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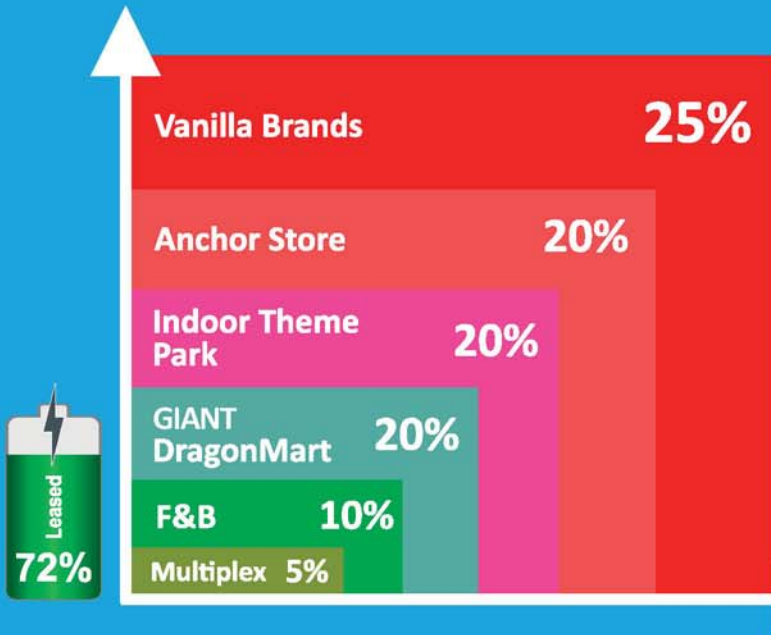


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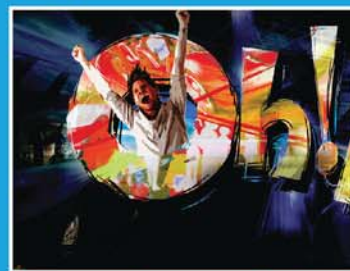
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Much has been said about the many benefits that franchising a retail business brings to the owner. But what of the franchisee? What are his compelling reasons to be a partner? There are many pitfalls for a franchisee. The franchisor could place restrictions on how one runs the business and not allow a franchisee to make changes to suit a local demographic.

When, we talk about India, even though retail is enjoying the status of a sunrise industry, franchising systems are still not in place to safeguard the interests of either party or the brand itself. According to retail industry veterans, franchising should be considered only when a brand has sound processes and systems, which can be replicated elsewhere. Also, a brand must master the business before it ventures into seeking franchisees.

Hence, it's extremely critical to lay out control mechanisms and standard operating procedures before taking the franchising route. A strict set of do's and don'ts need to exist and be audited continuously.

In the January issue of IMAGES Retail, we have tried to empirically study the viability of franchising in retail sector and what is the future franchising model in India. What kind of cautionary measures should be taken by both franchisor and franchisee before getting into the alliance.

In this cover story, we have analysed that franchising in India still has a long way to go. For the model to continue its growth run, the many stumbling blocks need to be removed. Also, we need to analyse that is there a large enough pool of capable and committed franchisors to take India's retail story forward?

At IMAGES Retail, we got the feedbacks of many retailers and analysts on the aspect of franchising and the point everyone zeroed down upon is that to up the ante in retail franchising the focus should be more on transparency and trust between the franchise partners.



**Amitabh Taneja**

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COVER STORY

## COLLABORATION FOR GROWTH FRANCHISING - THE WAY FORWARD FOR RETAILERS

In this New Year special issue of IMAGES RETail, we have analysed that how brands across categories that have expanded using this business model are fairing in modern retail scenario.



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GLOBAL BRANDS ARE  
**REWORKING**  
**ON STRATEGIES**  
 TO REMAIN PROFITABLE

**Global retailers are tweaking their strategies when it comes to doing business in difficult markets like China. For instance, Yum Brands Inc's China division is simplifying menus, speeding up service and increasing convenience ahead of next year's planned spinoff that aims to tee up the business to eventually triple in size.**

By Priyanka Dasgupta

**A**gain Cartier is finding it difficult to market watches to men since the gold and diamonds of its jewellery are so popular with women. The world's biggest jewellery and watch brand in terms of combined sales generates more than two thirds of profits for Swiss parent Richemont, but watch revenues have dwindled relentlessly while jewellery sales have boomed. Like other high-end watchmakers Cartier is suffering from a drop in demand in big markets such as Hong Kong, mainland China, Russia and the United States. And the brand is working hard to re-claim the lost market.

**Yum Brands sprucing up China operations to triple in size**

Yum Brands Inc's China division is simplifying menus, speeding up service and increasing convenience ahead of next year's planned spinoff that aims to tee up the business to eventually triple in size. "We're going to double down on easy," Yum Chief Executive Officer Greg Creed told Reuters in an interview, saying that the company plans to make ordering, payment and delivery more seamless for customers and employees. Creed was in Dallas where Yum hosted its annual investor and analyst meeting. China has been the main driver of growth at Yum since the restaurant



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operator was spun out of Pepsico in 1997. But the last two years have been a roller coaster ride for the division, due to food safety scandals, marketing mishaps, intensifying local competition and cooling economic growth. Those disappointing results helped fuel the decision to make Yum China a separate, publicly held franchisee that will pay a more predictable royalty stream to its sister company. Yum China in turn aims to recruit more franchisees to fuel expansion. There are currently only about 100 franchisees operating Yum restaurants in China, said Yum China CEO Micky Pant. High-volume KFC restaurants, such as those in Shanghai's high-speed rail station, have improved results by simplifying ordering with pared-down menus that offer just a handful of meal bundles, Pant said. A move to accept Alibaba Group Holding Ltd's Alipay mobile payment service also has sped service. In fact faster service boosted same-store sales. Yum executives said they are investing

in online ordering and trying to cut the number of keystrokes required to enter a customer order. China economic pressure also has led the company to offer more items that are "easy on my pocket," said Creed. China's more upscale Pizza Hut Casual Dining restaurants are switching away from special offers of premium items such as steak. Yum China, with 6,900 restaurants, aims to grow to 20,000, long term, mostly through new KFCs and Pizza Huts, said Pant. Next year, Yum China plans to build 600 new restaurants, 100 fewer than in 2015. Nevertheless, China is preparing another test for Yum's Taco Bell chain. The move comes about a decade after the country's unsuccessful experiment with "Taco Bell Grande," which featured mariachi and servers sporting sombreros. Yum Brands Inc's China division is simplifying menus, speeding up service and increasing convenience ahead of next year's planned spinoff that aims to tee up the business to eventually triple in size.

### Cartier to tweak strategies to sell more watches

Cartier is finding it difficult to market watches to men since the gold and diamonds of its jewellery are so popular with women. The world's biggest jewellery and watch brand in terms of combined sales generates more than two thirds of profits for Swiss parent Richemont, but watch revenues have dwindled relentlessly while jewellery sales have boomed.

Like other high-end watchmakers Cartier is suffering from a drop in demand in big markets such as Hong Kong, mainland China, Russia and the United States. But some of Cartier's problems are specific to the brand, setting up a challenge for Cyrille Vigneron when he takes over the leadership next month. Improving Cartier's image as a watchmaker in China, where wealthy women love its red boxes but men prefer pure watch brands such as Rolex, Patek Philippe or Vacheron Constantin, may be top of his to-do list. "Cartier is popular among fashion-focused customers in Hong Kong. Consumers will regard it as a piece of jewellery when they hear the brand, it is particularly popular among ladies," said Lam Tung-hing, general manager of the Hong Kong retail operations of Oriental Watch Holdings Ltd in a media report. For men, first time luxury watch buyer will choose to buy Rolex, which is practical and good looking. Richemont said last month that watch sales were down mid-single digits in the six months to September, dragged down by its biggest markets, Hong Kong and the United States. It had already stated a similar decline for Cartier watches in the full year to March. Shares have fallen over 12 per cent this year. Comparisons with competitors are hard to make. Rolex is privately owned and at LVMH, watch and jewellery sales rose 10 per cent during the first nine months but it does not give a separate watch figure. Swatch Group shares have fallen 18 per cent, partly due to competition from smartwatches and the drop in demand from China. Watch exports



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## Some analysts estimate that the high-end watch market in mainland China is down 60 per cent since its 2012 peak.

from Switzerland, where Cartier and other watches are made, fell 3.2 per cent during the first ten months of 2015 with shipments to Hong Kong down 22.7 per cent and rising just 0.1 per cent to the United States. Pierluigi Fedele, who is responsible for watchmaking at the Swiss union Unia, downplayed any talk of a crisis. “There is no real crisis in the Swiss watch industry today. Exports are down a bit, but probably still above 20 billion Swiss francs for the whole year,” he said in the media report.

But he noted the subdued Asian market was causing problems for some companies and a few had laid off staff. Cartier said last year it introduced shorter working hours for some employees and would not say if the measure was still in place.

Some analysts estimate that the high-end watch market in mainland China is down 60 per cent since its 2012 peak. This is partly due to the government’s crackdown on the tradition of gifts-for-favours which often involved watches. Richemont also highlighted difficulties in Macau where the casino industry is suffering from the crackdown on corruption, the weak yuan and Chinese government restrictions on travel. The strong franc has made Swiss exports more expensive while Tiffany & Co forecast a bigger fall in full-year profit

than previously expected as a strong dollar kept tourists from spending in its showpiece U.S. stores.

But for Cartier, whose sparkling creations adorned royal heads around the globe in the early 20th century and more recently Kate Middleton’s at her wedding to Prince William, the challenges are bigger than for most. Exane BNP Paribas analyst Luca Solca said Cartier is particularly exposed to China. “Cartier is facing a relatively subdued luxury market, as the bulk of the other mega-brands. Additionally, Cartier is suffering from the step back in the Chinese watch market / gifting practices. You could argue Cartier has not been the strongest innovator in recent years,” he said in the media report. Lack of innovation has been a problem and Vigneron, who replaces Stanislas de Quercize, a 25-year Richemont group veteran who stepped down last month, will need to focus on this. Many of Cartier’s new watches have been based on existing versions with innovation focussed on the most expensive models. In January, Cartier unveiled its first new model in eight years, the Cle watch, but so far only gold models costing more than 10,000 euros are available.

“The way to be successful is, first of all, with product innovation because in a subdued environment that is the way you can maybe get the consumer to buy

a new watch,” said Bernstein analyst Mario Ortelli in the media report.

The company is also a relative newcomer in “in-house” watch movements, the mechanisms that make a watch tick and are beloved of collectors. When Swatch Group, the world’s largest watchmaker, started phasing out delivery of watch movement components to the rest of the industry, competitors were forced to develop their own manufacturing tools, now an important part of the prestige of high-end watches. In fact in China Cartier chased the mass market on the mainland and paid less attention to the top technical design required by buyers in Hong Kong.

In marketing as well, Cartier could do with a few fresh ideas. While Omega’s name is omnipresent at the Olympic Games and each new James Bond movie and Rolex cultivates its image as a sports brand, Cartier relies on its signature panther and other more traditional attributes. It has sponsored polo for more than 30 years but competitors such as Hublot have been a bit more adventurous by doing deals with soccer teams and ski schools in resorts such as Courchevel. Richemont thinks Vigneron, a music composer and guitar player who was rehired at Cartier after heading LVMH’s operations in Japan, is the right man to lead Cartier back to growth. 





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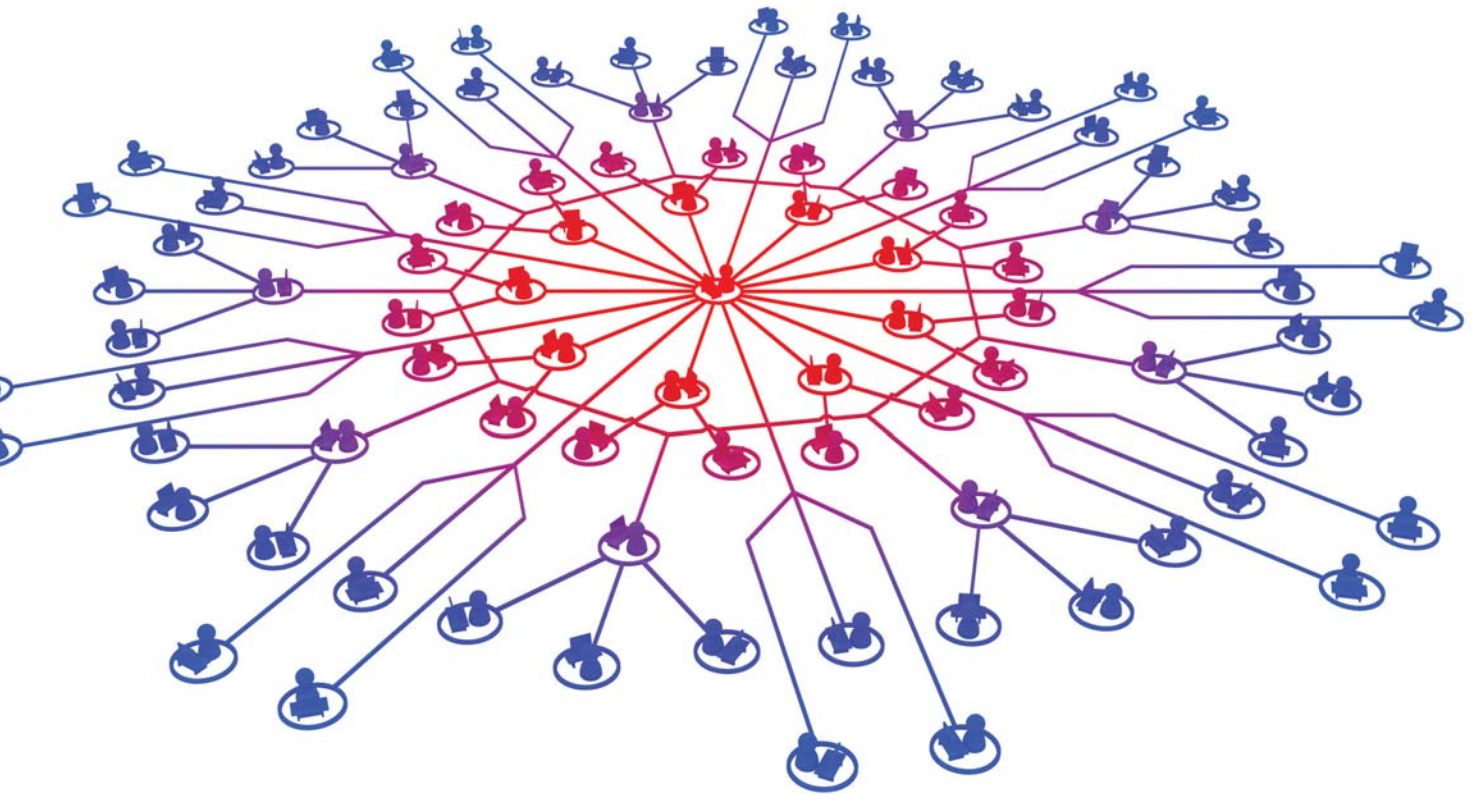
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# INDIAN RETAILERS ARE ON AN ( **EXPANSION SPREE** )

**It seems Indian retailers are on an expansion spree, either by drawing up new capex plans or by getting into newer categories. Aditya Birla Group controlled Grasim Industries has drawn up capex plan of ₹150 crore for product development, R&D and business development for its new fabric brand Liva in next fiscal.**

By Priyanka Dasgupta



**A**lso luxury watches retailer Ethos Watch Boutiques is diversifying into other categories. It has tied up with Mont Blanc for writing instruments and men's accessories, and reached an agreement with Chopard to sell its products at its outlets in India. Meanwhile, the private equity arm of Louis Vuitton Moët Hennessy (LVMH), the world's largest luxury goods conglomerate, plans to sell its stake in ethnic wear retailer Fabindia Overseas.

