



MORE THAN MERRIER

Aditya Birla Retail, part of the AV Birla Group, is pressing ahead with aggressive expansion plans, rolling out hundreds of outlets of its chain of supermarkets and hypermarkets. A report by **A. Kumar**.



ORGANISED RETAIL TO SEE PHENOMENAL GROWTH

ORGANISED retail in India is expected to grow at nearly 30 per cent in 2010, according to projections by Technopak, a leading international consulting firm. Technopak expects the organised sector revenues to triple from US\$ 25 billion to US\$ 80 billion in about five years.

According to Raghav Gupta, president, Technopak, store formats such as supermarkets, hypermarkets and convenience stores will gain in prominence as the organised sector expands its share of the overall retail business in India.

Significant growth levels will be witnessed by sectors such as food and grocery, apparels, consumer electronics and footwear. Organised retailers will also make gains in the private label segment, which according to Technopak, will account for 25 per cent of total sales by 2014, up from less than 15 per cent at present.

"Private labels will increase brand penetration and the margins of retail players," explains Gupta. Aditya Birla Retail

Ltd (ABRL), for instance, has private labels in nearly 40 product categories.

Other top retailers in India – including the Future Group and Reliance Retail – are also focussing on expanding their private labels business. In fact, some of them are selling their private labels to smaller grocery stores, building their brands as independent ones.

Kishore Biyani, ceo, Future Group, says his chain will soon start considering selling its private labels to other retailers.

The group has nearly 300 products in 25 categories under its private label.

Pantaloon Retail (India) Ltd, for instance, is marketing the private labels of group retailers Big Bazaar and Food Bazaar, and attracting consumers with inexpensive products.

Organised retailing will also see tremendous growth in tier-II and tier-III cities, where property rentals are not as high as in the metros. Demand for private labels is also high in such cities.



FOR a company that entered the retail business just about four years ago, Aditya Birla Retail Ltd (ABRL) indeed has ambitious growth plans. Part of the US\$ 28 billion Aditya Birla Group, ABRL has embarked on a major expansion programme, taking on competition – both domestic and international – head-on.

Says Thomas Varghese, ceo, ABRL: "The US\$ 400 billion retail sector in India is growing at eight to nine per cent per annum, but the organised sector is growing at 15 to 20 per cent. Over the next five years, the organised sector's share will grow from five per cent to 20 per cent."

ABRL is going all out to leverage its strengths and expand its presence in the retail sector over the coming years. The company, one of the fastest-growing in the Indian retail sector, operates a chain of nearly 650 supermarkets (each of between 2,500 sq ft and 2,800 sq ft, under the More brand) and five hypermar-

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kets (each of between 60,000 sq ft and 75,000 sq ft, under the More Megastore brand).

"By the end of the year we will be

having nearly nine hypermarkets," explains Varghese. "Over the next five years, this could go up to 120 hypermarkets all over India." While it is closing down some supermarkets in cities where the rents are high and where footfalls do not justify the presence, Varghese estimates that their numbers could cross the 1,000-mark in about five years.

ABRL plans to operate 10 million sq ft of stores – in both supermarket and hypermarket formats – by 2015, a huge jump from the present 1.8 million sq ft. It will be investing nearly US\$ 400 million to open new stores.

ABRL plans to tap the capital markets in a few years, especially after it consolidates its operations by shutting down non-profitable outlets and expanding its presence in the hypermarket segment.

The company's turnover is expected to jump from US\$ 330 million at present to nearly US\$ 2.5 billion by 2017-18. ABRL expects to grow at 25 to 30 per cent next year and continue expanding at a similar



pace.

Varghese points out that the 'private label' business – where the company sells products under its own More brand – will increase its share from the current five per cent to 15 per cent over the next five years.

Importantly, the company also plans to get into the 'cash and carry' (wholesale trading) business, an area that is expected to see tremendous competition over the coming years. India allows 100 per cent foreign direct investment (FDI) in the wholesale retail business and global majors including Germany's Metro AG, and US giant Walmart have already set up a presence in the sector.

Metro has five cash-and-carry outlets in India and is targetting 35 cities across the country, while Walmart is looking at an initial foray in 15 cities. Carrefour and Tesco, two other leading European retail players, are also entering the cash-and-carry trade. Texas Pacific Group (TPG), a US-based private equity fund, is also



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looking at the wholesale trading business in India. Store One Retail, the retail wing of Indiabulls Real Estate, has also announced plans for a foray into the cash-and-carry trade.

Wholesale retailers see tremendous potential in catering to the needs of over 12 million small grocery stores that continue to expand despite the emergence of organised retailers.

ABRL already has the necessary infrastructure – including over half a million sq ft of back-end space – for entering the cash-and-carry business. "We have some of the best back-end infrastructure in the country," explains Varghese. These include fruits and vegetables (F&V) sorting centres, regional processing centres (RPCs) for staples and distribution centres (DCs). It also operates a dozen farm collection centres, besides going in for options including contract farming for sourcing its vegetables and fruits.

ABRL made its foray into the retail sector in 2006, after it acquired Trinethra,



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WHEN TOP EXECUTIVES BECOME STORE CLERKS FOR A FEW DAYS

MANAGING a supermarket or a hypermarket is a tough chore, especially with thousands of consumers, cutting across various socio-economic backgrounds, walking through the stores daily and looking around for products and services.

Employees at these stores are trained to be patient, understanding consumer psychology and behaviour, while at the same time convincing them to spend more money. Aditya Birla Retail Ltd (ABRL) has evolved a unique training programme, called 'My More Store (MMS)' experience, which every back-office employee undergoes at least once a year.

Says Thomas Varghese, ceo, ABRL: "Retailing is a 365-day, 24x7 business, where you cannot take your eyes off it. One should have such a mindset and we are developing it among our employees."

The MMS presents a 'great shopping experience' for its own back-office employees. Of the nearly 12,000 employees, about 1,300 are back-end staff, mostly executives. All executives above the rank of deputy general manager (including Varghese) spend five days in a year in any given store – executives below this rank spend eight days in a year – working like any other employee.

They handle home deliveries, cash counters, even end up cleaning the store. They may be senior executives, but on those days of the year, they are like any other ordinary worker in a store, their badges describing them as 'trainees.' "This is an important programme and we sensitise our executives to the work that a front-end staff member experiences daily," says Varghese, adding, "Working in a store is a tough job, with most employees spending 10 hours daily."



the south-India based chain of stores. A year later, it launched its own brand of stores, called More. The stores offer a range of products in processed foods, home and personal care, fruits and vegetables, general merchandise, apparel and consumer durables and information technology. Many of the stores have a bakery and other shop-in-shops catering to mobile stores, pharmacy and Indian sweets.

Varghese says that the company has in recent months shifted its focus to performance and profitability. Besides shutting down non-viable stores, it has been concentrating on the higher-margin, hypermarket format of retailing. Each store now has to generate profits within a specific timeframe. "The goal posts are

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clearly marked out now," he adds.

Retailing is a low-margin business and the industry is now focussed on volumes for both top-line and bottom-line growth. Costs including rentals, salaries, utilities and consumables, add up to 80 per cent of the turnover. "Our objective is to control these costs and make some profit," says Varghese.

Despite the enormous challenges facing organised retailing in India, Varghese is confident that the industry would continue to grow at a vibrant pace. Indian consumers, he notes, are increasingly adapting to modern retailing formats. When ABRL opened its hypermarkets in smaller cities such as Indore and Aurangabad, there were two-km-long queues for several days. 🌈