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Southern SIZZLERS

By Amit Bagaria

THIS PART OF *YESTERDAY ONCE MORE* FOCUSES ON FOUR SOUTH INDIA-BASED RETAILERS IN THE CDIT SEGMENT WHO HAVE ESTABLISHED THEMSELVES AS STRONG PLAYERS AND CONTINUE TO GIVE TOUGH FIGHT TO THEIR NATIONAL AND INTERNATIONAL COUNTERPARTS.

→ The consumer durables and information technology (CDIT) market in India is estimated at around ₹1,33,000 crore with consumer durables contributing around 56 per cent, mobile phones 26 per cent, IT products 16 per cent and cameras around two per cent. In the CDIT retail market, four-year-old Croma (a 100 per cent subsidiary of Tata Sons, with technical and strategic sourcing support from Woolworths of Australia) is the country's largest player with 61 stores in 14 cities and sales of ₹1,550 crore (1.3 per cent market share). Croma CEO Ajit Joshi, however, estimates the total market size to be smaller, at around ₹100,000

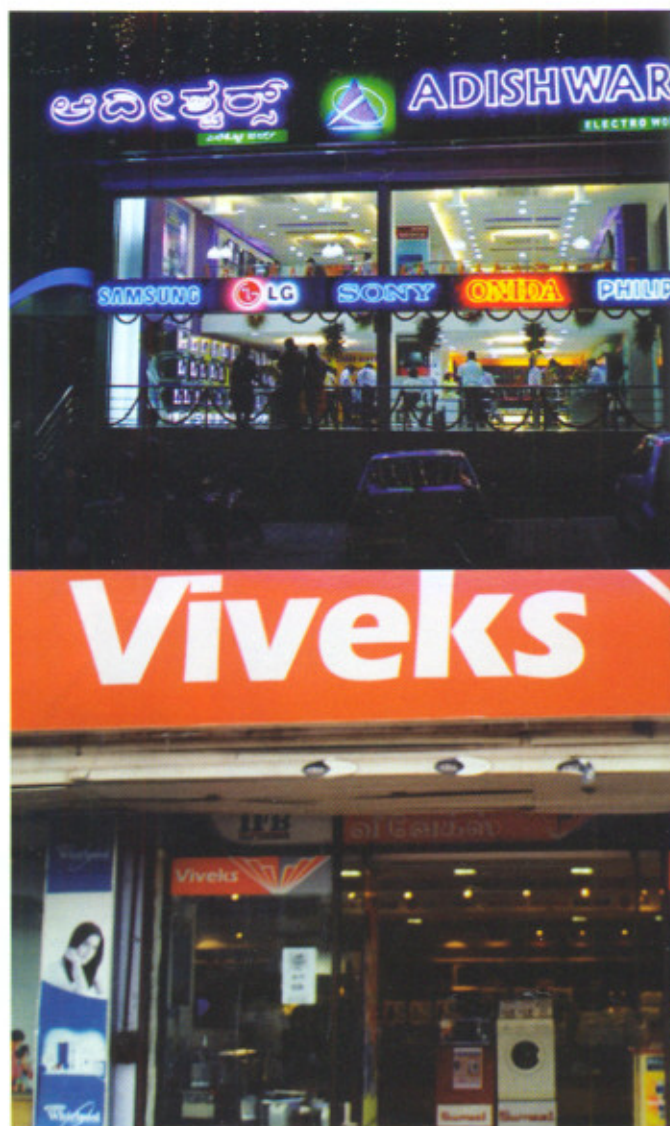
crore, giving him a 1.5 per cent market share. Joshi expects to open 4-5 more stores this quarter and 25-30 stores in the coming fiscal, taking up the store count to around 93 by March 2012. About 55 per cent of Croma's business comes from mobiles, IT and digital cameras, while 45 per cent is from large and small appliances; the brand's private label accounts for 11 per cent of the appliance sales. Other national players include Future Group's e-Zone (55 stores in 18 cities) and three-year-old Reliance Digital (26 stores in 19 cities).

Mumbai-headquartered Vijay Sales has 37 stores spread across Mumbai, Delhi, Pune, Ahmedabad and Surat,

and reportedly does an annual business of over ₹1,000 crore. There are 9-10 other large regional players, of which seven are based in South India. This article focuses on four of these regional retailers in the South.

VIVEKS: GROWING INTELLIGENTLY

Started by late B A Lakshmi Narayana Setty (LNS), son of a rice merchant, in 1965, Viveks and Co has come a long way. The 200-sq.ft maiden store came up at Mylapore in Chennai after the then 20-year-old LNS, who admired the teachings and philosophy of Swami Vivekananda, dropped out of BMS College of Engineering to start his



own venture. The shop initially sold electrical fittings and folding chairs and gradually added radios, fans, mixers, irons, heaters and other household equipment.