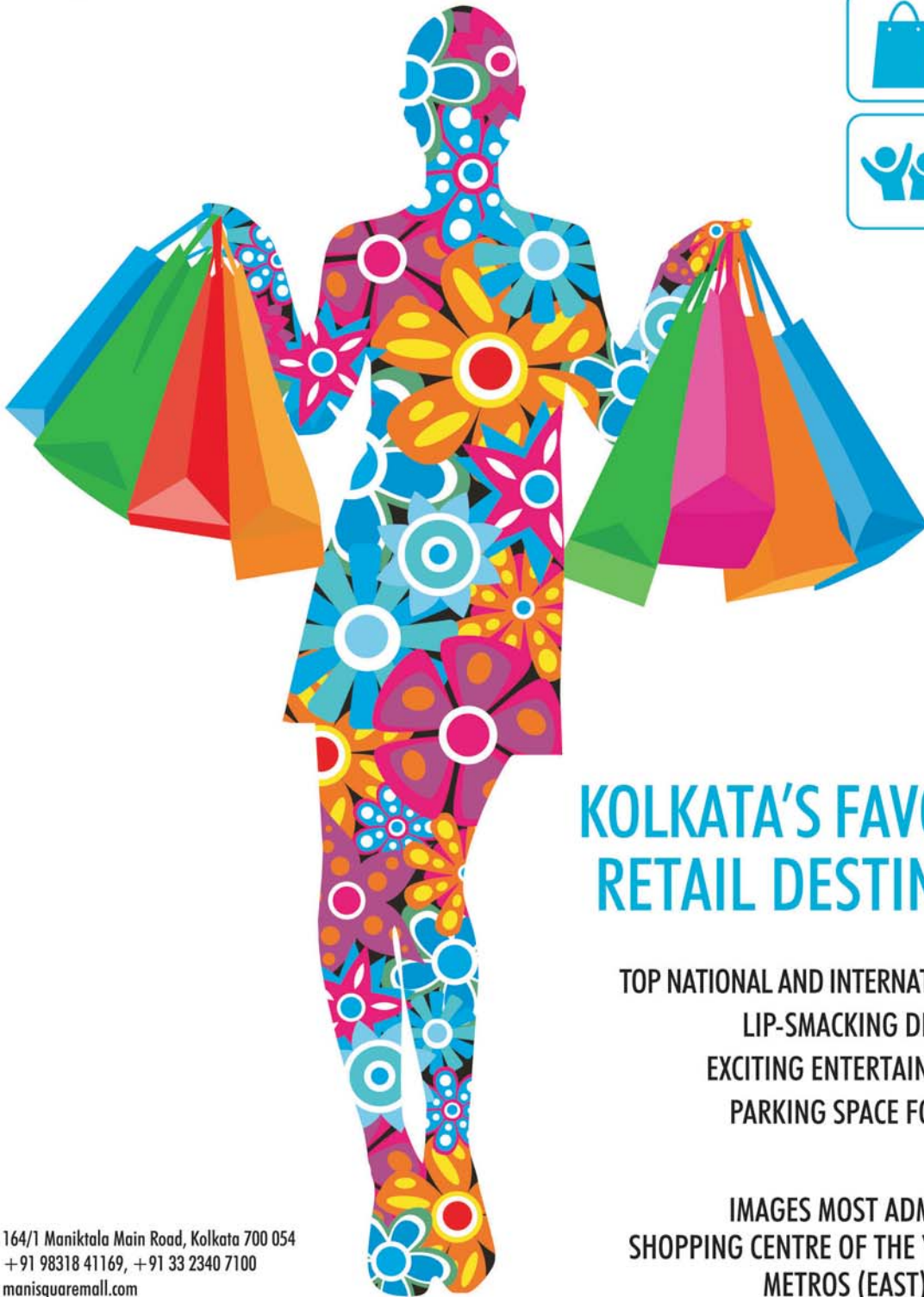
### **Grasim draws a capex plan of Rs 150 crore for Liva**

Aditya Birla Group controlled Grasim Industries has drawn up capex plan of ₹150 crore for product development, R&D and business development for its new fabric brand Liva in next fiscal. "We are looking at spending around ₹150 crore for product and application development, R&D and business development for Liva- a fibre brand launched earlier this year to target retail customers", Grasim Industries Managing Director KK Maheshwari said in a media report. The usage of viscose staple fibre (VSF) is already catching up among domestic processors with VSF-made winter collection expected to go up from 20 lakh garments this year to about 50 lakh garments next winter season, Maheshwari said. The Aditya Birla group company has enhanced its VSF production capacity in March from 1,20,000 tonnes per annum to 5,00,000 tpa with the completion of the last phase of its greenfield project at Vilayat in Gujarat. The company sells about 3,00,000 tonnes of VSF in domestic market and the rest is





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exported. Globally, the annual demand growth for VSF is about four per cent. The biggest challenge, Maheshwari said, is to widen the market base by promoting garments made of VSF. “While the cotton production has limitations worldwide, the consumer demand for natural and comfortable fabrics is growing in India. We see this as an opportunity and are trying to reach out to the consumer with the Liva brand”, he added in the media report. To reach the end-consumer, the company has partnered with designers. Till now we have been supplying the fibre to major fashion and home textile brands like Pantaloon, Van Heusen, Global Desi, Allen Solly and looking at tie ups with more brands, he said. As part of national drive Liva Accredited Partner Forum (LAPF), Birla Cellulose, the pulp and fibre division of Grasim, is organising a stakeholder conclave in various parts of the country. LAPF is aimed at improving the entire gamut of the textile value-chain. Grasim has over 335 partners including spinners, weavers, knitters and fabricators, with major participation from textile hubs in the LAPF. “Our plan is to strengthen the textile value chain and align it with the ‘Make in India’ campaign of the government”, Maheshwari said in the media report.

**L capital plans to sell stake of Fabindia overseas**

The private equity arm of Louis Vuitton Moet Hennessy (LVMH), the world’s largest luxury goods conglomerate, plans to sell its stake in

The Aditya Birla group company has enhanced its VSF production capacity, **with the completion of the last phase of its greenfield project at Vilayat in Gujarat.**

ethnic wear retailer Fabindia Overseas, according to a media report. L Capital is targeting \$100 million ( ₹660 crore) for its 8 per cent holding in the unlisted Indian company, more than four times the investment it made in 2012. “L Capital had approached some advisers about two months back for determining the valuation of its stake in Fabindia. Now they are looking for an exit,” the media report suggested.

It has so far contacted at least four potential buyers: Singapore government owned Temasek, and PE firms Actis, Apax Partners and the Carlyle Group. The process has just started and the PE players are looking at it. The negotiations are expected to open by next month.

L Capital bought the stake in 2012 from Wolfensohn Capital Partners for ₹150 crore, at the time valuing the company at ₹1,875 crore. If L Capital

gets the price it is looking for, the deal will value Fabindia at about Rs 8,200 crore. There was a clause in the 2012 deal allowing Fabindia to buy back the stake at a certain performance based price if L Capital wanted to exit but couldn’t find a buyer, the media report suggested. In fact the valuations are pegged as per that. New Delhi-based Fabindia has more than 200 stores in 79 locations. It has a customer base of 3 million, which it wants to expand to 10 million in three to four years.

According to industry experts, in terms of same-store sales and absolute growth, Fabindia has done quite well in the past three-four years. Also, in terms of profitability, it’s among the best retail businesses in the country. The company has successfully created a strong brand in a largely unorganised market and its sourcing network and loyalty base give it a competitive advantage. Fabindia is the only Indian company where L Capital has an investment. Earlier it was reported that the family-run LVMH, which houses brands such as Louis Vuitton, Christian Dior and Moet Hennessy, will hand over distribution of its watch brands Tag Heuer and Dior in India to a local agent owing to sagging sales. France-based LVMH stated in October that it recorded an 18 per cent increase in global revenue, reaching 25.3 billion euros, for the first nine months of 2015.



▲ VAN HEUSE



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▲ ETHOS SUMMIT

The company said it would continue with its strategy focused on targeted geographic expansion in the most promising markets in an uncertain economic and financial environment.

L Capital invested in Fabindia through its \$640-million Asia fund, whose other investments include Pepe Jeans, Princess Yachts and Grant.

### Ethos watch boutiques to diversify into other categories

Luxury watches retailer Ethos Watch Boutiques is diversifying into other categories. It has tied up with Mont Blanc for writing instruments and men's accessories, and reached an agreement with Chopard to sell its products at its outlets in India. Ethos, which retails watch brands like Rolex, Omega, Jaeger Le Coultre and Breguet, has tied up with Germany's Mont Blanc and Swiss-based Chopard to market their products in the country. It is in talks with other luxury brands for eyewear and is also considering launching its own brand for men's accessories. "We're starting with products that have close affinity to the watch business as we think of entering other business categories," said Yasho Saboo, CEO and founder, Ethos Watch Boutiques in a media report. "The big piece in this is going to be technology. Using the internet in our digital platform, we

are planning to create an asset light model where we can put up brand products without having to invest too much in them." Saboo said if the model is successful, it may look at other products. "Branded jewellery, especially international jewellery, hasn't really taken off in India," he added in the media report.

Pranav Saboo, director, ecommerce and technology, said the group has been spending time and effort in building the website and on gathering customer information. "Out of 80 lakh customers visiting our website every year, 3 lakh are registering for our loyalty programme. Having built this extensive customer relationship management system, we are thinking of how we can use all of this to move beyond watches," he said in

Luxury watches retailer Ethos Watch Boutiques is diversifying. It has tied up with Mont Blanc for writing instruments **and reached an agreement with Chopard to sell its products at its outlets in India.**

the media report. He added that the group may look at foraying into unorganised categories like Indian couture and art.

### Creindia launches CREvaluation

Delhi-based commercial real estate portal creindia.com has launched its online product CREvaluation, a tool that offers property valuation services online. CREvaluation let users submit a valuation request, and with a few clicks users get the report delivered within 48 to 72 hours at a nominal cost. They even have the option to choose between a Government or Private Valuer.

"It may seem like yet another expense but this report will help users in decision-making related to transactions, property restructuring, insurance, mortgage, among others. It is designed to assist both seller and buyer to receive a fair valuation of the property," Ajay Rakheja, CEO & Managing Director, said.

The company has also announced a four day online event CRE Bazaar, an online marketplace connecting various stakeholders (Investors, Corporates, Retailers, Professionals, HNI's/NRI's, Entrepreneurs etc) in commercial real estate. The bazaar will showcase commercial properties available for rent and sale with attractive offers for a limited period. "The USP of CRE Bazaar lies in showing ready to move commercial properties in a best deal format for a limited time period. All properties will be spot verified and only those properties which are 70 per cent complete or ready to move will be showcased," added Rakheja.

These products are part of the first phase development of the creindia portal and involves gathering data from the Delhi NCR region, where the company is based, and then expanding to other regions. The company that has received seed funding over the last year is now looking to increase its database of commercial real estate inventory and showcase listings in the office, retail high street, IT/ITeS and business centre space. ■



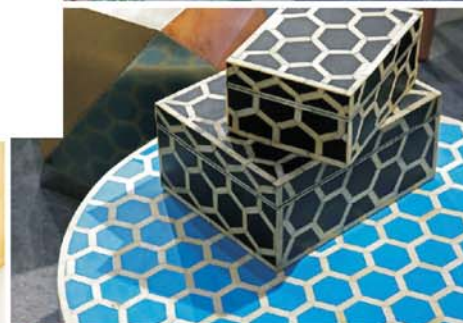
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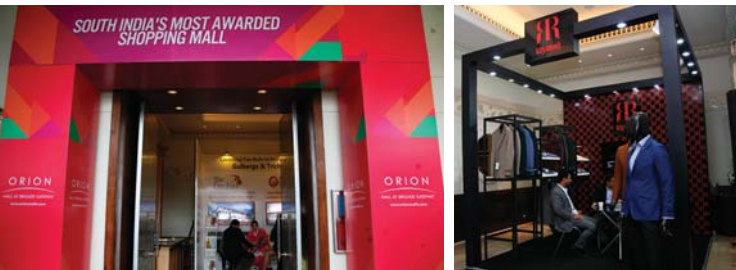
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# SOUTH INDIA RETAIL SUMMIT 2015

The first-ever South India Retail Summit was held on December 10 at the ITC Gardenia in Bengaluru. Comprising a day-long conference and exhibition, the event's mission was to focus on 'Building successful retail models and growing the retail ecosystem in a technology and digitally-enhanced retail atmosphere to delight new age consumers'.

By Roshna Chandran

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## UNDERSTANDING SOUTH INDIAN CONSUMERS

Changing consumer behaviour dynamics have retailers struggling to drive in more shoppers. Online innovations and enhancing consumer experiences at the store level are some of the interesting evolutions in the South Indian market. Rashmi Nair, Associate Director of Deals Strategy PwC gives a brief over view on the South Indian consumer's various segments.

Segmenting consumers through various surveys and studying why they shop at certain places, Rashmi Nair, Associate Director, Deals Strategy PwC, revealed that most South Indian consumer behaviour varies across sectors and what maybe the shopping scenario in the apparel segment, may not be the same in jewellery. They are price conscious. According to her detailed views on consumer behaviours in the Southern region which includes regions such as Kerala, TN, Karnataka, Telangana and AP, do have many consumers who are willing to spend a premium, "Brands are a way for consumers to tap into an aspirational lifestyle. They value variety," she pointed out.

There has been a significant increase in shopping in the jewellery, savouries segments, especially biscuits. The ethnic apparel, beauty and wellness and the need for natural product are some of the up coming segments.

The way consumers get segmented varies. There are consumers who are value conscious and price conscious. There is a large population of young shoppers who are educated and who most retailers refer to as the millennium generation. According to Nair, this is a very good segment but this is a customer who is very specific and not very loyal. These are mostly online shoppers who are located in tier 2 and tier 3 markets. They are not price sensitive. For the aspirational customer, the brand plays a very crucial role, where he shares his experiences with his strong network of friends, thus becoming an influencer to the aspirational group.

A typical female consumer nowadays uses her mobile phone extensively to check on-going deals. Such a consumer is more likely to return to a retailer who has made efforts in services. "We find the service element as part of the overall shopping experience, when she has an issue she is proactive in resolving it. This is not a snap shot of all consumers in the Indian population but a majority of the consumers comprise of this segment for most businesses in India," said Nair, "We have asked consumers why do they shop and why do they go to the store and some respond that the prices are good at that particular store. Price and value seeking is still dominant in the Southern states."

She went on to point out that value does improve shopping behaviour but the thumb rule is, it does not guarantee consumer stickiness. A lot of consumers are considering online shopping because the return policies are getting better.

There are still several brands who have found out that the shopping experiences are broken. Consciousness is rising in India. Based on Nair's research, she discovered that the gap between brands and unknown brands is much higher in India. Consumers are more willing to pay for an A brand. Talking to several consumers she found out that they are looking for variety. She explained, "6 out of 10 consumers fit into the category of style conscious shoppers who are aspirational and in this 3 out of 10 actually value variety and be able to use this variety to align to current global styles."

Nair also pointed out that off late, a lot of local brands have expanded into becoming national brands. There has been a significant shift, especially in the savoury segment, where several unbranded retailers were turning into branded players within the biscuits categories.

Nair concluded that from the feedback she had received from clients revealed that there is a rising interest in ethnic apparel especially for women. These are segments that continue to create traction or see a shift in brands. There is a rise in the beauty and well ness providers as well as natural products. There is also a growing urge for consumers to be like their celebrity icons. She said, "Price and brand are closely associated and customers cannot associate one without the other."



