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Look who's on the web!

Meet the men leading retail's online charge

Vivek Mathur,
Shoppers Stop

Manmohan Agarwal,
yebhi.com

Manoj Chandra,
Bata India

Sundeep Malhotra,
HomeShop 18

Pawan Gadia,
Ferns n Petals

- ➔ Metamorphosis – Meet the New Rural Customer
- ➔ The Changing Scenario of Mall Development

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Online retail is the new buzz word! Walmart has recently bought Kosmix, a Mountain View, California-based firm to craft its own proprietary social and mobile shopping programmes. Kosmix will operate as part of the newly formed @WalmartLabs. This deal by the world's leading retailer only reiterates the growing significance of e-commerce worldwide and Walmart's global multi-channel strategy that integrates the shopping experiences between brick-n-mortar stores and e-commerce.

In this issue, our cover story talks about the new "online" bazaar. As this form of retail has begun to take shape, the retail bigwigs share their views on the challenges as well as prospects of the online space.

Our guest author, Samarjeet, takes a look at the US digital retail market and how Americans have embraced technology.

With the modern sector increasing its foothold in the overall retail market, and gradually growing in importance for the discerning Indian consumer, it is but natural for the online medium, too, to increase in volume.

Also, with the Indian consumer looking for convenient, time-saving modes of shopping, – and, more importantly, equipped with PCs, laptops palmtops and fast-speed internet – e-commerce is only going to become more significant. It is just a matter of time.

Meanwhile, the rural sector is growing in importance for modern retailers, especially because the rural consumer has money to spend and demands brands, rather than just going for a product. So, whether it is CDIT or FMCG, the share of the rural market in the overall retail sector is growing, slowly but steadily, and modern retailers can ignore this strong market – which boasts close to 70 per cent of our population – only at their own loss.

So, shall we ask retailers to go "Go Rural"? Let us know what you think!



Amitabh Taneja

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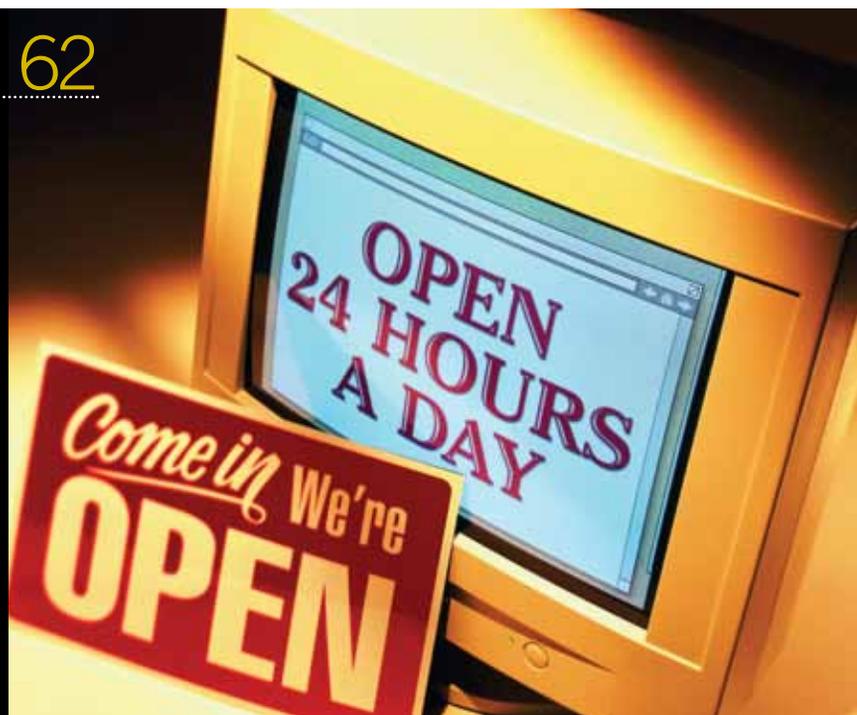
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The Craft of Online Retail

Retail on virtual world

THE NEW ONLINE "BAZAAR" - EASY, CONVENIENT AND TIME SAVING! THOUGH IN NASCENT STAGES, ONLINE RETAIL HAS OPENED MANY AVENUES FOR RETAIL COMPANIES. TO REACH THE EVER-DEMANDING CUSTOMER, RETAIL IS SLOWLY AND STEADILY GOING ONLINE. INDIAN RETAILERS DISCUSS THE SIZE, SCOPE AND STRATEGY OF E-COMMERCE.



