country, unorganised retailers are also fast sprucing up their act to compete better. Since the industry operates on wafer thin margins, the key to survival lies in optimising resources and maximising customer satisfaction.

Over the years, as retailers have geared up to meet the increased competition in the market and the heightened expectations of the customers, technology has kept

managers are increasingly diverting a significant amount of their budget and resources towards technological upgradation and adoption of latest hardware and software programmes to increase efficiency and deliver a better customer experience. Without doubt, technology has emerged as a competitive tool and key differentiator in Indian retail and encouraged a dramatic shift in the mind-set of the country's retailers.

A recent study by the Retailer's Association of India (RAI) has estimated that modern retailers in India would invest about ₹13,668 crore by 2017 towards technology solutions for cost control, opportunity assessment and risk minimisation.

used by larger retailers in India is ERP (enterprise resource planning), followed by store inventory management.

LOWERING COSTS THROUGH TECHNOLOGY

To a large extent, the business of modern retail is driven by prior planning and effective execution. It is also constantly evolving in step with the changing consumer expectations and behaviour. Says Shijo Thomas, Industry Lead, Retail & CPG, at Fujitsu Consulting India: "The evolution of modern retail is not only towards the consumer side but also towards the suppliers and operational partners. For the critical functioning of a retailer, it is important for him to have a sense of visibility and operational control. Any retailer who has achieved this operational efficiency can derive immense cost benefit that eventually would affect his bottom line."

This sense of visibility and control in retail operations can be brought about by technology which can help lower the costs substantially. Explains Thomas: "When we talk about things like supply chain, store management and managing the work force in a business like retail, a major chunk of the costs of a retailer goes towards operations. The idea is to minimise this cost while maintaining maximum visibility and control. This is where technology comes in to lower the operational costs of a retailer."

Echoing these views, Indranil Guha, Additional GM and Head, IT Integration, with the Kolkata-based retail chain Spencer's, argues that technology is very important in today's world of cut-throat competition and low margins. "It has emerged as the key differentiator. Without constant innovations on the technology front, a retailer just won't be able to run his business," he says.

Vikrant Pal, General Manager, Business Improvement, with the national electronics chain Croma, asserts that without technology one cannot handle retail operations at all. "Technology is the key to any retail strategy. If this crucial element is missing from the retail operations, the retailer cannot think of scaling



A typical modern retailer in India is estimated to spend around ₹1.55 crore on IT products annually

pace with the developments and evolved rapidly to support the growth of modern formats. In fact, technology has emerged as the key enabling factor helping retailers stay a step ahead of others and increase profitability.

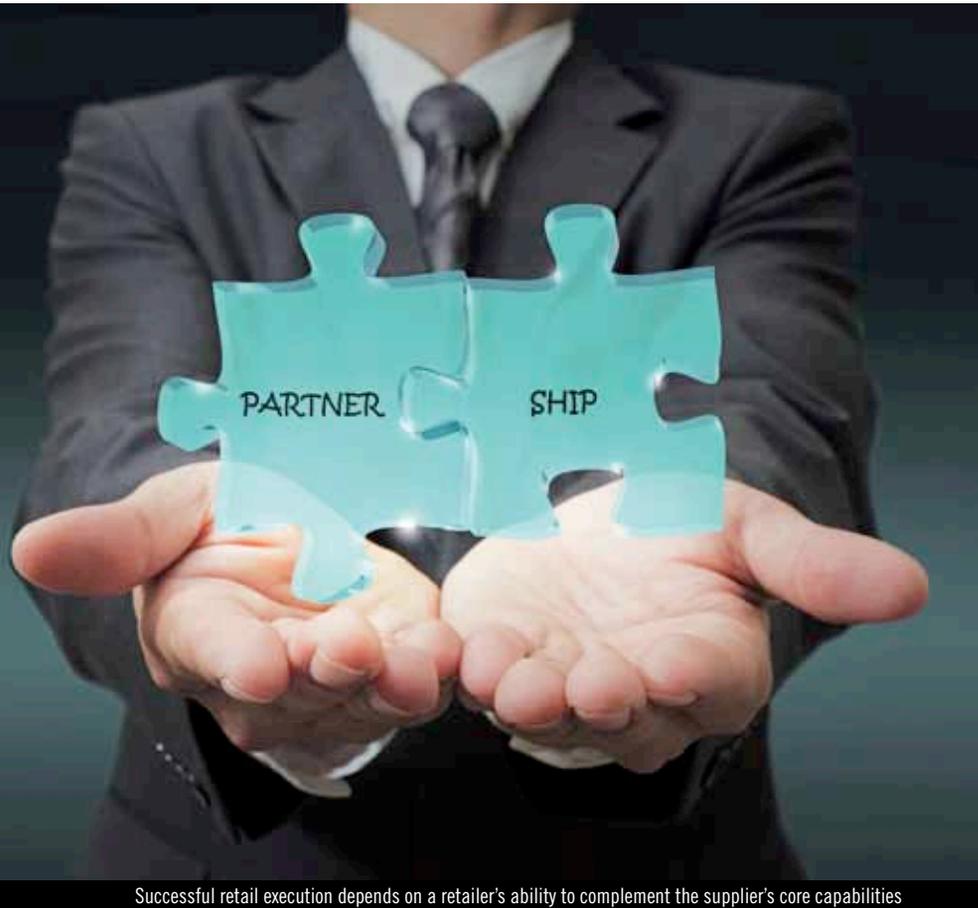
Says an industry analyst: "Consumers have started expecting more bang for their buck and a higher level of service, so no modern retailer worth his salt can neglect the importance of technology in day-to-day operations." This is a fact not lost on the Indian retailers. A few forward-looking entrepreneurs and