▲ RASHMI NAIR, ASSOCIATE DIRECTOR, DEALS STRATEGY PWC

## INDIAN OMNI-CHANNEL SCENARIO ON THE RISE

With digital media playing an important role in today's retail industry, the omni-channel scenario has taken over most segments of the industry. With convenience being the main factor driving retailers into providing a seamless experience. Siddharth Jain, Principal, AT Kearney, presented his research at the South India Retail Summit, covering the play of omni-channel retailing in a country which now has the second largest computer internet users driven by smart phones.



▲ SIDDHARTH JAIN, PRINCIPAL, AT KEARNEY

Today, 45 per cent of the urban Indian youngsters shop online every month. According to Siddharth Jain, Principal, AT Kearney, consumers like to be continuously connected with a brand and also seek a personalised experience through a seamless interface. He stressed that retailers need to integrate consumers across all channels where they are able to discover, research, buy, fulfil and finally service their products.

“The key word is Flexibility,” said Jain. He elaborated on a detailed view of global brands that have embarked on the omni-channel experience, where brands have seen around 425 per cent difference in growth. From his survey, Jain realised that most companies have different levels of channels and there were different levels of integration within these channels. He pointed out that brands in India, have now created a separate team dedicated to handle the digital areas in their business. The fact that today's generation of consumers are a lot more internet and mobile savvy than ever, has changed consumer trends drastically. “If you see the kind of people who are adopting it, at least 50 per cent of the urban consumers are shopping online,” explained Jain, “The older consumers who come in the 24 - 40 age bracket are also catching up, in contrast, with global consumers who have a higher preference for online channels.”

The main agenda that retailers face is to connect the consumers with the brand, which also means access to information on products. Businesses have to find various ways of driving more information about their products across the digital media. Another important factor is operating with a seamless interface, which is where omni-channel comes in. People can research, transact and finish shopping. Consumers quest to get information on where the product was bought from is the most widely searched detail online. “We have to make it imperative for all regional retailers in India to get digital, not just as an information channel, but also a seamless experience through an omni-channel,” expressed Jain.

The main challenge in omni-channeling for a retailer, he pointed out, would be to drive in and retain the same consumer to his physical retail outlet while the consumer is going through his journey from discovery, research to shopping. Here, consumer's shopping experience and after service becomes a primary concern.

Use of apps have also contributed significantly to the increase in retail sales. This is because sales with the use mobile apps happen at a very short span. According to Jain, when a retailer stores all its information into iPads and other digital medias, consumers are provided with a more simple access and a better experience. He concluded that retailers in India need to create pages with the right kind of information. Feed back form installations at the store and custom designed kiosks make it easier to survey consumer experiences.



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## CUSTOMERS DESERVE ANYTIME - ANYWHERE SHOPPING EXPERIENCES

Innovations and technology have created a dynamic market in India bringing about change in consumer shopping and experiences. Panel discussions included BS Nagesh, Founder of TRRAIN, Alok Dubey, CEO, Lifestyle Brands, Arvind Lifestyle Brands, Falguni Nayar, Founder and CEO, Nykaa.com, Lavanya Nalli, President, Nalli Group, Viney Singh, MD, Max Hypermarket (Spar) and Neeraj Biyani, Director and Co-Founder, Paper Boat.



▲ (L - R) NEERAJ BIYANI, DIRECTOR AND CO-FOUNDER, PAPER BOAT, ALOK DUBEY, CEO, LIFESTYLE BRANDS, ARVIND LIFESTYLE BRANDS, VINEY SINGH, MD, MAX HYPERMARKET (SPAR), FALGUNI NAYAR, FOUNDER AND CEO, NYKAA.COM. LAVANYA NALLI, PRESIDENT, NALLI GROUP, B.S NAGESH, FOUNDER, TRRAIN

The role of omni-channelling in the new retail eco-system has led to several growth opportunities. Omni-channelling is also one of the main factors in bringing drastic changes behind channels and consumers. Most of the challenges are prominent in the fashion segment through the evolution of technology. Fashion, after all is the most widely researched, purchased and engaged segment in the retail industry. With consumers connecting globally through the internet, the cost of technology is down to nothing and has become a human effort where data analytics and personalisation comes into the picture.

The only objective of technology, according to the participants on panel, is to perfect the whole retail process. The way information is given about the product and buying behaviour has changed but the basic process of consumer behaviour is pretty much the same. Many retailers at all levels are willing to adopt to the changes.

The group agreed that the young consumer is not like anything they

had seen before and they see the same kind of change across the globe. With consumers willing to experiment with newer ways of shopping and buying, the gaps are getting smaller.

Initially e-commerce was not well funded as everyone believed that it would not take off very well. Today, e-commerce is the main pull factor in all retail segments and many retailers do not have a choice but to follow the evolution and market their products the same way. Today, the retailer builds his brand and equity and the consumer must have the experience of getting the product anywhere. There are several platforms now that help to open up thousands of doors, providing the retailer with the ability to open up thousands of models and the bottom line is how one wants to be accessible to the consumer.

The group discussion went on to give a general overview of the retail industry and how it has transformed over the past few years. The group agreed that the innovations and technology have created a dynamic market. Increase in mobile apps, data

research and technology are some of the main factors. Though all agreed that there is still a need to perfect the retail process. Around 50 per cent of the volumes in business come from ethnic wear in the South. Though all agreed that buying patterns have not changed at all and retailers are more focused on what is happening outside India rather than focusing on what is happening in the country.

According to Lavanya Nalli, President, Nalli Group, "The young consumer is not like anything we have seen before. It is sheer drive and optimism."

Looking at tackling issues where kirana stores can opt for omni-channel experience, Viney Singh, MD, Max Hypermarket (Spar) emphasised, "Customer need the option of shopping anywhere, anytime."

He added that omni-channel retailing provides a platform that can be made into new models. The changing landscape has not changed the principles of the retail business, but there has been a change in distribution channels.



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## A RETAIL SURVIVAL GUIDE

Understanding that shopping behaviour in South India is still primarily dependent on touch and feel, the online industry does not really threaten the offline store format, panelists said. Discussing the essentials of survival for a retailer, the panel included VP Harris, MD, Witco; TP Pratap, Co-Founder and CMO, QwikSilver and Woohoo.in; Sunil Sanklecha, Managing Partner, Nuts n Spices; Lavanya Nalli, President, Nalli Group; CK Kumaravel, CEO and Co-Founder, Naturals Salon and Spa and Chandrima Pareek, Head of Business, Reliance Ecommerce. The panel was moderated by Gautam Kotamraju, SVP - New Initiatives, Mynta.

Lavanya Nalli, President, Nalli Group, said that she was convinced that businesses are tuning in with what is in motion. Though there were several gaps in the industry, many are bridged by innovation, she noted. "What consumers want hasn't changed and everything else is the innovation around it," she said.

Is there a need to align stores according to changing dynamics? According to VP Harris, MD, Witco, in-store design paradigms have changed and are now increasingly influenced by online activity. Store aisles are growing smaller in size, he said, adding that consumers require space and time to research on what they intend to purchase and that can happen through online or offline store formats. Decreasing store size also effects the size of the trial room and wash rooms. There is more emphasis on the kind of mood lighting with the retail outlet. Creating a good service at the physical retail level can help consumers to connect with the online channel with the help of shared info on digital media.

Panel members were unanimous while stating that Indian brands have to grow to international standards,

the same way international brands have grown into Indian market. The growth of the mobile app in 2015 had seen and changed the retail landscape so drastically that the way people use their mobile phones have changed. In fact retailers expect almost all consumers will be shopping on an iPhone pretty soon.

CK Kumaravel, CEO and Co-Founder, Naturals Salon and Spa, remained optimistic on offline formats. "Indian brands need to grow internationally and technology has become a great enabler in achieving this target," he said. He also, however, expressed his excitement with the idea of online media creating new experiences for consumers who can order hair cuts with a click of a button.

The discussion moved on to sustainability, which the panel speakers felt that was something which may not really succeed, probably due to the fact that customers are still not ready for it.

Chandrima Pareek, Head of Business, Reliance Ecommerce said, "We (retailers in general) have gone beserk with using up water and forest areas. Today, fashion has a need to exist and we can't reverse it, but we can slow the entire process down."



▲ (L - R) VP HARRIS, MD, WITCO, TP PRATAP, CO-FOUNDER AND CMO, QWIKSILVER AND WOOHOO.IN, SUNIL SANKLECHA, MANAGING PARTNER, NUTSN SPICES, LAVANYA NALLI, PRESIDENT, NALLI GROUP, CK KUMARAVEL, CEO AND CO-FOUNDER, NATURALS SALON AND SPA AND CHANDRIMA PAREEK, HEAD OF BUSINESS, RELIANCE ECOMMERCE & MODERATOR: GAUTAM KOTAMRAJU, SVP - NEW INITIATIVES, MYNTRA



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## SCALABILITY BUILT ON MARKET INSIGHT DRIVES INTELLIGENT GROWTH

Focused on defining appropriate and market-specific growth strategies, the South India Retail Summit brought together a panel discussing challenges and factors that enable retailers to scale up into different markets. Moderating the discussion, Kaushik Sriram, Consultant, AT Kearney was joined by Manohar D Chatlani, Chairman, MD Retail (Soch); Rahul Bhalchandra, CEO and Founder, YLG Salon and Spa; CK Kumaravel, CEO and Co-Founder, Naturals Salon and Spa and Ketan Pische, Director and Partner, PN Rao on the panel.



▲ (L - R) MANOHAR CHATLANI, CHAIRMAN, MD RETAIL (SOCH), RAHUL BHALCHANDRA, CEO & FOUNDER, YLG SALON AND SPA, CK KUMARAVEL, CEO AND CO-FOUNDER, NATURALS SALON AND SPA, KETAN PISHE, DIRECTOR AND PARTNER, PN RAO, KIRAN V RANGA, MANAGING DIRECTOR, RIPPLE FRAGRANCES PVT LTD, KAUSHIK SRIRAM, CONSULTANT, AT KEARNEY

Referencing the hub-and-spoke model, Ketan Pische, a third generation retailer at PN Rao elaborated on the company's strategy, which rides on creating a hub within a city and spoke the model around it.

But how does one move to a different market and understand the dynamics of a new territory? Understanding distribution systems in a new region and the cultural perception of that market is important, panelists said, because scaling up too rapidly can also cost a retailer dearly.

According to Kumaravel, the Indian market is still evolving with traditional retailers turning into modern formats. Here the early birds have had the privilege of making mistakes and learning from them, he pointed out.

Acknowledging that for a large-scale industry, it is difficult to customise for a section of consumers within a particular region, the panelists agreed that it would be easier to find target consumers through online marketing. Online marketing has enabled retailers to draw customers to their physical stores by connecting with them on social media channels such as Facebook or Twitter, they said.

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## THE TECHNOLOGY IMPERATIVE CONVERTING AN INFLUENCER INTO ENABLER

There are several studies on what the consumer is buying and why he goes to a particular store to buy his products. A retailer can determine the kind of consumption made by a consumer. Going into more detail are panel members N. Gopalakrishnan, Founder, N Stores; Seshu Kumar, Head - Buying and Merchandising, Bigbasket.com and Rohit Khetan, Head, Marketing and Strategy, Ginesys, moderated by Bino George, Head of Business Consultant, Infor Indian SubContinent.

Retailer can determine the kind of consumption made by a consumer. Around 50 per cent of the consumption comes from food products, another 8 - 10 per cent comes from lifestyle products and another 5 - 6 per cent comes from electronics. Though many consumers have stayed loyal to particular local supermarkets or hypermarkets, there are many factors that can determine this. A lot has to do with the kind of data that has been derived and the total consumption made during the month.

There are customers who have stayed loyal to one particular supermarket and a lot of data derived from the store can tell the retailer the total consumption a customer makes during the month. Data can help retailers find out what a consumer buys and at the same time introduce more products to them which they feel a consumer is more likely to buy.





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Retailers in India have invested and have made technology an integral part of their operations. The panelists were unanimous in the observation that converging commerce with technology is the key to enhancing a customer's shopping experience.

According to Gopalakrishnan, while loyalty programs help in understanding consumer purchase patterns, data derived from retailers in India is not optimally leveraged to understand market shifts. "I know of shoppers who used to walk into stores, but are now calling to order for home deliveries," he said, referring to changes in consumer behaviour.

Seshu Kumar also noted that until recently, retailers and store owners used to be present in the store on a daily basis in order to minutely understand consumer buying patterns and requirements.

"Traditionally, retailers want flexibility and control," said Rohit Khetan, whose company Ginesys offers custom technology solutions for



▲ (L - R) GOPAL KRISHNAN, FOUNDER, N STORES, SESHU KUMAR, HEAD - BUYING AND MERCHANDISING, BIGBASKET.COM, ROHIT KHETAN, HEAD, MARKETING AND STRATEGY, GINESYS AND MODERATOR: BINO GEORGE, HEAD OF BUSINESS CONSULTANT, INFOR INDIAN SUBCONTINENT

retailers to optimise merchandising and operational efficiencies. "Our customers are looking at controlling inventory and bringing certain aspects on to a mobile platform," he said

Panelists acknowledged the fact that technology can be used in better ways to deeply understand, pre-empt and service consumer requirements. Data analytics can be optimised to determine which add-ons a consumer could further purchase, and introduce such products on the store shelves, they said.

## STAYING AHEAD OF TRENDS, CONSUMERS, TECHNOLOGY

During a session moderated by Juhi Santani, Creative Director & Founding Partner, RETALE Design, the panel discussed issues on what a retailer needs to do in order to stay ahead of today ephemeral consumers. Joining the discussion were M Ramakrishnan, MD, Thulasi Pharmacies and Suraj Shantakumar, Director of Business Strategy, Kirtilals.

**“K**nowledge needs to be imparted,” stressed B Venkatramana, President - Group HR, Landmark Group at the South India Retail Summit on December 10 at the ITC Gardenia in Bengaluru, “on how retailers need to be sensitive to consumers’ needs and why they need to be tech-savvy. They need to be able to handle consumers who are more technologically advanced.”

Retailers have now adopted several technology to understand what their customers are looking for. In the past few years, consumers have also become more and more knowledgeable. In addition to the e-commerce and omni-channel, there is a concept of purchasing online and offline. This has led to consumers being very well informed about the product, even when it comes to quality, the make and finish. This gives the person over the counter a very short period of time to give the right information. Consumers are also very well exposed as they have seen how retail works abroad as well and this has made it difficult for the sales to be on the same line. Retailers have found it paramount to have their information digitalised.

Retailers have to evolve to the times and meet the needs of the young consumer. Even the store layout has become important and the way the products are displayed has changed a great deal. Many stores have created interesting space within their retail outlets such as design lounges, which showcases the brand's exclusive products. The store experiences inevitably adds more value to customer experience. Retailers have also come up with more innovative merchandising concepts that help the consumer, to some extent, discover the new elements in the store. We as retailers would like to lead them to what they are looking for. Retailers have come up with apps for enhancing consumer experience. Of course, online presence is one of the basic requirements for a retailer today. There are customers who have seen a product that they like and initiate a discussion with the office team, social media also plays a very important role today.

“With consumers gaining more knowledge and becoming better-informed about products, they also expect the sales person to know more than they do.





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Today's consumers are well travelled and know more about different products and brands," Ramakrishnan stated.

Venkatramana pointed out that apart from educating sales persons, a retailer also has to evolve existing in-store formats. "We need to be very close to the consumer," he said.

With new consumer buying patterns emerging, store experiences have assumed much greater importance in the context of creating experiences. Shantakumar elaborated on the kind of design lounge created within his store that provides consumers a highly differentiated ambience and experience. He felt consumers now are always scouring for elevated and out-of-the-box moments on their shopping trips.