The **Craft** of Online Retail

Retail on virtual world

THOUGH IN NASCENT STAGES, ONLINE RETAIL HAS OPENED MANY AVENUES FOR RETAIL COMPANIES. A TOTALLY NEW BALL GAME FOR THE RETAIL WORLD, E-COMMERCE IS HERE TO STAY AND SET TO CAPTURE THE SCENARIO WITH ITS INNOVATIVE AND INTERESTING OFFERINGS! ONLINE RETAILERS TALK ABOUT THE OPPORTUNITIES, CHALLENGES, ROADBLOCKS AND THE WAY AHEAD FOR ONLINE RETAIL TO ACHIEVE A VIABLE, SUSTAINABLE MODEL FOR LONG TERM.

By Purnima Mehra

→ Online retail is the process wherein customers purchase goods/ services directly from a seller in real time over the internet. Also known as e-commerce (or electronic commerce), it is a very productive and profitable space. Online retail serves both retailers and consumers, satisfactorily, offering the convenience of shopping 24x7 at any place and saves retailers the cost incurred on a physical store.

Now the freedom to acquire a product in a fraction of a second is only a click away. It would not be wrong to say that the ease of shopping at a click of a mouse is most exciting, time saving, convenient, extremely popular among youngsters and gaining momentum with each passing day.

Once only travel ticket were sold online, take the case of IRCTC (Indian Railway Catering & Tourism Corporation), a government of India enterprise selling e-tickets successfully for the last many years. Today, fashion accessories, jewellery, footwear, apparel, flowers, bouquets

and chocolates, among a host of other products, are sold on the internet! And at what margin and magnitude! They have turned out to be scorers in terms of profits and economic gains.

“E-commerce is riding high and continues to grow at an increasingly rapid rate. The support system to supply to customers purchasing online is getting more advanced day by day. There are a lot of efforts in terms of services being provided these days such as loyalty programmes, priority desk, special URL for your esteemed members and much more,” says Ferns ‘N’ Petals (FNP) CEO, retail and online, Pawan Gadia. FNP’s is one of the success stories in the Indian online space. The floral boutiques chain of FNP had established a website in the year 2000, but entered the online space only in 2002. It started with a small amount and invested close to ₹10 lakh on technology and advertisement. However, the scenario changed completely over the years. Currently, around 16 per cent of the FNP’s



turnover comes from its e-commerce division and around 60 per cent year-on-year growth has been estimated in this division.

In the current scenario, two basic models of operation exist in the e-retail world.

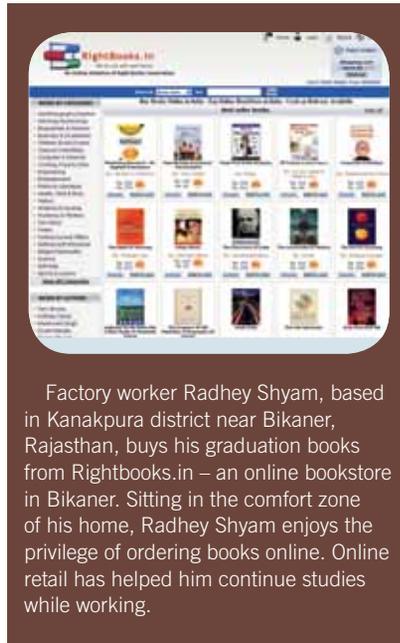
- *Driven by deals* – offering good deals with heavy discounts, offers and surprise gifts; for instance, dot.com companies such as naaptol.com, snapdeal.com.
- *Driven by convenience* – availability of goods / items any time any where; for example, bigshoebazaar.com.

PHYSICAL VERSUS VIRTUAL

Many retailers feel brick-n-mortar and online are poles apart and there is no synergy between the two. But is there? “There is a lot of synergy between the two. It comes as no surprise that the marketing industry is evolving as a whole. The key to a successful marketing campaign is to integrate the new media with the traditional media,” says Gadia of FNP.

