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spotlight

The 3 Idols



THIS IS THE THIRD PART OF 'YESTERDAY ONCE MORE' – A SERIES OF STORIES INITIATED BY IMAGES RETAIL ABOUT SUCCESSFUL LOCAL OR REGIONAL RETAILERS, SPREAD ACROSS URBAN INDIA, WHO CONTINUE TO EXPAND AND GROW DESPITE COMPETITION FROM NATIONAL AND INTERNATIONAL RETAILERS.

By Amit Bagaria

NO PARTY FOR BIG BOYS

At times, regional retailers cite tough competition from national retailers as a reason for their slow growth. But this is not the case with Aurangabad-based Sapana Supermarket. This regional retailer has not only given national retailers a run for their money, but also beaten them out of its bastion.

Inspired by Amway and another company in the Philippines, VB Gupta, erstwhile schoolteacher and younger brother of Desh Bandhu Gupta (chairman of pharmaceutical company Lupin), in 1993 started the business of multi-level marketing (MLM) in Mumbai, under the name of Sapana Asha Kiran Network Marketing. His son Nishith, then 24 years old and armed with an engineering degree from Pune, was given charge of this business in 1999. Around the same time, the father-son duo read *Made in America* by Sam Walton, founder of Wal-Mart, the world's largest retailer. This was a game changer.

Obviously inspired by Sam Walton's success, and not very happy with the value proposition of the MLM business, the Guptas decided to shut down the business and use their experience in dealing with FMCG products and consumers to

start a food and grocery (F&G) retail business. They chose Aurangabad because they already had a mat manufacturing plant there and real estate costs were a fraction of those in Mumbai. Young Nishith was put in charge of the project.

The first Sapana Supermarket opened in 2000 at Samarth Nagar in Aurangabad. The next year (2001) saw the opening of four more stores – at Bajrang Nagar, Ulkanagri, CIDCO's N3 Sector and Dashmesh Nagar. This was followed by a new store every year for the next five years. The sixth store opened at TV Centre in 2002, followed by Shahganj in 2003, Waluj in 2004, Beed Bypass in 2005 and Aurangpura in 2006. Today, the 10 stores together occupy about 22,000 sq.ft of retail space. At an average of 2,200 sq.ft per store, the format is more of a convenience store, even though it carries the name Sapana Supermarket.

After this there was a four-year hibernation, which, Nishith explains, was because several national chains opened convenience stores in Aurangabad; as a result, rentals in the city went up. Sapana saw high staff attrition across levels and there was a drop of up to 20 per cent in same store sales, as customers wanted to try the novelty experience offered by national retailers. "We served as a training ground for many retailers in and around Aurangabad," says Nishith.

This phase, though, did not last very long. All seven stores of Subhiksha shut down. The 16,000 sq.ft Vishal Megamart closed in February 2010 after remaining in operation for three-and-a-half years. Spencer's has also closed all five neighbourhood stores and is concentrating on its hypermarket format – there is one Spencer's Hyper in Aurangabad.

Jaihind, a Pune-based menswear retailer, serves 1.4 million customers, including over one lakh NRIs, every year.

FROM JUST ONE STORE IN THE YEAR 2000, AURANGABAD-BASED SAPANA SUPERMARKET HAS GROWN INTO A 10-STORE-STRONG RETAIL CHAIN.

Stationery retailer Venus Traders does business of ₹30 crore from a combined retail space of 12,400 sq.ft, yielding an ALT of ₹2,106 per sq.ft per month.

Reliance Retail has shut two of the five F&G stores it had opened. Aditya Birla Retail has set up only three 'More' stores and one 'More Megastore' in Aurangabad.

And in the last two years, customers have begun returning to Sapana. "The national chains did not survive because they were paying as much as 10 per cent of revenues as rentals. In the F&G business, gross margins are just 14-16 per cent and one cannot afford to pay more than three per cent as rent," explains Nishith. The smile is back on his face and he is now actively looking at expanding Sapana, albeit in a cautious manner. He sees Sapana as a 30-35 store regional chain by 2015. He is exploring several possibilities to raise funds for expansion. Although Sapana had also planned to open a 40,000 sq.ft hypermarket, it has shelved those plans as of now.

Since the 10 existing stores are located within one-and-a-half kilometre of any point in Aurangabad, the home base is pretty well covered and future growth is likely to come from neighbouring cities such as Nashik and other smaller towns across Maharashtra. "We had no pressure to grow," he says, "we only opened a store if and when we got the right place at the right price."

Although Nishith believes his stores have a great layout, some of Sapana's regular customers feel the stores are overcrowded. Sapana has a topline of ₹19 crore, with an ATD of ₹720 per sq.ft per month – about 20 per cent lower than the national average. Not all 10 stores are performing to capacity – while the N3 store does a business of ₹29 lakh a month, Shahganj is still struggling at ₹5-6 lakh a month. Nishith says even the N3 store was doing just ₹5-6 lakh a month just four years ago.