How does a store layout influence the way a customer buys with the store? Some conscious decisions have to be made. It is important to take care of the people who work in the store. Drawing attention to HR element of retailing, Ramakrishnan noted, "Nobody comes to retail as a career," adding that the retail sector has been characterised by high levels of attrition.

Venkatramana stressed on the importance of employee satisfaction, stating that every retailer must be able to take care of employees and give

them valuable professional opportunities. "HR does play a crucial role in the online retail business as attrition rates in the Indian retail sector have risen sharply after the take-off of e-commerce," he said.

The compelling need to integrate operations and marketing with technology enablers was also one of the major talking points of the session. Panelists pointed to tools such as mobile apps which also allow consumers to imbibe in-store experiences, as an important innovation. According to Shantakumar, there are many instances of overseas consumers wishing to first reach stores online before visiting a country like India. "So, a robust online presence is one of the basics in retailing today," he said.



▲ (L - R) M RAMAKRISHNAN, MD, THULASI PHARMACIES, B VENKATARAMANA, PRESIDENT - GROUP HR, LANDMARK GROUP, SURAJ SHANTAKUMAR, DIRECTOR - BUSINESS STRATEGY, KIRTILALS AND MODERATOR: JUHI SANTANI, CREATIVE DIRECTOR & FOUNDING PARTNER, RETALE DESIGN

## CREATING A BLUEPRINT FOR EXPERIENTIAL RETAIL SPACES

Arguing whether it is better to get brands that retail through omni-channel or to retain brands that have a hardcore physical presence in shopping centres, the panel which included Sanjeev Rao S, Director - Business Development, Raymond Apparel Ltd., M A Mehaboob, Director, HiLITE Builders, L Subhash Chandra, MD, Sangeetha Mobiles and Bipin Gurnani, CEO, Prozone.



▲ (L - R) SANJEEV RAO S, DIRECTOR - BUSINESS DEVELOPMENT, RAYMOND APPAREL LTD., M A MEHABOOB, DIRECTOR, HILITE BUILDERS, L SUBHASH CHANDRA, MD, SANGEETHA MOBILES, BIPIN GURNANI, CEO, PROZONE INTU AND MODERATOR: RAJNEESH MAHAJAN, EXECUTIVE DIRECTOR, INORBIT

According to Gurnani, a retailer with a strong brand identity is more capable of pulling more shoppers. "We try to get categories that are more experiential," he said, adding that digital stores have a bright future. Over the years the size of the physical retail format has shrunk dramatically, some acting as a store cum distribution centre. Number of employees manning the store has also reduced as well with more emphasis on consumer experience.

Gurnani was certain that they would continue to shrink as more and more brands focus on the online delivery channel.

There is clearly a need to elevate the scale and quality of experience for consumers in the form of what Gurnani termed as 'Gaminisation'.

Mahajan concluded by pointing out that industries such as banking have successfully adapted to technology, which has in turn brought down the number of customers walking into banks. Technology is growing in all sectors and is quickly changing the way people live and transact, he asserted.



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## HOW TO EMBED MORE 'WOW' MOMENTS IN CUSTOMER EXPERIENCE

The need for a compelling customer service is on the rise. CEOs at the SIRS discuss the growing relevance of perfecting customer experiences in India's evolving retail industry. With omni-channelling and online commerce changing the landscape, retailers are left with little choice but to create superior customer experiences in order to retain shopper interest.

Present during the panel discussion, were S Raghunandhan, Co-Founder, Next Practice Retail; Kabir Lumba, MD, Lifestyle India; Abhishek Ganguly, MD, Puma India; Vishal Mirchandani, CEO – Retail and Commercial, Brigade Enterprises Limited; Viney Singh, MD, Max Hypermarket (Spar) and Mohini Binopal, Co-Founder and, Head Retail, Ruosh. The Conclave Co-Chair, along with S Raghunandhan, was R Sriram, Co-Founder of Next Practice Retail.

According to Lumba, the next wave of customer experience is likely to be driven by convenience as most shoppers face high pressure on time. The more progressive retailers are the ones who really look into consumer needs. Today it is the way a customer discovers a products, whether online or with his friends and other platforms of media. Progressive retailers are not with reference to online or offline retailers but the retailers who really understand the consumer's journey and makes it convenient for them and make the information available in the store or outside the store on different platforms. This experience is no longer an offline or online thing and it works with food, grocery and fashion.

Having an efficient after service can leave a great impact on consumers. Brands now offer a no-questions-asked-returns policy. Retailers are constantly trying to uplift the level of customer engagement. Stores are going at great lengths to make their customer's experience more personnel. Shoe brands like Ruosh have introduced swatch cards to match shoes with trouser colours. The product is king but the service experience is top priority.

Though brands like Puma, have taken the franchisee route, customer service have had its failures. One of the biggest challenge today is the



▲ (L - R) S RAGHUNANDHAN, NEXT PRACTICE RETAIL, KABIR LUMBA, MD, LIFESTYLE INDIA, ABHISHEK GANGULY, MD, PUMA INDIA, VISHAL MIRCHANDANI, CEO- RETAIL AND COMMERCIAL, BRIGADE ENTERPRISES LIMITED, VINEY SINGH, MD, MAX HYPERMARKET- SPAR AND MOHINI BINEPAL, COFOUNDER AND HEAD RETAIL, RUOSH

that when the brand expands it requires visibility to all its consumers.


In fact some retailers have even gone forward by reducing the number of staff they have in a single outlet as they felt that having too many people in the store aisle will not increase staff engagement nor will it increase consumer engagement. Following this, consumers actually found it more comfortable to walk to an aisle and reach out the shelves on their own. What really irritated consumers the most was the non availability of their size.

Puma's Ganguly stressed that changes in retail are largely being effected by the consumer who is displaying a shift in terms of expectations. "Consumers are discovering what they want to buy and progressive retailers (retailers who really understand a consumer's journey) know how customer experience works -- be it on online or offline platforms," he said.

Although Indian consumers have become more aspirational as reflected by higher sales of premium products, price is still a big deal, pointed out Mohini Binopal. "Customers really value what they get for a particular price. After sales services are also important in providing a seamless experience," she added.

Vishal Mirchandani acknowledged that e-commerce has definitely grown into a significant threat to shopping centres. "The trend will inevitably grow, while shopping centre developers struggle to create better shopping experiences that feature an emotional touch. Here, uplifting of skills and standards of the staff becomes crucial," he noted.

Ganguly felt that the major challenge for retailers lies in servicing scalability. "How and where can one hire staff when scaling up to a different region? Customer service cannot be mechanical," he stressed.

The group concluded that hiring the right people and investing in and creating a future for the employee is paramount to build sustainable success for retailing in India. 



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# RED DAY

## *Celebrations*

**Retail Employees' Day (RED), celebrated every year on 12th December is aimed at applauding the efforts of retail employees in India - and eventually the world. The theme was born from the need to create the pride of belonging to the retail community by recognizing their efforts through public appreciation. This initiative is conceptualized by TRRAIN (Trust for Retailers & Retail Associates of India) & partnered with RAI (Retailers Association of India) in India.**

**R**etail Employees' Day 2015 saw over 300 + retailers & 70 shopping centers celebrate this day with great fervor. Each retailer adopted his or her unique way of thanking their employees.

From large department stores like Shoppers Stop composing a special 'Thank You' song for their employees; service providers like Microsoft distributing snacks & chocolates to their retailers; traditional retailers like Manubhai Jewellers paying tribute to their employees through a special video - it turned out to be a industry wide celebration. Brands like Lifestyle, Shoppers Stop, Vero Moda and many others took to social media to thank all their retail employees as well as tag each & thank each other, in order to promote this as an industry specific day.

Few example of such retailers who have celebrated Retail Employees Day:

#### **Arvind Brands**

Arvind Brands celebrated Retail Employees' Day on a grand scale. All the employees were wished for serving their customers with enthusiasm and passion. They were treated like 'Kings' and 'Queens' with crowns being distributed to all the employees.

#### **Aditya Birla Retail**

A large standee was placed in front of all their stores with Pranab Barua, Business Director of the Aditya Birla Group wishing the team for their hard work and commitment towards the customer.

#### **C.Krishnaniah Chetty & Sons**

CKC Group of companies celebrated the 4th edition of Retail Employees' Day on 12th December 2015.





▲ ARVIND BRANDS CELEBRATING RED DAY



▲ RED DAY CELEBRATIONS AT LIFESTYLE

Every year they celebrate with a theme and this year the theme was “FAMILY”. They felt that celebrating with their retail champions without their families will be incomplete. Hence, family members of all their staff was invited for a day. To make the event holistic, they also invited their customers!

The response was over whelming. It was a memorable experience where the CKC team, their family members and customers shared their experiences and learning. It was made a special day for all employees. The efforts of retail employees were recognized and appreciated in front of customers and their families. A big Thank you to all employees from the organization and customers was duly witnessed by their families. Entertainment, fun filled events and welfare activities were conducted followed by a sumptuous lunch for all in true “CKC family style”. The celebration was across all CKC group

showrooms throughout the day.

As a part of the celebration, CKC also offered double points to all their List of Stars members (signature loyalty program)

Such moments on Retail Employees’ Day will always be cherished and will remain a golden leaf in the diamond cascade of everyone’s memory.

### Lifestyle

Lifestyle ensures that with each passing year, Retail Employees’ Day celebrations are planned and executed with much grandeur. This year, invitation cards were given to the employees, inviting them to the celebration. The entire store was decorated with flowers. A red carpet for the employees was set with music and flowers. Lamp lighting ceremony took place. Power packed solo dance and group dance performances was organized. The emcee for the entire event were employees themselves who made sure that the rest of the

employees had a great time. The event concluded with a fashion show followed by snacks.

### Manubhai Jewellers

Mumbai’s leading jewellery retailer, planned a surprise for its team by celebrating Retail Employees Day (RED) at the store to show their gratitude to the staff.

Samir Sagar and Hiren Sagar, the director duo planned an entire event and created a special video showcasing the team spirit of the Manubhai Jewellers Family. They personally looked into the event flow, creating personalized mugs as a small token to express their gratitude towards every member of the Manubhai family, organized snacks and created some memories for the Manubhai family. The store was decorated on a complete red theme. The brand believes that a happy employee leads to a happy company and eventually a happy customer.



▲ MANUBHAI CELEBRATES WITH RETAIL ASSOCIATES FAMILY



▲ RED DAY CELEBRATIONS AT MANUBHAI



▲ MEMBERS OF PANDA RETAIL ALONG WITH THEIR M.D., DIRECTOR, OPERATION HEAD AND GUESTS



▲ MARKS & SPENCER EMPLOYEES WEARING SYMBOLIC RED DRESSES

**Panda Retail**

A week long customer interaction process was held where customers gave Thank You cards along with chocolates to their sales associates. The celebrations started 3 days prior to the big day with quiz contest on customer service, sports & games being held. Art and culture and current affairs were followed by entertaining Brain games.

On 12th December, more than 100 members of three locations of Panda Retail Pvt Ltd gathered on the 2nd floor of Ashok Nagar , the Flagship store . All the members were welcomed by the M.D and the Operation Head with roses, the company also organised the cake cutting ceremony. The members were also honored with gifts and certificate of appreciation.

All the winners of quiz, games and song competition were rewarded with attractive prizes.

The highest thank you card receivers were also rewarded with Titan wrist watches.

They also honored the members who have contributed 5 Years, 10 years, 15 years, 20 years 25 years and 30 years of dedicated service to the organization as Long Service Award with a certificate and gold coin.

All the members enjoyed this 3 day extravaganza with delicious breakfast and lunch.

**Marks & Spencer**

The top management visited the stores wishing their employees and thanking them for their untiring

**TESTIMONIALS**

“ It was a huge surprise to receive a thank you card from my store manager. It was an overwhelming experience for me.

- Santosh, Counter staff, McDonalds India

“ I was delighted to adopt this day and celebrate it with my employees & thank them for their untiring efforts round the year through festivals & weekends.

- Sameek, Regional Manager, Veromoda India

“ No matter what happens, they are always on their toes with a smile just to ensure that the customers have a satisfied and memorable shopping experience. RED provides us the opportunity to honor the efforts and acknowledge them for their hard work, thus leading to more enthusiastic and motivated employees.

- Richa, HR Head, Big Bazaar

efforts. As a sign of celebrations, all the employees wore red outfits to show their support towards the day.

Not only the industry but also the consumers thanked their favourite brands and participated in the celebrations.

The buzz around Retail Employees’ Day reached newer heights with recognition received through 16 letters from the ministries of central and state governments of India. A letter from the Prime Minister of India Shri Narendra Modi ji congratulating TRRAIN & the Indian retail industry on this joyous occasion added tremendous momentum to the day.

The event also received support from brand ambassadors across multiple brands. Top celebrities from the Indian film Industry like Salman Khan, Boman Irani & Virat Kohli tweeted and shared video messages thanking all the retail associates on RED . The simple action of saying Thank You has garnered an estimated digital footprint of 10 million.

For the third time in a row, 2 million employees from the whole of Turkey came forward to celebrate the day & thank their shopkeepers.

RED received an overwhelming response from the retail fraternity. TRRAIN, believes that with each passing year, more retailers would celebrate this day and build a culture of appreciating the efforts of the retail associates through the year and make this simple idea a truly global phenomenon.



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# Role of HR in Retail

The 4th R in the strategy loop completes with hiring the right people in retail companies. The article talks about the paradigm shift in role of HR function from a mere operational partner to a more strategic partner.

By Manisha Bapna

**M**yda inspires and engages its employees with a Resolute Wall to lend their ears to employees' personal targets, resolutions and projections along with resolutions from the founders. Job enrichment and job rotation are regular functions of the HR department at Indus League Clothing Ltd. What is exciting is that they provide extraordinary opportunities to employees to acquire new set of skills in their interested areas. With retail industry undergoing a massive change, the HR function needs to be well-versed with thorough knowledge of the structure of every work-system in an organization. Earlier, retail sector was only driven by the "right product at the right time and the right place" strategy. Today it is essential to have the right people to facilitate the same in a competitive scenario" feels Rajeev Gopalakrishnan, Group Managing Director-South Asia, Bata India Limited.

"In the Indian retail scenario, consumers are pampered and spoilt for choice. Unlike western markets, where consumers can scout, explore and purchase products themselves using technology, Indians require and desire plenty of help and assistance from the store managers, sales executives and sales associates. And hence human resource department or personnel play a pivotal role in shaping these executives" says Anupam Bansal, Executive Director, Liberty Shoes.

"We have piloted a "mood meter" which enables store managers to get a quick pulse check of how employees are feeling and then initiate activities that can enhance the mood if required" says Rajnarayan, Senior Vice President & CHRO.



Not only the role of HR has changed within the organisation structure per se but HR department has also undergone overhauling in terms of their functioning, treating employees, addressing grievances, understanding human behavior etc. “Employees are not known anymore via their number or ID cards, neither are they restricted to lunch in the common hall with the management team, instead its equality and humanity which defines HR departments today” says Rohit Ahuja, Independent HR consultant. Human resource departments are moving away from the mundane age old tricks of engaging employees. Companies are perking up the incentive systems, compensation packages, recruitment processes, development processes to create value among employees. “Most retail companies are in the process of developing a robust PMS. Some companies take advantage by adopting the parent group’s PMS, while some operate through balanced scorecard or an online PMS. However, measuring individual contribution at the store level is still a challenge” says Sajimol Mathews, HR Consultant & Strategist, Sparkles. However, with higher thrust on talent building, HR department at Lacoste has linked PMS outcomes to appraisals and variable pay for sales force also, to bring into perspective a holistic performance review which includes an analysis of potential as well.