He further adds, “Whatever is offered online is delivered offline through retail outlets in the market now. Similarly, the wide range available in retail stores can be viewed online comfortably by customers. This raises the need for advertisers to better understand how online marketing can be integrated with traditional media and marketing practices. If the message is consistent across various online and offline advertising media, the repetition will capture and retain consumer’s attention.”

Maintaining that the key for a brick-n-mortar retailer to offer customers a seamless experience across channels and leverage efficiencies is to integrate the physical store with the online store. Vivek Mathur, customer care associate & vice-president, corporate planning & e-commerce, Shoppers Stop Ltd, says, “We use the same inventory to service our stores and the online store, and customers can exchange an item bought online, in any of our stores, or buy gift vouchers online which can be redeemed at the stores. Certainly, the customer behaviour is quite different and so



Factory worker Radhey Shyam, based in Kanakpura district near Bikaner, Rajasthan, buys his graduation books from Rightbooks.in – an online bookstore in Bikaner. Sitting in the comfort zone of his home, Radhey Shyam enjoys the privilege of ordering books online. Online retail has helped him continue studies while working.

there is a learning curve to understand how the customer interacts with this environment. It is, therefore, required to have a dedicated team managing online so the required focus on building multi-channel capability can be applied.”

WEIGHING THE PROS

- *Consumer centric*: Online shopping has gained popularity since it caters to the middle and upper classes, as one must only have access to a computer, a bank account and a debit card to go digital. The process of online shopping is gaining momentum.
- *Tech know-how*: Most online retailers use a shopping cart software to help consumers in accumulating multiple items and adjust quantities by filling a physical shopping basket, just as done in a conventional

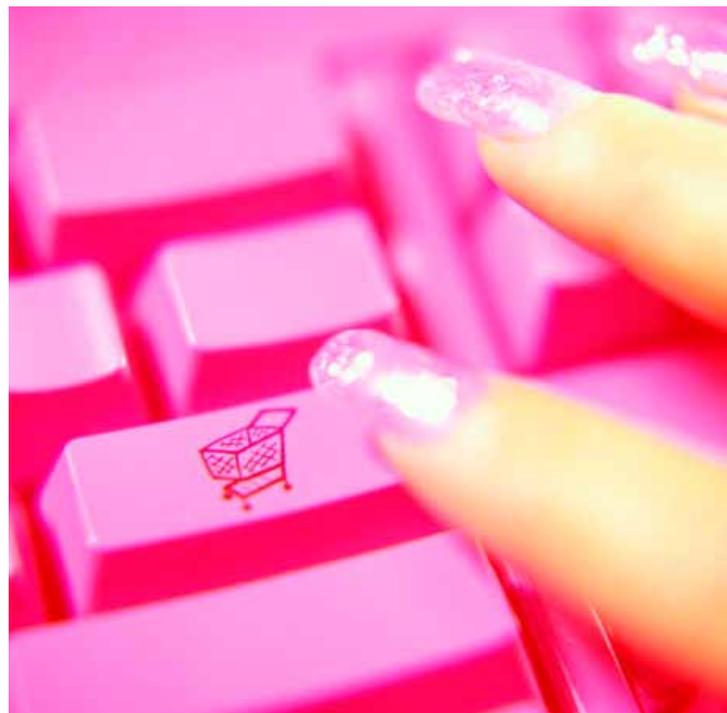
brick-n-mortar structure. A checkout process follows thereafter, providing payment and delivery information. Some stores allow consumers to sign up for a permanent account online so that all the required information is collected in the first time only. The consumer often receives an e-mail, phone call or SMS alert once the transaction is complete.

- *Deals & Discounts*: Online retailers offer good deals and fairly decent discounts to the customers, making the online shopping experience more exciting.
- *Payment mode*: Payments are made through credit cards or simple on delivery.
- *Product delivery*: The products / goods are delivered through shipping, down loading, in-store pick-up and print outs and other such methods amongst others.
- *Time saver*: The process is convenient and less time consuming.