He, however, believes Sapana has most of the systems of a large company. Nishith is particularly proud of his 9,600 sq.ft distribution centre (DC). "It's a true DC and not a warehouse, as nothing stays there longer than 48 hours," he says, "purchases and logistics are the backbone of the retail business."



"WHEN THE SLOWDOWN HAPPENED, IT APPEARED AS THE BEST OPPORTUNITY FOR US TO THINK OF AN EXPANSION PLAN," SAYS DINESH GUPTA, "THAT'S HOW WE OPENED TWO SHOPS BETWEEN JUNE 2009 AND MARCH 2010." IF HE GETS AN OFFER TO SELL THE VENUS TRADERS RETAIL BUSINESS, SURENDRA KARAMCHANDANI MAY CONSIDER IT, BASED ON THE PRICE. "AFTER ALL, EVEN RAMESH CHAUHAN SOLD THUMBS UP," HE SAYS NONCHALANTLY.

Shrinkage is less than one per cent, much better than industry standards. In fact, the level of shrinkage plays a big role in staff appraisals, especially of store managers. Sapana also puts a lot of emphasis on the assortment and range of products, as well as pricing. Nishith feels this is another area where national players are 'going wrong'. "Retail has been thriving across India without the modern

sector for decades," says Nishith, "modern retail will find it very difficult to survive in India."

IT'S 'JAIHIND' IN PUNE

If you live in Pune, you cannot ignore 'Jaihind', especially if you are a man. Every man that I spoke with in Pune knew about this retailer – such is its popularity. Even men such as Kabir Lumba, Govind Shrikhande, Vishnu Prasad, Gaurav Mahajan and Arun Sirdeshmukh should not ignore Jaihind.

In 1980, Jivraj Jain started a 1,000 sq.ft retail store for men's clothing under the brand name Jaihind Collections – (Collections has now been dropped from the name) at Pune's Laxmi Road, in the retail hub of Sadashivpet.

In 1988, the store quadrupled in size. Nine years later, in 1997, the store grew to 9,000 sq.ft. Another seven years down the line, in 2004, the store turned into a 28,000 sq.ft, four-level department store selling men's readymade apparel, fabrics, ethnicwear, sunglasses, perfumes, ties and belts, and even offering customised tailoring.

By this time, Jain's nephew and current MD, Dinesh Gupta, was running the business, assisted by his two younger brothers, Pravin Jain and Vinod Jain. In the same



year, Bollywood icon Salman Khan launched Jaihind's Mewar section (department) dedicated to ethnic and bridegroom apparel. By 2007, Dinesh's son Preshit also joined the business. This led to improvements in systems and processes as well as the opening of the second store – of an area of 15,000 sq.ft – at Karve Road in Kothrud.

While many national retailers were busy in shutting down or downsizing their operations, in 2009 Jaihind opened its third store – of 20,000 sq.ft – at Aundh. Footwear was now added as a category. The fourth store (of 22,000 sq.ft) opened in early 2010 at Pimpri. Gupta adds Jaihind's business has not been affected with the advent of national retail chains or large department stores.

The family has recently diversified into real estate development and Vinod Jain looks after this business.

Jaihind is planning to open two more COCO (company owned, company operated) stores in Pune within 12-15 months. One of these may be located in a mall. It is also planning four-five new FOFO (franchisee owned, franchisee operated) stores (with an average size of 15,000 sq.ft) in 27-30 months, in Nagpur, Aurangabad, Kolhapur and Nashik. "Our brand is very well known over a 200-km radius and we want to capitalise on this," says Gupta. "Jaihind serves 1.4 million customers per year, including more than one lakh NRIs."

A little over half of the business comes from readymade apparel, with a majority contributed by formal wear. Jaihind has a department, named JC Studio, especially for clubwear, eveningwear and partywear, and this business is also growing. Brands like ColorPlus, Van Heusen, Louis Philippe, Zodiac, US Polo, Allen Solly, Pepe, Levi's, Mufti and Spykar are the most popular ones.

About 21 per cent of the business comes from fabrics – Jaihind is Raymond's second largest retailer in the country, in the MBO (multi-brand outlet) category. Five to six per cent of the business is made up of ties, belts, footwear, sunglasses and fragrances.

SAD STORY

Subhiksha, founded in 1997, became a 150-store chain by 2006. It grew unmindfully into 1,600 stores by 2008. Within a year, the company went bankrupt and had to shut down all stores. Vishal Retail is a similar story. It grew from ₹88 crore in 2004 to ₹1,325 crore in 2009. By 2009-end, Vishal had more than ₹730 crore in debt and had to close down one-third of its stores. A few months ago, Vishal's lenders divided and sold the company to PE firm TPG Capital and Shriram Group of Chennai.

JAIHIND IN PUNE

This Pune menswear retailer does business of ₹130 crore from four department stores spread across Greater Pune occupying 85,000 sq.ft of retail space. Giving them an ATD of ₹1,275 per sq.ft per month, more than 40 per cent higher than most of the big boys in the business.