### Challenges with HR

With growth, the challenges have also grown to the next level for retail companies. It is no longer implementing systems processes or people etc., instead calculating their impact on business. With the millennials beginning to enter the workforce and the increasing use of technology the work environment is undergoing a change. Some of the critical challenges are tracking ROI effectiveness, calculating individual performances at store level, culture, learning technologies for employees etc. “Organizations are constantly being challenged to redefine, reorganize and reskill their employees to promote efficiency and lessen attrition. Given the nature and requirement from the customer facing roles involved, one of HR’s challenges is to design initiatives to motivate the workforce on the frontline to invest in themselves enough in order to effectively communicate each brand’s story to customers” says Rajnarayan.

One of the critical challenges faced by companies is to objectively measure individual contribution especially at the store level. KRAs are set for all corporate employees, however only 58 per cent of the employees at the store level have unique KRAs set for them. The main reason identified is the inability to differentiate between individual and store performance at that level.

“The focus now has shifted to developing the talent in-house and building their capabilities to match the ever-increasing demands of business communication. The challenge really is not only to create and manage a highly productive workforce; but to look beyond and develop a holistic approach to train and retain the talent” says Gopalakrishnan.

“The biggest and most prominent challenge we face in our work environment is how to break the monotony and boredom in the organization along with handling human beings belonging to diverse cultures, backgrounds, educational levels and aspirations” says Bansal. On the corporate level, various training sessions and inter departmental meetings are organized, idea sharing conventions on new technologies and market insights etc. On the store level, the staffs is provided with persistent inducement sessions which motivate them, arouse their passions towards work, and improve their approach and attitude towards work along with intriguing story telling sessions.

“One of the primary challenges in retail employment is the issue of retention. In order to address on-going challenges of retention, HR needs to continue to deploy effective on boarding programs, engagement initiatives, regular review and constant motivation. It is important to measure effectiveness of existing programs and improvise as needed to ensure goals are consistently being met” believes Saji.

The average attrition rate in the retail industry stands close to 25 to 35 per cent. “Employers will have to accept that staff turnover will be there, but the real challenge is to minimise it and reduce the impact on the business” says Ahuja. What companies need to do is retain them through by a lot of engagement activities to maintain their work-life balance, constant support in resolving the employee grievances, emphasizing fun at work culture, creating a friendly atmosphere among peers and the management.



**Engaging Diverse Cultures**

Strong diversity of people and thought is essential for any organization to grow and evolve. Diversity can thrive only when there is respect and acceptance of differences. Engaging the diverse workforce at the shop floor is surely challenging but it gives organisations like BATA a competitive edge across different markets. “All the new joiners undergo a specific training program known as “Passion to Serve” along with on the job training. Apart from this, we run a Management Trainee Program to tap the potential of India’s young workforce and to infuse fresh ideas and enthusiasm. As part of our campus engagement program, we participate in campus hiring and recruit these young and talented minds post a rigorous selection procedure. On joining, the management trainees undergo an extensive training of one year which equips them with in-depth knowledge of product, processes and operations. “The work environment at Titan is built on a strong foundation of openness, trust, care, concern and empowerment believes Rajnarayan. He further adds that “we have both formal and informal interaction and communication opportunities for employees to enable them to showcase innovative ideas, exchange information easily and embed common practices into the value system of the organization. The company also have various listening posts for employees to voice their concerns like open houses, focus group discussions, grievance redressal portal, help lines and so on encouraging an open and informal culture where the senior/top management is very approachable”.

The HR department at Liberty tactfully and efficiently managers diverse workforce by encouraging continuous flow of ideas and suggestions, meetings in interludes (channel meets, internal reviewing meetings etc.) to track the region wise performance, shortcomings, discussion on augmentation of retail experience, product discussion,

inculcation of new technologies and recommendations/feedbacks/ suggestions straight from the store levels. Senior officials frequently visit stores to keep a check on their performance and providing them with the needful inspiration.

**Tools used by HR function**

► **Recruitment**

Recruitment is usually a race against time with an urgency to get the candidate on board as soon as possible so they can begin to transition start adding value to the

says recruiter at wellness retail stores. Companies have also started doing extensive campus recruitments from those institutes which provide retail specific education. Institutes try to match available competence with the organization’s need and place candidates accordingly.

At Indus league only recruit permanent staff, rather than temporary to build a direct connect with the employees and make better use of experience and home-grown skills. “Apart from the



bottom line. . Hiring is done on attributes like leadership qualities, motivation and high performance which provide the company with individuals who manage their own tasks.

“We ensure a proper reference check is done, which is the most critical tools in the recruitment and selection process, to find out the candidate’s previous accomplishments at work, quality of performance, leadership skills and collaboration with co-workers”

above, hiring at BATA is based on competencies like integrity, taking initiative, self-confidence, result orientation, qualities such as high energy, enthusiasm, a go-getter & service attitude in candidates” says Gopalakrishnan.

► **Training and Development**

Training and development are becoming increasingly important; as managers seek to upskill the competency of their employees, improve their work processes,





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## Our Franchisee Stores Running Successfully



Berhampore



Kharagpur



Deogarh



Kamalgazi



Krishnanagar



Imphal



Patna



With the incorporation of RASCI, recognized by Government of India, **companies are giving their employees opportunity to get certified.**

and raise efficiencies so that they can perform better in their area of function. These skilling programs other than bridging the competency gaps also enhance staff morale, thereby boosting retention and productivity. At BATA, the endeavour has always been to provide a favourable work environment and ample opportunities for the employees to grow in the organisation, with appropriate employee connect initiatives and training interventions taken by their in-house Retail Training Academy. “For the frontline sales staff we have initiated rotating shifts to help them maintain their work-life balance, dealing with sales pressures through continuous counselling, employee engagement initiatives and regular training sessions on product, selling techniques and store operations” to name a few” says Gopalakrishnan.

Many retail companies like future group have started their own training academies for undertaking skill development of its people. For a planogram or back dock controller or systems auditor roles, skills are developed in-house. It is an important act to concentrate on the learning’s and self actualization

of the staff for their growth, development and progression in long run. “Apart from the basics-experience and education, there is a lot more that we need to look for. On the shop floor, our workforce need to be motivated, well-spoken, well-groomed, customer focused and with an innate understanding of each of our brand stories” states Rajnarayan.

With the incorporation of RASCI, recognized by Government of India, companies are giving their employees opportunity to get certified thus paving the way for qualification based approach in the retail sector.

There is a constant need to update and change curricula and learning delivery methods due to the ever-changing trend of the business. “ We at Liberty; develop a connection and relationship with all our employees focusing on their learning’s, actualization, training and their progression in long run which is quite beneficial for their retention in the company” says Bansal. At Lacoste they ensure periodic training for all our front end staff to be confident, innate friendliness, flexible, able to multi-task, respectful, proactive and positive, etc.

► **Matching Compensation & Perks expectations**

Monetary incentives are sometimes not sufficient to retain the staff and enhancing their productivity. “We understand their needs, desires, aspirations and backgrounds and focus on providing them with both, the monetary incentives and the non monetary incentives which comprises of rewards, recognitions, appraisals, appreciation and applauding them for our their outstanding and splendid performances.

One of the retail companies has increased wages in the food and grocery section as the company was facing a huge challenge in that section and thus strengthened the rewards & recognition program.

At Indus League simply providing long-term employment contracts, healthcare packages and pension funds is expected by the employees to remain in the same company for long. Not only this HR function emphasizes developing better succession planning to ensure teams are fit for the purpose, particularly in the future. Hence a lot of stress is given on identifying and placing internal employees rather than external replacement.



There are companies who also expect and help their employees make definite goal sheets from time to time in order to make them understand the organizational objectives which they are supposed to deliver.

“Though we strive to pay our employees better than the competition, but as an organisation philosophy, we don’t delve much on the compensation factor” says Gopalakrishnan.

### ► **Managing Shop Floor Employees**

Refining shop floor staff rosters to ensure there is minimal over-staffing, while ensuring there are sufficient assistants to match levels of service to customer demand. HR employees conduct mystery shopping visits to get a real picture of the challenges faced by the front line and it also serves as a key input for training needs identification.

Each month, there is a day on the floors of Lacoste stores when all the staff in the boutique appreciates the talent who has made a contribution that is worth a mention! This reward & recognition program is not always linked to sales but softer aspects such as customer service, VM, store operations etc.

People will always be the key differentiator for organizations. Predictive analytical tools will help managers and HR to make better decisions going forward. “All transactions are not going to be automated at the shop floor, so the capabilities that HR will need are going to be very different and an in-depth understanding of business and the customer and understanding how people can differentiate and give a competitive edge, will become critical to succeed in HR” believes Rajnarayan.

### ► **Human Resource & Technology**

In the coming years, as the trend being observed, organizations are paying prominence role over machines and IT developments in order to replace humans partially. Technology would be a key enabler



to ensure that interventions reach the masses at breakthrough speeds. Bata engages the gen Y workforce by leveraging technology and making their performance details available to them in real time even on hourly basis and can plan their work accordingly. “Also, we are working on building a collaborative platform that will enable us to connect with employees and share product knowledge and updates instantly” says Gopalakrishnan. Liberty focuses on a conglomerated approach of human and digital.

The company has incorporated certain technologies at the shops to measure the performance of the staff and distinguish between performers and non performers. “Hence, online attendance, real time data feeding, analysis of the store wise performance and performance of every individual working at store across are all seconds away now” says Bansal.


### **HR in 2020**

With the upsurge of e-retailing, customers have lots of options available at a click today. The only factor that would keep bringing the customers back to the brick & mortar stores is the “connect” they will experience which entirely depends on great customer service delivered by customer champions. “HR’s role hence would be to create such customer champions across the organisation through innovative hiring & various developmental interventions at regular intervals. The challenge would be to create and sustain a culture of

innovation and passion that reflects itself in the product range and customer dealings says Gopalakrishnan.

In the coming years, the human resource of Liberty would be trained aggressively in order to provide their customers with the best products at affordable prices with the best services.

In the coming years, Liberty is expanding exponentially with an objective of launching 100 stores per fiscal year which in turn requires for the expertise staff, sales associates and more members in the HR department. HR department would require more educated, competent and intellectual members who would tactfully, judiciously and discerningly take the appropriate decisions and work for the welfare of all. The candidates would be judged not only on their intelligent quotient but also on their emotional quotient and intellect. Maintenance and constant motivation of the Human resource of an organization is the biggest and toughest task. Therefore, Liberty is persistently working towards the enhancement and betterment of this department.

As long as an employer can align and realise the different needs and aspirations of its staff, young and old, to the overall business objectives, ‘loyalty’ to stay and grow with the organisation will come naturally. Hence, it is more important for the organisation to analyse what and how it can adapt to the changing needs of the workforce than trying to grapple with the biased perception of staff disloyalty. 



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# COLLABORATION FOR GROWTH

## FRANCHISING - THE WAY FORWARD FOR RETAILERS

**From fashion retailers to salons and even restaurants, the franchise business model has been in existence for a period of time now. However, what remains imperative to realise is whether this business model is apt for your brand to grow. In this New Year special issue of IMAGES Retail, we have analysed that how brands across categories that have expanded using this business model are fairing in modern retail scenario.**

By Zainab S Kazi

“No Franchise Queries please!”, reads the WhatsApp status message of Srinivas Kamath, the young and dynamic scion from Kamaths Ourtimes Ice Creams Pvt Ltd. which is better known for its brand – Natural Ice-cream. The revelation further is more surprising – in 2015, according to Kamath, they did not give any new franchisee rights but have gone ahead to enter new markets with their company own and company operated stores in the country. This is worth taking note of since so far, the company was operating with just one company owned and company operated store and had more than 100 franchise store. The case of Natural ice-cream accentuates the potential franchise business has in India and this is our theme for the story to follow.





Aptly encapsulating the dynamics of franchising business as seen in India, Ravi Kant, CEO- watches and accessories division and Executive VP- Corporate Communications, Titan Company Limited shares, "When you break it down to basics, franchising is an asset light model that enables a retail format to expand quickly using multiple partners. While the franchising model has been thriving for years in Europe and other western countries, India has been bitten by the bug in the last decade or so. In the West, many retail formats have spread effectively through organized and professional master or regional franchisees. However, it is a challenge in India - to find the right master-franchising partner with the mindset, resources and the ability to work across diverse markets and geographies that this country affords."

According to Kant, this has been the main reason for Indian retailers to appoint multiple franchisees - from store to store or city to city and this has contributed to a slower pace of development. Kant elaborates, "However, because it is not easy to run retailing businesses in India - it is a good model for international brands to enter and expand quickly. Formats like QSR have taken the lead and India is already home to more than 3,700 brands that use the franchise model. With the economy poised for another growth cycle and consumption expanding to newer markets, franchising will develop, mature and be an important driver to grow reach / access and realize this potential." Anupam Bansal, Executive Director - Liberty Shoes agrees to the point raised by Kant. He shares, "Europe and western countries are mature markets, with laws and regulations being more flexible. In the European and western markets, there is a strict adherence to rules, law and regulations and minimal deviation from company standards due to the maturity of the market. But in India, the scenario is different. Indian franchisee market is at a nascent stage and not so

## Franchising is a good model for international brands to enter and expand quickly. **India is already home to more than 3,700 brands that use the franchise model.**

matured observing certain deviations from the company standards."

Hitting right on target with the dynamics of franchising in India, Hemang Bhatt, managing director, HAS Lifestyle Ltd. shares, "The franchising and entrepreneurial business has hardly completed 10 years in India. Our country is 2 per cent organized in franchise arena as compared to the developed western countries where its organized up to 52 per cent. We do face a few challenges as a whole compared to other developed nations as they enjoy sole language, religion, culture. India emerges as a bouquet of different traditions, languages changing every 100 kilometres etc. We are coming out of the mentality of shortcuts to success themes and programs and moving towards consistency and stability. Financial status has improved and a lot of change can be seen in brand awareness."

Adding to the numbers, Ashok Mukhi, MD - Solar Group shares, "Over the last 5 years, franchising in India has been growing at a rate of 30-40 per cent annually driven by factors such as opening up of FDI in retail, young demographic, expanding working class leading to improvement in disposable income and widening penetration of banking infrastructure especially in tier 2 and 3 cities thereby creating additional opportunities for franchising in smaller towns. With respect to the breadth too, franchising in India has mainly spread across only fashion, QSRs and the education sectors and largely in only the tier 1 and 2 cities viz-a-viz several more categories and across the smaller towns in the developed world."

SB Dey, MD - Sreeleathers makes a valid point when he shares, "USA has European companies have written the books in franchising. It will take a couple of decades for us to reach to their level in terms of infrastructure to support. Be it in terms of taxation or building enough roads throughout the country."

Advocating the advantages of having a franchise of a brand, Anurag Poddar, Director - Presto rightly points out that in this business model of operation, the individual is allowed to start his own businesses without



**DYNAMICS AND NUANCES OF FRANCHISING BUSINESS IN INDIA**

Licensing in India is still evolving, is in a dynamic state and the story is yet to unfold.

The lifestyle apparel category tends to be marked by relatively evolved franchising trends within the Indian retail sector. Within the category, the initial stages were marked by mid-level international brand allowing only brand logo rights against a royalty fee. The assortment development, and sourcing were lent by the India partner. Design and marketing support were key responsibilities of the international brand, with the primary objective of the international brand being only to earn royalty fee.

The above model, however, allowed the India partner to gain synergies and keen understanding of franchising and licensing models.

As the lifestyle segment evolved, super premium and luxury brands forayed into the geography. They sought India partners who primarily had a) access to retail points b) prior family associations from partnerships in other countries or c) disconnect in objectives emerged from erstwhile partners leading to fresh partnerships. The objective of this stage was only to test and assess the India market

As the market gained traction, and brands across all segments and categories forayed into country, business groups that had built wide brand portfolio were sought as they offered consolidated synergies across the supply chain, design, product development, and sourcing and market access. International brands were increasing evaluating the market for strategic growth, commensurate scale and were focusing further on made for India, made in India model

*Pakhie Saxena, Associate Vice President, Retail at Technopak*



▲ PRESTO

the sweat equity and headaches associated with starting a business from scratch. Perhaps that would explain the growing interest that franchise business operation is showing in the country.