In today’s world of every thing high-tech, instant and quick on delivery, e-retail certainly will have many loyal clients and customer in times to come and several new one’s would at least try it once.

STRATEGY FOR ONLINE RETAIL

The retail website of any brand happens to be its virtual shop for customers. It builds the brand and





Powering the Countryside

By Payal Kapoor

THE CONSUMER DURABLES MARKET IN RURAL INDIA IS EXPECTED TO WITNESS STEADY GROWTH IN FY12, PROVIDED THE THREE MAJOR BOTTLENECKS – LACK OF INFRASTRUCTURE, LOW DISTRIBUTION AND POOR AVAILABILITY OF FINANCE – ARE TAKEN CARE OF.

→ The consumer durables and information technology (CDIT) market, which covers home and kitchen appliances, white goods, electronics, PCs, laptops, cameras and related accessories, is on a growth curve in India. With the increase in income levels, easy availability of finance, increase in consumer awareness and introduction of new models, the demand for products such as washing machines, air-conditioners, microwave ovens and colour televisions (CTVs) is growing significantly.

The growing number of CDIT brands – Kelvinator, Godrej, Allwyn, Voltas, LG, Sony, Samsung, Whirlpool, Daewoo and Aiwa – is testimony to the huge potential this market holds.

MARKET SIZE

According to India Retail Report (IRR) 2011, the CDIT market in India holds around 3.2 per cent share of the country's total retail market and 9.2 per cent of the organised/modern retail market. Around 18.6 per cent of CDIT retail is organised and is estimated to grow to 20.7

The Indian rural consumer durables market, with the current growth rate of 30 per cent, is expected to witness an annual growth of 40 per cent in the ongoing fiscal.

WITH OVER 300 MILLION PEOPLE MOVING UP FROM THE CATEGORY OF RURAL POOR TO RURAL LOWER MIDDLE CLASS BETWEEN 2005 AND 2025, RURAL CONSUMPTION LEVELS WILL RISE TO THE CURRENT URBAN LEVELS BY 2017.

Televisions, refrigerators and air-conditioners have a penetration level of around 25 per cent, 17 per cent and 4 per cent, respectively in rural areas.

per cent in FY12. The market is currently dominated by the mono-brand dealership model, though the emerging organised MBOs are also growing at an appreciable rate.

THE RURAL SCENARIO

Even as the rural market is a major contributor to the total sales of consumer durables, the penetration level of consumer durables in rural India – with as much as 70 per cent

of the total Indian population – is still low, making it a lucrative market for CDIT players.

According to a recent study, "Rise of Consumer Durables in Rural India", by Associated Chambers of Commerce and Industry of India (ASSOCHAM), the Indian rural consumer durables market, with the current growth rate of 30 per cent, is expected to witness an annual growth of 40 per cent in the ongoing fiscal (FY12).

This growth, the study says, is fuelled by the change in lifestyle and higher disposable incomes of rural India. "Around 35 per cent of the total sales of consumer durable items come from rural and semi-urban markets, which will grow by 40 to 45 per cent in the near future. The consumer durables industry is growing at a fast pace and sees a strong demand in the coming period with the growing affordability of products as well as the general buoyancy in the economy," ASSOCHAM president Dilip Modi said while releasing the report in December 2010.

On the growing significance of the rural market for CDIT players, Sunil Mehta, CEO of Next Retail, the CDIT retail format of Videocon Industries, says, "A major [share of] growth has to come from rural markets as metros and bigger towns have nearly touched peak."

He adds further, "The existing share of the rural market is 35 per cent with a CAGR of more than 30 per cent."

LOW PENETRATION

According to the ASSOCHAM report, televisions, refrigerators and air-conditioners have a penetration level of around 25 per cent, 17 per cent and 4 per cent, respectively in rural areas.

While a 25 per cent share in the TV category, as mentioned above, may appear good, the fact is that the penetration level of consumer durables is quite low in rural India. Consider this: two-thirds of Indian consumers live in rural areas and almost half of the national income is generated here!



In your face!