ACCORDING TO ONE ESTIMATE, MODERN RETAILERS IN INDIA WOULD INVEST ABOUT ₹13,668 CRORE BY 2017 TOWARDS TECHNOLOGY SOLUTIONS TO GAIN A COMPETITIVE EDGE

It has also discovered that on an average, a modern retailer in the country spends around ₹1.55 crore on IT products annually. The most prominent technology solution

Driving Efficiency Through Supplier Collaboration



Successful retail execution depends on a retailer's ability to complement the supplier's core capabilities

IN A NEGOTIATION-ORIENTED RELATIONSHIP SUCH AS THAT BETWEEN A RETAILER AND HIS SUPPLIERS, A PRACTICAL AND INCREMENTAL COLLABORATION APPROACH IS REQUIRED, DRIVEN BY BUSINESS DISCIPLINE AND AIDED BY A FLEXIBLE TECHNOLOGY PLATFORM. IN ORDER TO BUILD A HOLISTIC APPROACH TOWARDS SUPPLIER COLLABORATION, A RETAILER SHOULD TAKE GRADUAL STEPS TOWARDS IDENTIFYING MULTIPLE COLLABORATION LEVELS WHERE EACH LEVEL SATISFIES A DEFINITE BUSINESS OBJECTIVE

By Shijo Sunny Thomas

the retailer's confidence at customer checkout. Successful retail execution depends immensely on a retailer's ability to complement the supplier's core capabilities with a timely and decision-enabling insight into all points of the product path within the retail value chain.

The benefits of such collaboration were traditionally perceived to be only for the purchasing functions of a retail organization. That is the reason why most retailers look at collaboration as an automated transmission of purchase orders, delivery notes, invoices, etc. In order to build a holistic approach towards supplier collaboration, a retailer should take gradual steps towards identifying multiple collaboration levels where each level satisfies a definite business objective. For some, the ideal levels could be to first establish visibility in certain business areas and then to increase profitability and demand forecast accuracy.

→ At a recently concluded gathering for retailers in India, those present were asked about the supplier collaboration initiatives taken in their organizations. For many, supply chain collaboration implied automation and dissemination of transactional information to their supplier base. For some, the collaboration efforts were towards sharing sales and stock dashboards. A common premise across many responses was that collaboration was equated to automation and was an initiative to lower administrative costs. However, for a large group of retailers, the current levels of collaboration were

a baby step towards establishing an initial level of trust and a precursor to larger supplier engagements with a vision to increase revenues and market share.

In an execution-driven business such as retail, there are two relationships that are sacrosanct with customers and suppliers. Customer behavior towards a retailer's product and service assortments represents the moment of truth for the retailer and is the result of an arduous retail planning and execution exercise. Suppliers in turn focus on product innovation, pricing, branding and timely shelf availability, thus boosting



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, Celio, 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, Chicco, Univercell, Bag Zone, VIP Lounge, Hildesign, Sochi, Tamanna, Blackberry's, Lee, LP Peter England, Provogue, V, Wrangler, Zodiac, Bata, Mochi, Soles, 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 Bites, Upsouth, Just Bake & Matka Kulli, 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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