The potential of the business can be accentuated by the fact that there are companies which act as a mediator between the franchisor and franchising to take care of find the right association. Way2Franchise is one such company that introduces itself as, “Way2Franchise is an online match-making site amongst franchisors and franchisees,” as shared by Dhawal Shah. Based on his experience and expertise of ‘franchise match-making, Shah shares, “Franchising in India shall continue to grow over the next few years. You would see an increasing amount of collaboration between new age startups and traditionally franchised owned businesses. e-commerce will continue to grab market share from traditional retail stores. Startups such as FoodPanda and TinyOwl will contribute to F&B franchised businesses such as Subway, KFC and so on. Retail companies must have strategies to work in sync with the online industry. A few franchisors have successfully offered the same price as available online and their franchisees have done well. Certain



▲ SREELEATHERS

sectors such as education face enormous threat from disruptive education startups.”

**Brand Speak**

When Dheeraj and Reeta Gupta launched the concept of Jumbo King vada Pav in Mumbai, it spread its wings like a wild fire. Jumbo King vada pav booths were seen across the length of Mumbai. Gupta took pride in accepting that he worked at McDonald’s to learn and understand how best professionalism could be adopted to serve vada pav and position this humble fast food for people on the move. Gupta’s Jumbo King is now present across 14 cities in India with more than 91 franchise stores. Pulling a page from his experience book, Gupta shares,



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“Franchising in India is at a very nascent stage. The reason for this is that most homegrown brands in India are at a nascent stage. There is huge potential.” On the current dynamics, he strongly feels that the new generation is missing the point that franchising is not compromising on being an entrepreneur. He explains, “Millennials in India are not yet very excited about franchising. There is more glamour associated with your own idea. As franchisees become a wealth class of their own, franchising will become aspirational. I can see this beginning to happen. As an industry, we need to tell millennials and the youth that - franchising does not mean consigning your entrepreneurial spirit to an assembly line, franchising does not entail the same risk-reward ratio as a startup as franchising is safer, franchising – when done right – draws on the initiative and creativity of the franchisees.”

In the year 1998, Prem Sagar Dosa Plaza started off as one man’s dream. Ganpathy, the man behind the creation of India’s only most popular venture for south-Indian cuisine, launched a well-polished open restaurant. In the years 2003 Dosa Plaza opened its first franchise outlet.

Talking about franchising business, T. Ganpathy - Founder & MD, says, “Franchising in India is still in a growth phase, most of the people in India are still not aware about the franchising method of business.

Retail companies must have strategies for the online industry also. The franchisors those who offer **the same price as available online, they and their franchisees have done well.**

However, slowly and steadily the awareness is increasing, more people are encouraged to become entrepreneurs and the best way to be one is via the franchise method. Basically the franchising is already a set method of business, hence all the operations, procedures and activities are streamlined and standard operating procedure is in place.”

Where fashion retail brands and fast food chains have been forerunners for franchise business in India, the business of beauty is seen catching momentum as well. Naturals salons is one such name that has seen an exponential growth in the number of franchise operations. The South India based salon chain is now present almost across India. A promising name from East India, Club Salon is seen grabbing franchisee eyeballs as well. Aninda Banerjee, MD – Club Salon shares, “We are the fastest growing salon brand in Eastern India. Franchisee business is a very booming and lucrative business prevailing in India. It has picked up pace from 2014. In 2015, India had experienced huge profits from retail sector. Moreover, with increased globalization people are getting

more aware about all the sections of lifestyle and hence franchising business is the latest new buzz.”

Another promising industry is that of education. Be it pre-schools or vocational training institutes, franchising opportunities in this category has grown manifold. EuroKids International has added a whopping 180 new outlets in the last 12 months alone. Prajodh Rajan shares his perspective on franchising in India, “I would say that franchising in India is still evolving; a lot of learning, unlearning and re-learning is still happening; many brands took to franchising only because they thought it was the easiest method of expansion however many of these franchisors miss the support and service part of franchising. In absence of a robust support and service model the franchisee does not succeed leading to franchisors reinventing the model and retrying.”

The journey for HAS Lifestyle Ltd. began in 2007. 2009 saw the brand adopting to some changes based on the experience they gained in their two year journey. The major focus for them in 2009 was to concentrate on visual effects of the stores and



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## Challenges associated with franchising in India is **that there is no single framework within which one can operate.**

products and improvisation of their systems and processes. Rigorous and serious training of the staff, found the necessity for training manuals and implementation. From the year 2007 to 2013, they were not too strong with franchise operations though the last one year proved to be a milestone year for the brand. As of now, they have 5 franchises out of 15 operational stores. And each one is planning to open their next HAS Store very soon.

Manoj C Dalal from Star Vada Pav shares, “We have lots and lots to learn from the Developed nations in terms of packaging, branding, brand positioning and supply chain. People are still skeptical about taking a franchise and they feel they could probably start replicating the concept on their own. They still have to be educated about the huge advantages they would get by opting for a franchise operation like support for branding, marketing, staff training, SOP and consistent supply and unaltered uniformity of product.” Kolkata’s Star Vada Pav is known for its invention of a non-vegetarian vada pav in India. Dalal shares, “It was a very major decision that we had to take as traditionally a vada pav is a vegetarian cuisine and entering an uncharted route was challenging

as no one had done it earlier. We hired a research agency and our team interacted with hundreds of our customers before launching the non-vegetarian variety. But someone has to make the first move. It was a calculated risk but was worth it.” The brand shall soon spread its wings across the country with branches in Mumbai, Aurangabad, Nasik, Amravati, Pune, Kolhapur and also in Delhi, Noida, Gurgaon and Goa.

Home interiors as an industry has caught momentum thanks to the growing demand for real estate. This

eventually has given an opportunity for well established and out of the box brands to extend franchising rights. SPACIO Décor & Accessories which launched its first franchise store in Chandigarh at the end of 2014 has a presence in Surat as well through a franchise store. Navin Kanodia, Creative Head and MD, SPACIO Décor & Accessories shares, “Though the brand has been on an aggressive expansion mode since 2014 however, in 2015 the brand shifted its focus more on opening stores at strategic locations with long term

Dhawal Shah from Way 2 Franchise, has some strong words of advice for a franchisor and franchisee before they go ahead to ink the association, “Research, Research and Research, one of the biggest mistake a potential franchisor or franchisee makes is not spending enough time on research. Before taking up a franchise and parting with your life’s savings, research about the company, the promoters, their franchisees, how well they are doing. Are they flexible enough to accommodate your business interests. Certain retail companies conduct their franchise business in a manner that has an inherent conflict. Retail companies continue

to encourage online sales, since it only increases their top-line, without adequate consideration for their franchise partners. The importance of research cannot be understated, nor can it be outsourced, franchise brokers and consultants have a biased interest in offering their services, besides an incredible amount of useful information is available online.”





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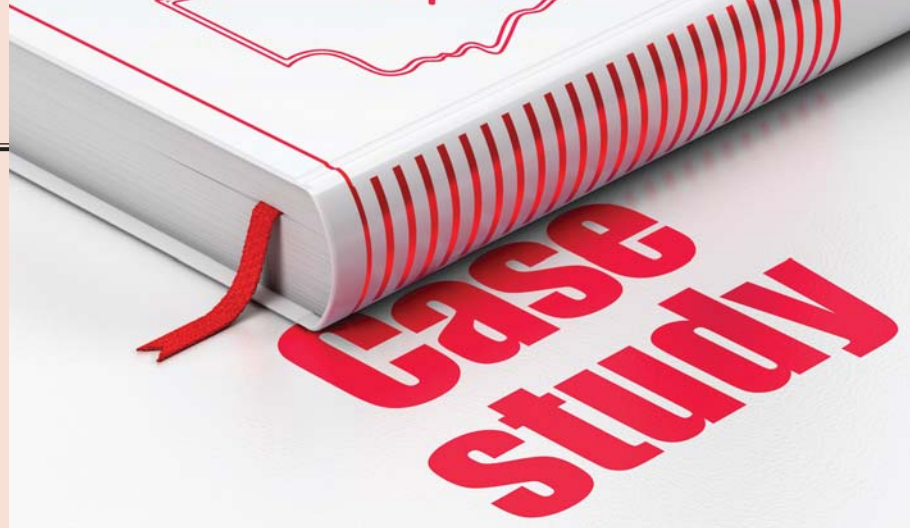
sustainability rather than opening up stores across locations in a spree. Instead of looking at expansion in metro cities with a conventional approach, we have expanded our horizon to emerging cities with strong GDP. Therefore Surat was a choicest location for us as the city has a strong customer base with high disposable income. The city has a modern outlook and people aspire for quality brands.”

Model India Pvt. Ltd. which has under its portfolio the furniture store Mobil Furniture has a strong chain of stores across East India and the brand has recently entered Bangalore as well through a franchisee. Their biggest store is a franchisee owned store in Bihar. Arun Biyani from Mobil India Pvt. Ltd. shares, “One of the key highlight of our brand is we are a home grown brand of Eastern India and we never realizes the power of our brand until we have opened our franchisee business. We hardly put any advertisements and really did not market our franchisee opportunity. But the moment people came to know about it, we got tremendous response. In fact there are a couple of people in the same business who have been doing our furniture trade and have converted their stores into our brand franchisee.”

### Franchising Journey Encapsulated by Major Brands in India

Titan Company is a pioneer in franchising with the first franchised store of “World of Titan” opened over two decades ago. Today, Titan family includes 300+ franchisees many of whom have multiple stores across formats - World of Titan, Tanishq, Eye Plus, Helios, Fastrack, Mia, Zoya and Gold Plus. The ability to create franchising models and make them work effectively over time is a capability that helps all retail formats of Titan expand to newer markets. It also enables newer formats like Mia, Helios and Fastrack scale up quickly.

In 2015, the company has set up 91 new stores with a total carpet area of 84,360 sq. ft which includes 85 franchise stores amassing carpet area of 80,584 sq. ft. Apart from this, by the



## A FIRST PERSON CASE STUDY OF AMIT MEHTA, INDIA'S FIRST FRANCHISEE FOR CARTRIDGE WORLD

“Cartridge World, an international brand with over 2000 stores worldwide and present in 51 countries”. That line on their website caught my attention. Impressive! This, coupled with the fact that Cartridge World was yet to appoint its first Franchisee in India. Back then, there were no organized players in the business of Cartridge Re-manufacturing. It meant I would have to consider investing in a completely new idea, unproven in India. I was coaxed ahead with assurance from my friend and mentor, Naveen Rakhecha, then CEO Cartridge World, India to sign up and become their first franchisee. I did.

It was a lovely journey that enriched me with great experiences on the way. I exited the business when I moved permanently to Mumbai but carried with me considerable learnings and experiences.

### Learning's:

Being a franchisee owner of a successful Business that has 2000 stores worldwide and a presence in 51 countries immediately transfers the legacy of their success to us. We can use the success stories worldwide to communicate our offerings to local customers. This made it considerably easy for us to sell this completely new product and service in India.

The experience of an international brand across multiple nations cannot be matched by an individual or local brand. The fact that Cartridge World was present in 51 countries exposed them to various cultures, sensibilities, governments, etc and this in turn taught them to be flexible! Experienced companies will hear, rather want to hear what you have to say. They are flexible.

The collective volume of the experiences of their stores worldwide

was at our disposal - we had the re-manufacturing techniques and step by step instructions for each and every cartridge ever produced! Something impossible for a small unit to achieve.

Being present across the world also gave Cartridge World an opportunity to stay updated with the latest news and technology and also allowed them to upgrade as and when required. The task of staying updated was made easy by Cartridge World as they would collate international and national developments and forward concise news capsules to us.

Partnering with a good international brand as a franchisee allowed me to concentrate on the fundamental objective of the partnership - making money. I obviously do not mean to say that they did everything and I could relax at home. Rather, having been provided a strong, robust and dependable infrastructure, I could concentrate my energies where they were needed most, on strengthening my relationships with my customers and on building my business.

### Key Do's and Don'ts a Franchisee should keep in mind before opting for an Association.

Check if the Franchisor is easily accessible. Ideally, he should have an office in your city. Meet as many employees from the Franchisor's office as possible and talk with them. They will add something to what you've already learnt.

You should feel comfortable with the Franchisor's team. You will be working closely with them for some years at least.

If the business involves a technical product, insist on meeting the technical support people and understand the challenges of the business from them, while also assessing their support capabilities.



Franchisors will want to portray a rosy business plan. Please do a thorough due diligence before putting in money. Any money.

Take your time to understand the business that is being offered before taking the final plunge.

Understand that most of the money paid to the Franchisor is towards fees, furniture and things that are not refundable. Do understand that your hard earned money can go down the drain in a flash.

**The Do's a Franchisee should keep in mind AFTER binding with an Association.**

A Franchisee knows the business. Trust him.

A Franchisor has probably resolved the issue in the past. Share your issues with him and ask what should be done. That is why you've joined hands! Ask about every little thing.

A Franchisor is an elder brother. Treat him like one.

**Things that a Franchisor Needs to understand and not take for Granted.**

A Franchisee should understand that this is a partnership. He needs to put in his bit by way of providing a strong infrastructure for the Franchisor to operate within and take support from.

He is expected to maintain clearly defined processes and maintain exemplary standards of transparency.

In case of technical products, a Franchisor should have a strong team for providing support and upgrading the expertise levels of the Franchisors and their employees through training programmes.

Franchisors have to gain the trust of the Franchisee and stand by him and help him in his journey. Every successful Franchisee will be a mouthpiece of the Franchisor and so will a failed one. Failure of stores will tarnish the brand but be a huge blow to the Franchisees.

The onus of making the business of the Franchisor grow and be successful lies heavily with the Franchisor. He cannot forget that the Franchisee has invested his money and faith in his Brand.

end of November, the company has successfully relocated 19 stores with a total carpet area of 36,253 sq. ft which includes 14 franchise stores with carpet area of 23,902 sq. ft as well.

Liberty is expanding tremendously on the Franchisee front. Having approximately 128 COCO stores out of 500 exclusive showrooms, remaining stores are FOFO stores. The brand is on a consistent and persistent spree of expansion. In the FY 2015, Liberty has launched 50 stores from the period of January to September which comprises of 30 franchisee owned franchisee operated stores and 20 company owned company operated stores. In the month of October and November, Liberty has opened approximately 10 stores which comprise of both FOFO and COCO stores.

In the upcoming future, Liberty contemplates opening of 100 stores in every fiscal year, improving the product range, bringing in more coherence and uniformity amongst all the stores and providing the best training to the franchisees to maintain that brand value pan India and across all our stores.

EuroKids is one of the fastest growing franchise networks in the pre-school education in India. They started with their first pre-school in the year 2001. Post starting franchising system in 2001, EuroKids touched the first 100 centres with over 10000 students in 2003. Within a span of next 5 years, they added another 400 centres taking

the total count to 500. Today, the brand has a spread of 950+ centres across 320 cities of India and also have presence in Nepal and Bangladesh.

Presto, the 'World's Largest Retail Chain of Personalized Gifts' has a store count of 165+ stores covering 60 cities across India, Nepal and Fiji. The brand opened 14 national and one international outlet in 2015. Locations covered have been as follows – Calicut, Pollachi, Kolkata, Chennai, Pune, Bangalore, Udaipur, Vadodara, Raghunathganj, Jamshedpur, Haldwani, Kottaya, and Kathmandu.