By Tushar Chauhan

RETAIL IS GRADUALLY BECOMING AN INCREASINGLY CRITICAL MARKETING PLAYGROUND BY SUPPORTING A BRAND THROUGH THE THREE KEY TOOLS – VISIBILITY, AVAILABILITY AND ADVOCACY.

→ The last decade has seen an explosion in the number of high-technology consumer products such as mobile phones, PCs, cars and a lot more. All of these are high-involvement products, i.e., a consumer will research them, ask around, and will want to experience the product before making the buying decision. All of this is hard to do through mass marketing. There's only so much a brand can communicate to a consumer through a 30-second TV spot – and that's when they can stop him/her from flipping the channel in the first place.

As products and brands expand, retail will become ever more

important. It is what we often call the moment of truth – the place where the buying decision is finally made. Hence, retail – once considered the domain of sales teams in consumer product companies – is going to become an increasingly critical marketing playground.

When it comes to being successful at retail, there are three key tool – availability, visibility and advocacy – that product companies have to manage successfully. To further explain, a product should be available in the shop, it should be visible in the shop in a way that the consumer can experience its value proposition, and last but not the least, it needs

to be supported by a specialist who understands a customer's needs, and can explain how a particular product meet those needs better than what the competition has to offer. While availability is largely a distribution issue, visibility and advocacy are now coming under the purview of retail marketing.

All brands are taking steps to increase the visibility and advocacy of their products at retail shops. However, since these efforts are

to deploy soft branding materials such as posters, danglers, shelf strips etc. Most retailers do not pay too much attention to the branding that the brands are putting in their stores. This can result in stores not having signage that will bring-in walk-ins, or providing signage space to brands that will not deliver optimum results. Following are some guidelines that retailers should consider when planning signage for their stores.

- Have two or more glow-signs, each of different brands. A single glow-sign may convey the impression of an exclusive shop.
- Have a glow-sign of the industry leader. Most customers of a product have the industry leader as part of their consideration set. Having the industry leader's glow-sign will help increase your walk-ins.
- Have a glow-sign of the highest margin brand you are carrying or the highest stock brand

you are carrying, so that you can increase sales of those products.

- If you have multiple glow-signs, the first board above your shop's entrance is the sign that most people will remember your shop by, so don't change that signage frequently.
- Use a flange/lolly-pop. A flange is an important visibility tool, especially for shops where it is not possible for customers walking by the shop to see the glow-sign.
- Use standees/cut-outs outside your store. They are a great way to attract people who are just walking by your shop to take a look in.
- Inside the shop, identify the areas where you want signage and where you don't. Your shop should be designed to provide an uncluttered and customer-friendly

not coordinated, and all brands are trying to maximise their impact, the effect on retailers can be counter productive. Even with a number of brands in place and due retail marketing investments (such as visual merchandising and sales promotions), a lack of proper management and coordination by the retailer can end up with a space that is cluttered and shabby, and a sales floor where brand promoters jostle with each other detracting the overall consumer buying experience and ultimately resulting in lost sales.

Product brands are spending substantial money on improving brand and product visibility inside shops. This includes the deployment of hard branding assets like glow signboards and in-store graphics and regular visits by visual merchandisers

environment. Use the help of a visual merchandising consultant to design your shop's signage spaces, if required.

- Do not allow soft-merchandising to create clutter. Have clearly defined spaces where posters can be put up. Discourage competitors from tearing up each other's posters and ensure merchandisers do a tidy job when they deploy materials.
- Some shops don't allow any merchandising such as posters. This is wrong. Posters are the quickest form of visibility for a newly launched product and you will want to tell customers that you are carrying a new product. If you think posters do not go well with the overall look and feel of your shop, then create a neat display area using acrylic frames where posters can be inserted by merchandisers.
- Create an area for product brochures/flyers and ensure that brochures are organised well in the brochure stand. You should make it easy for customers to find information. Also, remember to put a stamp with your contact information on the brochure so that customers can contact you if they need to.
- Do not clutter your glass-front shop window or door. You want customers to be able to look into the store from outside. Using some of these simple guidelines, you will be able to ensure that your shop is appealing to customers, and that the layout and environment make it easy for customers to shop. Best of all, you don't have to spend any money to achieve any of the above. There are a lot of brands who are more than happy to do it for you – but you need to act as an effective umpire to ensure that it is done effectively and that it helps, rather than hurts your sales. ❏

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ABOUT THE AUTHOR

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FOOD FORUM INDIA 2011 – THE ANNUAL IMAGES FOOD BUSINESS CONFERENCE AND AWARDS EVENT – WAS HELD IN END-MARCH IN MUMBAI. HERE'S A CRISP SUMMATION OF SOME KEY CONCERNS ADDRESSED.