The average age range of the customer is 20-40. Almost 40 per cent of the men shop alone – without a female companion.

Each store either has a floor or area dedicated to the Mewar ethnicwear department. These departments have catwalk ramps with focus lighting, to help soon-to-be-married men see how they would appear on their big day.

Ethnicwear contributes about 22 per cent to Jaihind's topline. The retailer is also contemplating the possibility of opening Mewar EBOs on a standalone basis. It has recently tied up with famous Bollywood ethnic fashion designer Shahid Amir to launch a signature collection.

Gupta sees the scope for a national retail chain dedicated to men. He is ready to tie up with a national player to open 100-plus stores. Other players in this category who come into immediate recall are Ahmedabad-based Jade Blue (which has seven stores in five cities of Gujarat, as well as Indore in Madhya Pradesh) and Prestige – The Man Store (which has two outlets in Bangalore).

MOVING AHEAD WITH STATIONERY

Six years before Jaihind Collections was set up, a couple of blocks away, Kishan Chand Arya set up a 225 sq.ft stationery products shop – Venus

Traders – at Pune's AB Chowk, where many book and stationery shops already existed. Arya's family already owned an established stationery manufacturing business by the name of Sudarshan Stationery.

Nine years later, in 1983, the store size more than doubled to 500 sq.ft. And in 2002, the Pune Stationery and Cutlery Association gave the Best

Shop Award to Venus Traders.

In the early 2000s, Arya's nephew, Surendra Karamchandani, took charge of the business and in 2004, he opened a 6,000 sq.ft shop at Pune's famous Fergusson College Road. Karamchandani says he was inspired by William Penn's first shop in Bangalore. This new store, aptly named Venus Traders Stationery Superstore, stocked more than 25,000 SKUs.

While Venus sold items such as laptops and digital cameras from this superstore, a couple of years later, it decided to stop selling IT products, as most people preferred

Corporation gave an 'Ideal Dealer Award' to Venus Traders. In the same year, the original store at AB Chowk expanded to 3,000 sq.ft and a third store (of 1,800 sq.ft area) opened at Nucleus Mall in the Camp area. Two years later, the fourth store, measuring 1,600 sq.ft, opened in Kothrud. Except the FC Road store which is owned, all other shops are in rented properties. A fifth store has been booked at Eon Matrix Mall coming up in Kharadi – one of the 300-odd malls coming up in Pune.

Karamchandani believes in the mantra that margins are secondary and the best choices must be offered



to buy these from specialised shops. "Staples carries 50 types of laptops, whereas we had only four," says Karamchandani, "so we decided to concentrate on our core business of stationery – we have a much wider range of school, college and office stationery than Staples does." He claims no other shop in India has the depth of merchandise that Venus has in stationery products. The merchandise ranges from 25-paise paperclips to high-end pens costing ₹15,000. The range also includes around 200 art-related books. Venus decided to sell these books for the benefit of many of its artist customers, who frequented the stores to buy art-related material. Venus does not retail any other types of books.

In 2006, the Pune Municipal

to customers. His younger brother Pramod and son Vinod are now part of the business. The manufacturing business (Sudarshan Stationery) is now with another faction of the family, but Venus retails their products also. Venus is proud to be a member of the Council for Fair Business Practices (CFBP), whose membership is only granted after strict reference checks.

Venus does a business of ₹30 crore from a combined retail space of 12,400 sq.ft, yielding an ATD of a healthy ₹2,106 per sq.ft per month. About 25 per cent of the business comes from supplying to offices and colleges. The ABV (average bill value) is ₹325. Venus uses Retailware software and is happy with the product. Unlike most other retail

categories, average sales on weekdays are higher than on weekends. Karamchandani attributes this to the fact that offices are closed on weekends.

On expansion plans, he says they get many franchise enquiries from cities such as Nashik and Kolhapur, but they are not very clear about whether they want to adopt the franchising route for further growth.

A couple of years ago, ₹530-crore stationery manufacturer and publisher Navneet Publications approached Venus to set up a joint venture to open more than 100 retail stores across India, but this proposal did not

JAIHIND IS RAYMOND'S SECOND LARGEST RETAILER IN THE COUNTRY, IN THE MBO CATEGORY. FIVE TO SIX PER CENT OF THE BUSINESS IS MADE UP OF TIES, BELTS, FOOTWEAR, SUNGLASSES AND FRAGRANCES. THE AVERAGE AGE RANGE OF THE CUSTOMER IS 20-40. ALMOST 40 PER CENT OF THE MEN SHOP ALONE – WITHOUT A FEMALE COMPANION.

fructify due to differences in business projections. Recently, Navneet has set up retail outlets under the brand name 'FundoO' (currently in Ahmedabad and Surat) to market a range of innovative learning products catering to children in the age group of 3-10 years. Is Coke interested in buying a stationery business? Just kidding! Au revoir till next month. ☒

ABOUT THE AUTHOR



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