Neeru's long journey which began in 1979 is a saga of grit, hard work, determination, creativity and innovation. Neeru's started with a small shop and grew to a chain of fashion stores which is a hot favorite for the best sarees, lehngas and ghagras, suits, mix n match, kids wear and fashion accessories. The brand is planning and implementing expansions all around India to various malls for a seamless single stop shopping experience. Neeru's shall soon be opening another exclusive outlet in Hyderabad at an Up-market location. Neeru's has a store at the International Departure Lounge and is opening a new store at the Domestic Lounge of the Rajiv Gandhi International Airport, Hyderabad. Neeru's is looking towards more expansions and has created a Franchise Module for its brand expansion in India. They recently



▲ SPACIO SURAT

opened their fifth franchise store and first store in Guntur. The brand is now spreading its wings in tier 2 cities. Tirupathi and Kurnool would be their next destinations.

Pabrai's Fresh and Naturelle Ice creams were founded in the year 2008 in Kolkata by brothers Kunal and Nishant Pabrai. Adding to this mix is the company's chief mentor and advisor Anuvrat Pabrai. As a family, the Pabrai's have been in the ice cream industry for more than 30 years. The brand operates through a mix of Company-owned-Company-operated (COCO) and franchisee outlets wherein the franchisees can choose to have either Standalone shops or Kiosks. The ice cream chain is presently available through 22 outlets in 10 cities - Kolkata, Delhi, Bangalore, Chennai, Mysore, Gurgaon, Bhubaneswar, Ajmer, Coimbatore and Siliguri. The company hopes to close the financial year with 30 outlets.

It also has tie-ups with some of the top hotels and restaurant chains in the country. With one manufacturing plant located in Kolkata, a second bigger plant with a production capacity of 2.5 million litres of ice cream with an investment of ₹80 million is under construction in the same city and is expected to get operational before the end of 2016.

### Combating Challenges

Kant aptly states that any other market, there are certain challenges that we see in India with respect to the franchising business. The most significant of these is the ease or difficulty of doing business and setting up new ventures. He elaborates, "In comparison, to most other countries, the process in India is rather cumbersome, involving multiple licenses and clearances that is required at various levels. It is often a very long process that involves permissions and approvals from various levels and different state-bodies. Sometimes this results in investors and entrepreneurs losing interest in the project." He further throws light on related tax and licensing issues stating, "The business

also encounters challenges like getting tax clearances and licenses related to real estate. Efforts should be taken to simplify these laws to enhance the process of venturing into a business smoother. Further to these, there are other challenges like, being relevant to the Indian customer, differentiating from other brands in the category and dealing with unexpected events and working in an unregulated environment."

According to Banerjee, economic fluctuations, different operating modules adopted by different brands and a highly political and legal system sum up the nuances that are typical to franchising operations in India. According to Biyani, if GST comes into play it will be much easier for the franchising model of operation in India. He adds on the challenges, "In India, the laws towards patenting and trade mark is not strong and not so well applicable and not respected."

Kanodia hits the nail right on the target in highlighting the most important set of nuances associated with the business of franchising in India, "Primarily it is the traditional mindset one has to deal with and it is often driven by calculations on ROI. However the finer details get missed out in the process. The traditional approach of franchising does not encourage innovation. Whereas there has been a drastic change in our lifestyle and outlook which has paved way for brands like NeXtime or Tothora or Maleras to

come into a market like India. Our age old franchising system refuse to acknowledge the need of innovation in our business approach which we are trying to overcome by sharing our exposure of working with international brands with the industry here."

Reiterating on the fact that franchising in India is still at a nascent stage hence the nuances associated with it are typical for any business at that stage, Gupta highlights, "As the industry is not mature, franchisors need to focus on nuances like strengthening their systems. Good franchisees should be rewarded and mediocre operators should be made to comply. The franchisor should focus on their core product proposition and invest ahead of the curve in marketing."

Ganpathy from Dosa Plaza, says, "The franchising journey in 2015 was good, we had a good opportunity to expand our brand internationally in Abu Dhabi, Singapore and Australia. Due to the slow economy in India we were mostly concentrating on expansion in overseas market. In India we opened 11 outlets and overseas we opened 6 outlets."

Discussing about the challenges, Ganpathy, adds, "Well, every business has its own challenges, to be specific about Franchising. The most difficult part is to provide the technical know how of the business to the franchisee. It is assumed by the client that if they take a franchisee of a brand they won't have to do anything, however on



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▲ NATURAL ICECREAM

the contrary every business whether organized or non organized required proper management and execution. Here in the franchise business clients expects everything thing to be worked on by the brand, hence management of the brand by the franchisee is the biggest challenge in the franchise business.”

Aptly encapsulating all the challenges that franchising in India goes through, Poddar explains, “While India is the easiest country to begin franchising in, it is possibly the most complicated country in the world to franchise.’ Challenges associated with franchising in India is that there is no single framework within which one can operate, business could be subject to a wide ranging set of laws, regulations and compliance which might have to adhere to whilst doing the business itself. We have to deal with different cultures, different regions, different tastes, different languages, habits, preferences and so on. The diversity is just too much, to fit into one business model. We need to be very careful of the religious sentiments on one side and there is a threat of unorganized market on the other.” Mukhi from Solar Group, makes an interesting observation, “Real estate, a crucial ingredient for any retail operation, has a fragmented ownership pattern in India and is governed by several archaic laws. Therefore, it becomes

For any franchisee to be successful, it is of paramount importance **that there is complete support given from the franchisor.**

essential for franchisors in India to work with local partners who have better understanding and access to local real estate. Large heterogeneity across the country leads to more localized retail plans and merchandising needs thus resulting in more localized operations.”

#### Creating Success Stories

For any franchisee to be successful, it is of paramount importance that there is complete support given from the franchisor. At Natural Ice-cream, the franchisee is akin to being a part of the family. The existing franchisees are given opportunities for expansion in new markets that the brand enters (within the city) before inking deals with new franchisees. There is no fee taken from the franchisee and everything is put up black and white on the website for everyone to read and understand. The team has cut down any chances of misunderstandings that may arise. All o this put together, goes a long way in establishing trust and confidence

for the franchisee thus eventually resulting in better output and a sense of belongingness to the brand.

Accentuating the importance of this and how it has helped Titan, Kant shares, “People have always been and will continue to be at the heart of our success at Titan. We have always believed that no entity can evolve in isolation and this has defined our ‘people first’ approach towards business. Using franchising as a business model has helped us establish mutually beneficial relationships with stakeholders across the country. Not only do we benefit by tapping into the best local resources to enter a particular market, but we help them build their businesses as an extension of our own. We work closely with franchisees, listen and solve their issues and go the extra mile in supporting them. Titan’s transparent policies and open culture helps in creating trust and belief that gets franchisees keen to stay invested and expands the relationship with multiple formats of the organization.”

Rajan strengthens the point related to having a people centric approach when he shares, “Our fundamental belief that we will be successful only if our franchisee is successful first has built a great franchisee- franchisor relationship. “ At EuroKids, they have formed the EuroKids Advisory Committee (EAC) at various locations. The committee comprises of members from of EuroKids and leading franchisee of that area who on an ongoing basis mentor other franchisees and this helps in building a very effective and successful network. Rajan elaborates, “Handholding in early years with ongoing one to one interaction, motivation and guidance coupled with ongoing innovation, rewards and recognitions has helped us build stronger relationship with our partners.”

Talking about Liberty, Bansal highlights the support given to its franchisee partners with signage’s, visual merchandise and POP material, nationwide and country centric



promotions and advertisements, staff training, overall training over products, their features and other significant issues pertaining to successful functionality of the business. On the support extending during the initial phase, Bansal shares, “We provide hefty assistance to the franchisee partners in the initial phase and over the period of association. Assisting them with the designing of the outlet, equipment sourcing at the best possible prices, production, staff recruitment, extensive training programs and various marketing programs, signage’s and the overall visual merchandise support, ERP software (SAP and RPRO. The former being for the primary billings and latter for secondary billings), the POS material and backend support. We assist them with the mundane business operations. The marketing programs and brand development programs are programmed at the national level for all the exclusive stores (COCO and FOFO). However, the local advertisements and promotions are carried out by franchisee owners themselves with support and inputs from the management.”

Rajan aptly lists the three most important points for a healthy franchisor – franchisee relationship - “Trust between franchisee- franchisor, transparency in transactions, consistency in policies and effective communication are key element for any franchising business to succeed.”

### Relationship Building

Elaborating on the marketing spend that needs to be in place, Gupta shares, “If we have to talk about the contribution a brand needs to make in marketing and communication to support the franchisees, it is a chicken and egg situation. Should the brand wait for scale to start advertising adequately or should advertising ahead of the curve bring the scale. This is the mind-set of the management team. My guess is that people are trying to build scale first and waiting too long to advertise while

### SOME UNIQUE CHALLENGES ARE FACED BY INDIAN FRANCHISORS VIZ-A VIZ FRANCHISORS FROM EUROPE OR WESTERN COUNTRIES:

Reluctance to follow systems and standard operating procedures

Reluctance to take ownership of business and to think that franchisor will deliver everything on a platter

Inadequate educational qualifications rendering them incapable of having a mature overview of their business

Lack of quick resolution of legal matters through congested legal system.

Lack of hygiene due to lower strata staff not being able to comprehend need for strict personal and workplace hygiene.

*Kunal Pabrai, Partner - Fresh & Naturelle*

some are advertising too aggressively and not reaching scale which is also very dis-heartening for investors.”

An initiative that is carried out to have a personal rapport with the franchisees and extending a sense of ownership towards the brand, Liberty Shoes meets with its franchisee partners twice a year during the seasonal launches, spring summer

and autumn winter collection. Bansal shares that it translates into being an excellent platform where all the franchisee partners come together and share ideas regarding the improvement in products and services, customer service, customer orientation and other crucial factors pertaining to the same. Approximately 380 franchisee partners along with the Liberty team share their ideas and comprehensions from the market perspective. He adds, “Along with this, we have all the franchisee partners present at one common ground, where everyone can share their ideas related to technologies, product enhancements, giving feedbacks on their regions, customer tastes and preferences in their particular regions, discrepancies with the system, complete overhaul of the business leading to formulation of appropriate strategies to eliminate the hindrances and augment the business performance. Ideas are shared to learn the business skills and practices being followed by every partner, sharing the ideas over marketing techniques, how to utilize the advertisements opportunity in the most beneficial manner, scientific approach towards data analysis and other significant issues. We do dispense off the desired recognition to the best performing franchisees and reward the ones with an outstanding performance.”

On the USP that helps Pabrai’s Fresh & Naturelle a hit with its franchisees’,



▲ LIBERTY



## The franchising business is perceived as an inheritance from an older generation **to the next and allow it to prosper in its own pace.**

Pabrai shares, “We follow a unique inventory system which is probably one of our most effective offerings to our franchisees. We have developed in-house, using a string of algorithms, the most ideal stock levels based on dynamic sales at each outlet and for their logistic supporter. As a result thereof, our franchisee stocks between 7-10 days stock and logistic supporter is required to stock approximately 15-21 days stock. All stocks are either air-freighted or sent by superfast trains to their destination. This translates into very low inventory for our franchisees and logistic supporters. An additional twist is that our first franchisees in an area/city are also given the exclusive right of logistical support provider for future franchisees and for the Horeca segment. This gives them an edge in terms of better margins and also a strong recognition that we, at Pabrai’s give long term benefit to first franchisees that risk their finances and are the first ones in a city /area to join hands with us.”

Pabrai further adds, “By relentlessly focussing on elimination of unproductive works and providing clear Operational instructions through our Manual, we have ensured that the energy of Franchisee is totally laser beamed on providing a great customer experience to our customer. We do not buy on credit- which makes our suppliers very happy. We do not give any credit in our system – either to

Franchise Plus, Franchisees or Horeca clients. So Zero credit, a very unique inventory system, easy monthly P& L calculators are some of the steps we have taken to keep unproductive work load to zero.”

Like Natural Ice-Cream, Pabrai’s Fresh and Naturelle too seemed to have gone slow with franchising its brands in 201. Parbai reveals, “Our COCO outlets have out-performed franchisee outlets very significantly and we are now trying to assimilate our learning from running our own counters to franchisees so that they can also gain from our learning. Strategically, the biggest policy change in 2015 for Pabrai’s was to get into Company Owned Company Operated outlets. In 2015, we opened two outlets in Kolkata. We are prepared to learn and absorb the operational problems of running our own outlets. For this reason, we actually went slow in Franchisee operated outlets in 2015. Another change is that we are now looking at bigger more elaborate outlets as customer feedback reveals that the difference in experience is what customers want. Refurbishing our older outlets is also underway. In numbers, we added a total of 5 outlets to our chain in 2015 out of which 2 were COCO and 3 were franchisees.”

**A Sneak Peek into Things to Expect**  
Sharing a projection on what can be expected in the next 10 years,

Gupta shares, “According to him, what we are going to see over the next decade are very strong Indian brands who will keep fine tuning their franchising policies and will evolve into large brands. Indian and western franchisee brands will co-exist in India. We will also see a lot of Indian franchisee brands enter the western markets, however that will take time.”

According to Banerjee, with dense population, benign legal environment and disposable income, the franchise of luxury and premium sectors are performing much better. Banerjee shares, “While India being a slow paced market, has started gaining pace and hopefully will experience better results by the end of 2019-2020, as per the recent market and economic trends.”

Aptly concluding the story, Bhatt points out, “Technology is proving to be a game changer with a plethora of apps, devices, softwares to enhance this experience of connectivity. Technology is growing rapidly to prove a backbone and it is filling all the necessary gaps. The franchising business is perceived as an inheritance from an older generation to the next and allow it to prosper in its own pace where the franchisor will provide all the parental guidance including brand, promotional strategies, goodwill, etc.” **IR**





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Victorinox Swiss Army watch is suitable for any activity or function it carries a premium, thanks to the Swiss heritage. It does not compete in the luxury segment. Being 'bespoke' is not what Victorinox stands for. The brand stands for functionality and quality rather than being a mere collector's item. In an exclusive interaction with Anil Prabhakar, Debraj Sengupta, CMO and Country Head talks about the journey of the brand and their future expansion plans.



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# Bridging its own niche

**W**hile the brand, Victorinox, always had a strong equity for its knives and cutlery products, somehow the awareness about the brand's watches among the consumers and trade was abysmally low. The brand faced stiff competition from well-entrenched Swiss majors such as the Swatch group and LVMH. But on the sheer dint of quality product line and a dedicated team of professionals, the brand has been able to bridge its own niche in the competitive watch segment in the country.

**Entry Barriers:** A typical watch store in India is less than 1000 sq.ft., in area. The retailers therefore cannot accommodate too many brands. They have to select from brands that are well-known and easier to sell. Visibility and proximity to renowned brands at reputed watch



stores is the key factor for attaining success. It creates awareness as well as lends credibility to a new watch brand. Strong brands occupy a larger space in the store. The retailer accommodates its fixtures such as floor counters, window displays and back walls. This results in shortage of space, thus creating an entry barrier for the new entrant. Most watch MBO retailers are known to invest in established brands as they ensure faster rotation. The investment ranges from ₹10 lakhs to ₹50 lakhs or even higher for brands such as Rolex. The watch MBOs are therefore a bit hesitant to stock and invest in new and relatively unknown brands.

From the year 2010 and onwards the Victorinox India; team headed by Debraj Sengupta, CMO and Country Head for Victorinox watches, have brought about a successful turnaround to their watches division.

Globally, Victorinox has adopted a conservative approach to business. The management is never in a hurry to chase numbers or gain market share. The company philosophy is to build strong relationships with its distributors and retailers.