Navigating the Business

By Shubhra Saini, Varun Jain and Utpala Ghosh

PRIVATE LABELS: GERMANY OR UK?

Once considered a low-price, low-quality substitute for national brands, private labels are now viewed positively by many Indian consumers. But have they really come of age?

“What the private label business will be in the future depends on how as retailers we behave today. In the UK, the share of private labels is as high as 55 percent, while in Germany, it is somewhere near 30 percent. In India, though, the private label share is not that high, so right now we can mould the market the way we want. In Germany, Lidl and Aldi, both primarily discount stores, have set the tone for their domestic retail market. Whereas the UK model – of Tesco and Sainsbury – is the kind where private labels range from being value products to premium products and they all do pretty well,” opined Sumit

Chandna, vice-president, buying and merchandising, FMCG, Aditya Birla Retail.

He further said, “If today I am asked which can be the preferred model for India, I will say, seeing the aspirational value of customers and growing household disposable income, the UK and US model can do well in India.”

“Giving value for money to consumers is the classic strategy on which private label brands bank upon the world over. But, can we create key differentiation only based on value-for-money strategy? The answer is no, because as the retail industry matures, so should we and so should private label. It is high time they [private labels] are called private brands,” explained Devendra Chawla, head, private brands business, Future Group.

Viney Singh, MD, Max Hypermarket (Spar) India, a special invitee at the conclave, talked about how seriously retailers take brands and how they fulfill the need gap. “As private label is still evolving in India, the first challenge before us is to realise the market gaps and to fill those gaps with our private label. Our food products contribute 16-17 percent of our total food sales and in future we want to take it to 30 percent,” he said.

FOREIGN FOODS IN INDIA

Asserting that the foreign food segment is doing well in India, Mohit Khattar, MD & CEO, Godrej Nature's Basket, said, “The value of products under the foreign food category is growing at 25-30 percent annually. It caters to consumer who have deep pockets and are experimental.”

“The kind of cold chain facility required to manage perishable items, such as sushi or salmon, is not available in India. This is one reason why, despite being a demand in market for these products, we are unable to fill in the gap,” expressed Rakesh Banga, WMMC, India.

He suggested that the modern retail industry should come up with solutions for the cold chain management in order to get fresh products on the shelves. “This is the only way for developing the market further for imported food items,” he stressed.

PACING MODERNISATION

Maintaining that the possibility of business that retailers can do with a single customer is infinite, Damodar Mall, head, integrated food strategy, Future Group, said, “Today's consumers are not constrained by budgets; half of them pay by credit card to me and hence can buy more if I can excite them with what they want. When people have higher spending power and are willing to pay more for quality, it is a much higher opportunity for modern traders to make money out of it.”

Gurnam Arora, MD, Kohinoor Foods, seconded Mall's opinion. “Our customer, his behaviour and his requirements are changing. He needs the best and takes quality for granted. If you look 20 years ago, the breakfast constituted of paranthas for majority of us. Today, the customer wants different cereals. The needs have changed and so have the lifestyles,” he asserted.

SHIFTING POWER?

“If you look at the mix of business that comes from modern trade for most big FMCG companies in the country, it is beginning to reach double-digit figures. If you look at the level of communication that we have with these companies and the level of interaction with the brand teams internally, a lot has changed,” said Sumit Chandna, vice-president, buying and merchandising, FMCG, Aditya Birla Retail, during the “Partners in Progress” session.