### Identifying a niche in the market:

The biggest strength of Victorinox, lies in its unique product line and honest pricing. The bulk of the brand's watches are centred around the price range of ₹25,000 to 60,000. In the premium range it occupies a sweet spot, the only other swiss brand that falls in this category is Tissot. This gives the brand an advantage over other Swiss brands such as Rado and Longines, as they are priced higher. Victorinox is hence an affordable option and has the potential to become the first choice for a consumer buying a Swiss watch for the first time. In a fiercely competitive market the emphasis of most brands is to increase their turnover by selling more watches. This, sell more watches strategy puts a pressure on the retailer to resort to discounting and price cutting thereby reducing his earnings. The negligible presence of Victorinox watches meant little or no pressure to resort to price cutting. Therefore, in order to encash upon these opportunities, the following steps were undertaken:

1. Creating awareness about the brand, educating the retailers about the USP (Unique Selling Proposition) and the opportunity.
2. Lucrative commercial terms: Victorinox offered a higher gross margin to the trade than competing brands. A dealer gets 5% higher commission on each Victorinox watch sold.

Initially, as part of its entry strategy, Victorinox offered goods on consignment basis to all its authorized retailers. This helped the brand grab precious shelf space in a retailer's store. The next step was to increase consumer awareness, by communicating the brand's values. This was achieved by adopting an India specific approach to advertising and brand building. Working on a modest marketing budget, the media plan was tweaked to include advertisements in prominent newspapers and lifestyle magazines. To improve visibility at the retail level, aesthetically designed counters, towers and LED displays were provided free of charge to each store. The company also resorted to outdoor



## SIGNIFICANT ACHIEVEMENTS

- ▶ Victorinox Swiss Army watches are now available in 20 cities including all metros, mini metros and state capitals across India.
- ▶ The number of retailers has shown a fivefold increase from 20 in 2010 to 100 in 2015.
- ▶ Sales have grown at a pace of 70% YOY (year on year) and the LTL (like to like) or same store sales have registered a healthy growth rate of 30% plus.
- ▶ The brand is available at most reputed dealers and chain stores.
- ▶ Brand visibility and awareness have improved on account of clever advertising and PR campaign.
- ▶ Availability at domestic and international airports has improved the visibility further.

advertising by taking up billboards at strategic locations in specific markets. Installing glow sign boards at high traffic areas such as airports ensured visibility and awareness of Victorinox watches. This was followed up by organizing and sponsoring events to generate PR mileage and positive word of mouth publicity. Product reviews in newspapers and lifestyle magazines also helped in inducing trials.

**Creating a strong emotional connect with customers:** For any brand to succeed in the market, it has to strike an emotional chord with the consumer. The presence at renowned shops alone is not sufficient. It therefore becomes imperative to attract and engage a customer by different means. The company implements different customer outreach initiatives for brand building,

Victorinox has a strong online presence. By adopting SEO technique on Google **they have ensured that the brand gets a top of the mind recall.**

promotions and to generate a positive PR for Victorinox watches. This is done either by organizing events or sponsoring them. Each event is looked upon as an opportunity for the brand to communicate its values, tell its story and listen to consumers.

**Debraj Sengupta, shared the recipe of success**

The first step was to prepare a credible and achievable business plan. I projected a break even at the end of the 5th year of operation. For the success of the plan the following support from the head office was sought:

- ▶ Reducing the pricing to make it lower than Singapore and Dubai.
- ▶ Recruiting additional team members.
- ▶ Investing in a company owned after sales service centre.
- ▶ Larger advertising budget

According to Sengupta, It took some time and a lot of convincing (from our side) for the Swiss to approve the business plan. However, they were pleasantly surprised when we delivered results faster than their expectations. We soon became the blue eyed boys of the management.



Most Swiss watch brands operating in India follow the international policy of branding and advertising. “I see very little India adaption or innovation in their marketing. This sets us apart from them, and gives us the opportunity to innovate and adapt to the Indian market environment. Our marketing is based on a two-way interaction with new customers. We communicate with each and every new consumer who buys a VSA,” says, Sengupta.

Giving an example, Sengupta, states, “There is also a tendency prevalent among young Indian consumers to buy pair watches. Moreover, two tone metal straps are very popular here. We therefore decided to capitalise on these learnings by creating India specific art works for print advertising. Most international brands stick to a common advertising artwork. When we advertised pair watches with steel gold bracelets, the sales really picked up big time.”

He further adds, “In our quest to maintain a dialog with India’s youth we have been sponsoring events such as Business Standard quiz. It is a platform where students from 200 B-schools compete with those in industry and hopefully, learn. We have also adopted a ‘Catch Them Young Strategy’ to create an aspiration about Victorinox products among young consumers, so that once they do start earning, Victorinox remains their first choice.

In his concluding remarks, Sengupta, adds, “We are very strong in the online space and have created an Indian specific page on Facebook. By adopting Search Engine Optimization (SEO) technique on Google, we ensure that Victorinox gets a top of the mind recall.”



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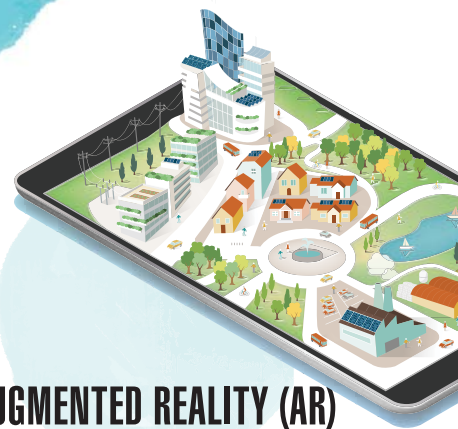
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2016

TOP

# RETAIL TRENDS TO VOUCH FOR



2015 was the year for the increasing maturity of mobile retail, the proliferation of omni-channel and greater advent of Internet of Things (IoT). At the brink of 2016, as we gaze in to the crystal ball of emerging trends for retailers, technology trends exist at two levels. One is the long term trend of AI (Artificial Intelligence), IoT. Another is a set of technologies which are more near-term. We will look at the top 5 near-term technologies which should be on top of most retail CTO's shopping lists to ensure parity.

By Vivek Wikhe



## 1. CONVERGENT POS

The way customers prefer to pay is bound to change in 2016. Handheld point-of-sale (POS) systems with a cloud-based back-end have proven to be the device of choice by customers to make payments. They also result in more conversions and better space productivity due to less queues and saving in space for traditional POS. Alongside this change, the adoption of mobile wallets and NFC (Near Field Communication) technologies will increase. Retailers will have to ensure that they keep up with the change in this interaction. 2016 will see adoption of smart terminals, acceptance of mobile wallets, and greater proliferation of NFC and EMV (Europay, MasterCard, and Visa) technologies.

## 2. AUGMENTED REALITY (AR)

It has been nearly 7-8 years since the magic mirror was first showcased to help shoppers make decisions among different apparel options. Virtual fitting rooms are now more widely accepted and visual merchandisers are constantly innovating to build interactive and more immersive displays. Online retailers like Lenskart allow users to add their own face to the image while making a choice between frames for eyewear. On the same theme, furniture retailers allow app-based augmented reality (AR) to photograph the room and visualize it with the selected furniture item. IKEA recently came out with an AR catalog which accurately measures room dimensions and recommends the best fit furniture options. The interactive nature of AR will attract customers and be a key differentiator in shopping experience. Retailers will have to move in this direction and start integrating AR aspects in their store similar to Van Heusen's recently opened first digital store in Bangalore or on their web and/ or app platform.



### 3. MOBILES WILL LEAD

The mobile shopping experience has arrived in full steam. It is this latest platform that is helping retailers understand customers and present their offerings and apply Big Data analytics to ensure conversions and stick ability. Macy's and Starbucks have integrated their apps with customer data so that the app reminds customers of an opportunity to redeem an offer or a deal that are tied to their loyalty points. The app has become a larger extension of the physical store by strengthening click and collect initiatives. Walmart has


integrated the environment such that the app informs you when the order is ready for pick-up at the store. It also aids in adding last minute items/ payment via payment gateways. Nordstrom has extended the service further wherein when customers inform the store of their arrival, a store employee meets them at their cars and hands over their shopping bags. Currently, many retailers use their apps for a mere display of their product assortment; but they will have to quickly ramp up to make it more immersive and value-added for the customers.



### 4. BIG DATA/ SEAMLESS SHOPPING

Mobile as a platform helps in extending the retailers' content, but many retailers will have to put in significant effort to truly deliver an authentic experience for their customers. Retailers will have to demonstrate that they truly understand customers' needs, and can deliver at customers' preferred location and price points. Big Data has been a buzzword for a long time, but with the increasing use of IoT like wearables and BLE (Bluetooth low energy) beacons, retailers can do an in-depth study of customers' likes and their buying behavior. This becomes an area of significant importance for integrated retail players. The use of the Dash button by Amazon and extensions like Echo and Siri in customer interactions generate data points which help retailers better segment and fine-tune their offerings. Integrated players like Ralph Lauren and Apple control all aspects of the value chain and stand a greater chance of building upon their understanding of the customer to deliver the best value. Other forward-looking retailers need to look deep in their loyalty database, video analytic systems, and transactions data to mine the right offering for the right customer at the right price.

### 5. WEB/MOBILE/STORE

This has been an evolving trend; but 2016 will finally see the acceptance of all three platforms playing different parts in the purchase cycle for different customers. The "UPS Pulse of the Online Shopper" report has revealed a convergence in buying behavior where both the website and the mobile co-exist with the store (in case of physical retailers) as an integrated environment leading toward a final "Buy Now" moment. Online retailers have also discovered that web-based presence plays a crucial role in the initial stages of window shopping. Many retailers find that customers begin the discovery phase of the purchase by research and reviews on the website or in-store. This may lead to an eventual purchase on the mobile app or at the cash till. However, the depth of data and assortment availability on websites and stores plays an important part in the purchase process. It is important that retailers not aim for an either/ or choice between Web Mobile and store but ensure a seamless experience on both. The buying related change is mainly applicable for physical retailers. The online players are already moving to physical locations to augment their distribution reach and provide greater deliver options to customers. The bottom line, irrespective of what area and function the retailer operates in, bringing online and offline together has become an evolve-or-perish decision in 2016. 



*About the author:*

*Vivek Wighe is from JDA. JDA is provider of Supply Chain, Retail and Omnichannel solutions.*

# THE RETAIL REVOLUTION ARE YOU READY?

As 2015 comes to an end, it's time for an annual round-up of how the retail sector performed in 2015 and predictions for the year ahead.

By Yatish Mehrotra

**A** good retail experience includes great product, great service and a fun experience. This can come in all shapes and sizes depending on what kind of retailer you are. According to 'India Online Retail Market Forecast & Opportunities 2016', India will witness several changes in shopping trends in the next few years. As India is set to become the third largest nation of internet users in the next two years, the e-tail market is expected to grow immensely, given the rising middle class in India with growing disposable income in hands and lesser time to spend in physical stores.

More brick-and-mortar retailers are stepping up their online game and increasing the percentage of their sales that come from online channels. Web-only retailers have been growing at an impressive rate too. For conversions and larger transaction sizes, retailers need to leverage trends that are currently transforming the retail landscape.

## Millennials as the key driver of online sales

Retailers need to be aware of the unique preferences of the Millennials and create shopping experiences that satisfy their need for trustworthy information,

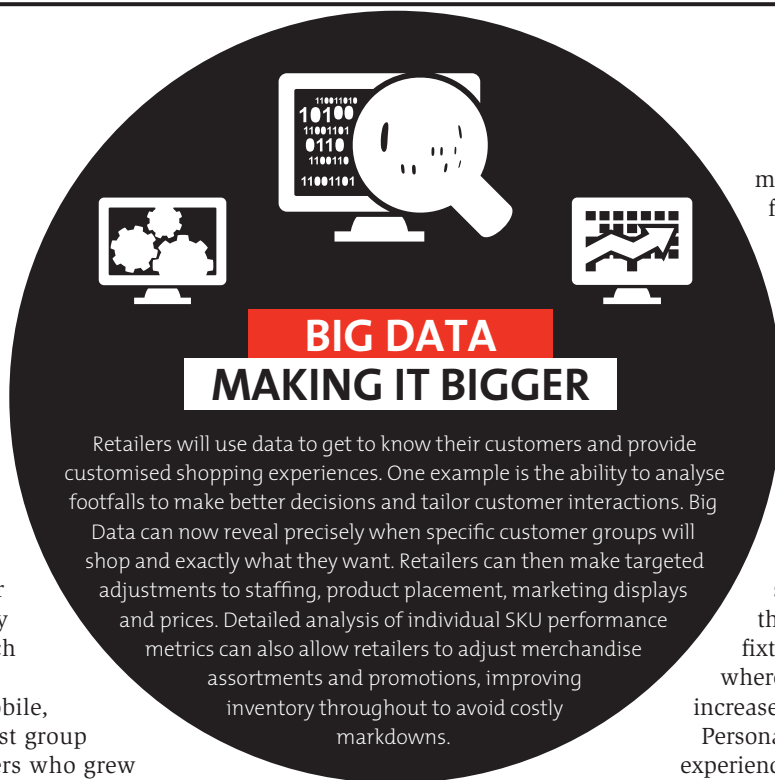




and personalization of products and practices. This generation is already a powerful force in the market, and its spending power will grow. They are highly motivated by peer recommendations on social media. They trust themselves and their peers more than they trust brands. To reach Millennials, retailers need to invest in mobile, as they are the largest group of smartphone owners who grew up with anything and everything just a click away, making them impatient by nature. Retail in 2016 will continue to be driven by the preferences of Baby Boomers and even more by Millennials. Next year, we can expect stores to overhaul their strategies to bridge this gap between offline and digital channels.

### Augmented Reality going mainstream

Imagine being transported to your favourite store while staying in the comfort of your own home. Trying on jewellery without it physically being there. Or being able to see exactly how a new sofa would look within your living room. Since the launch of Microsoft's Holographic, Augmented Reality has gained immense popularity in a short span. From virtual fitting rooms to interactive window displays,



**BIG DATA**  
**MAKING IT BIGGER**


Retailers will use data to get to know their customers and provide customised shopping experiences. One example is the ability to analyse footfalls to make better decisions and tailor customer interactions. Big Data can now reveal precisely when specific customer groups will shop and exactly what they want. Retailers can then make targeted adjustments to staffing, product placement, marketing displays and prices. Detailed analysis of individual SKU performance metrics can also allow retailers to adjust merchandise assortments and promotions, improving inventory throughout to avoid costly markdowns.

Personalised shopping experiences— such as word-of-mouth content that can be filtered from people with similar attributes— **is more likely to motivate the consumers than unfiltered user-generated content.**

merchants are continuously finding ways to use augmented reality to draw attention, engage customers and improve their shopping experiences. IKEA launched their augmented reality catalogue to enable shoppers to visualise how certain pieces of furniture could look inside their home. Not only that, but the app measures the size of the products against the surrounding room and fixtures to offer a true-to-life size where possible. We will see huge increase in AR-centric efforts in 2016.

Personalised shopping experiences— such as word-of-mouth content that can be filtered from people with similar attributes—is more likely to motivate the consumers than unfiltered user-generated content. Consumers are already tuned into the kind of shopping experiences they want. They are finding the information they need to make purchase decisions, even if that means they are not getting it from the retailers themselves. They shop on their own terms via the devices they choose at the times they want from different locations. That doesn't make retailers less relevant; it has the power to make them more relevant if they can provide those experiences seamlessly and give customers the information they want.

To become a trusted partner in consumers' buying journey requires tremendous change. But after the doomsayers of the early e-commerce movement, retailers should be heartened: Competing in this new environment of always-connected, highly-informed consumers won't be easy, but it can be rewarding.

We believe there will be a clear drive to review and improve retail standards and the customer journey. 



*About the author:*  
Yatish Mehrotra is Head- Branded Retail, Tata Teleservices Ltd.



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