“We made significant investments in supply chains. This was unheard of five years ago. And when you say

L to R: Arun Khattar, BVK Raju, T Thanushgaran, Mohit Khattar, Ayan Ghosh, Sumit Chandna, Vikas Bansal, Kaushik Karthik, Saumil Thanawala, Ashutosh Singh, Dinika Bhatia, Dupinder Sandhu, Ashutosh Chakradeo



Ashok Sinha, Secretary, MOFPI, Govt of India



Samir Kuckreja, MD, Nirulas & President, NRAI

modern trade is not contributing to the company's top line, it is a myth, because we see the overall picture that is 5-7 per cent. It also depends on the location and the city they are in,” explained Kaushik Karthik, national key accounts head, modern trade, Dabur.

BVK Raju, partner, Q-Mart, felt there had not been much change in the balance of power. “I can't speak for big companies, but for people like us there has not been a significant difference, except for the fact that earlier the companies would come to us and push their products and we had to accept it. That has changed,” he said.

SUPPLY CHAIN EFFICIENCY

Blaming global supply chain mismanagement for the aggravated situation today, Dr Jochen P Zoller said, “Problems occur when we have different standards. Every single member of supply chain management (SCM) creates different quality standards. In a country like India, we need to produce more and reach out to people faster. For this, we need a very efficient SCM. The only



Coca Cola Golden Spoon Awards 2011

1. MOST ADMIRED FOODSERVICE RETAILER OF THE YEAR: QSR INDIAN ORIGIN

⇒ **Haldiram's**

- Jumbo King Vada Pav
- Yo! China
- Bikanervala
- Street Foods of India
- Mad About China

2. MOST ADMIRED FOODSERVICE RETAILER OF THE YEAR: QSR FOREIGN ORIGIN

• Pizza Hut

⇒ **KFC**

- Subway
- McDonald's
- Domino's Pizza

3. MOST ADMIRED FOODSERVICE RETAILER OF THE YEAR: CAFES, JUICE BARS

- Café Coffee Day
- Jus Booster Juice
- Mad Over Donuts
- Baker Street
- Coffee Bean & Tea Leaf

⇒ **Costa Coffee**

4. MOST ADMIRED FOODSERVICE RETAILER OF THE YEAR: ICE CREAMS & DESSERTS

⇒ **Naturals Ice cream**

- Gelato Italiano
- Haagen Dazs

5. MOST ADMIRED FOODSERVICE RETAILER OF THE YEAR: DINE-IN INDIAN CUISINE

• Moti Mahal

⇒ **Punjab Grill**

- Pind Baluchi
- Copper Chimney
- Sahib Sindh Sultan
- Bombay Blue

6. MOST ADMIRED FOODSERVICE RETAILER OF THE YEAR: DINE-IN INTERNATIONAL CUISINE

⇒ **Mainland China**

- Set'z
- Fresco
- Ruby Tuesday
- Spaghetti Kitchen
- Indijoe
- China Town by Noodle Bar

7. MOST ADMIRED FOOD COURT OPERATOR OF THE YEAR

- Lite Bite Foods

⇒ **Blue Foods Pvt Ltd**

- DLF

8. MOST ADMIRED INDEPENDENT F&G RETAILER WITH REGIONAL CHAIN

- Ratnadeep Supermarket

⇒ **Le Marche**

- Kannan
- Nuts & Spices
- Q-Mart

9. MOST ADMIRED FOREIGN FOODS RETAILER OF THE YEAR

- Ratnadeep Supermarkets

• Le Marche

⇒ **Nature's Basket**

- Ruci & Idoni
- Modern Bazaar

10. MOST ADMIRED FOOD & GROCERY RETAILER OF THE YEAR: LARGE FORMATS

- Hypercity
- More MegaStore
- Food Bazaar

⇒ **SPAR**

- TOTAL

11. MOST ADMIRED FOOD & GROCERY RETAILER OF THE YEAR: PRIVATE LABELS

⇒ **Food Bazaar**

- Spar
- More

12. IMAGES AWARDS FOR EXCELLENCE IN FOOD & FOODSERVICE RETAILING

⇒ **Little Bee**

13. MOST ADMIRED RETAIL PROFESSIONAL OF THE YEAR: FOODSERVICE

⇒ **Samir Kuckreja**

14. MOST ADMIRED RETAIL PROFESSIONAL OF THE YEAR: FOOD & GROCERY

⇒ **Damodar Mall**





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