Seeing quick success, LNS began planning a much larger shop – 3,500 sq.ft – at Purasawalkam in Chennai. His dream, though, could not materialise due to his untimely death in 1969, at the age of 25. Elder brother B A Kodandaraman Setty (KRS) then took over the management of Viveks and opened a second store at Purasawalkam.

Viveks soon became a distributor for Sumeet mixers for Karnataka and parts of Chennai. "Colour TVs were still a luxury for the middle class back then," says youngest brother and CEO B A Srinivasa. "Even buying a refrigerator was difficult, as a bank clerk earned ₹3,000 per month, while the refrigerator cost ₹10,000," he adds.

In the mid-70s, Viveks introduced a daily instalment payment plan for small traders, and seeing immediate success, the retailer started EMI plans for employees, and then for customers.

Starting with just three stores in 2004, Bangalore-based Adishwar has grown to become a 38-store-strong electronics retail chain.

CHENNAI-BASED VIVEKS, WHICH STARTED WITH ONE STORE IN 1965, CURRENTLY HAS 44 STORES SPREAD ACROSS TAMIL NADU AND KARNATAKA (KERALA AND ANDHRA PRADESH ARE NOT ON THE RETAILER'S RADAR).

Bangalore-based Girias does an annual business of ₹500 crore, of which ₹420 crore comes from pure retail and the balance from wholesale.

In 1980, Viveks opened a third store at T Nagar. This 10,000-sq.-ft store was then the largest consumer electronics retail store in India. The liberalisation policies initiated by Dr Manmohan Singh (then finance minister of India) in 1991 led to several global brands setting up manufacturing facilities in India. In 1992, Viveks spun off its then large and growing consumer finance business to a separate company – Viveks Hire Purchase & Leasing Limited. The three brothers – KRS, Chandrashekar and Srinivasa – visited the US, the UK, Europe, Singapore and Malaysia, and saw interesting retail formats. They were most impressed with and inspired by Best Buy of the US and Dixons of the UK. They started thinking big – they had opened three shops in 30 years; could they open 30 shops in the next three years?

With this vision, Viveks set up a corporate office and started attracting



professionals. In 1995, Viveks opened a 12,000-sq.ft store at Jayanagar in Bangalore, followed by many other stores over the next few years.

By 1999, Viveks had 12 stores, and they wanted to reach the 30-store mark quickly. So, they acquired Jainson – then a 14-store chain with a turnover of ₹50 crore. In 2002, Viveks acquired the 15,000-sq.ft Spencer's store on Mount Road from RPG Group and continued running it under the Spencer's name. The next year, they acquired two stores of Premier in Salem. By 2006, they rebranded Spencer's and Premier stores as Viveks.

Today, the company has 44 stores – 26 under the name of Viveks and

spread across Tamil Nadu and Karnataka (Andhra Pradesh and Kerala are not yet on their radar), yielding a turnover of close to ₹2,000 crore.

Among the brands sold at Viveks, LG and Samsung have almost an equal share, together contributing about 43 per cent of the turnover. In comparison, Croma's No.1 brand is Sony, followed by HP. At Viveks, flat panel TVs is the largest selling category, followed by refrigerators. IT and mobile phones constitute only eight per cent of the sales. "All sub-categories and various models need to be displayed, as the consumer perception, experience and value proposition have to be strong,"

Srinivasa says, "as the number of brands and models in the market increase, the store sizes need to become bigger."

He feels national chains such as Croma and Reliance Digital have certainly done a good job of giving consumer experience and they are helping to grow the market. Although Viveks itself grew by acquiring other retailers, they are not open to acquisition. But Srinivasa does not rule out mergers and consolidation among regional players. "Consolidation and mergers are the order of the day and whether we like it or not, we have to keep our options open," he says.

GIRIAS: 40 YRS AND STILL GOING STRONG

In 1970, 22-year-old Panna Lal Gira (PLG) from a village in Cooch Behar district of West Bengal came to Bangalore on a holiday. He liked the place – with its fantastic weather and nice people – so much that he decided to settle down in the city. PLG's family was in the cloth trading business at Cooch Behar, and he set up a net factory in Bangalore.

In 1971, PLG set up a 175-sq.ft kitchen appliances shop by the name of Girias at Bangalore's Gandhinagar market. As the product range expanded, a neighbouring shop of 700 sq.ft was acquired in 1979. Today, the Gandhinagar store has grown to 10,000 sq.ft.

For several years Girias did not expand, then, in 1994, they opened a 1,500-sq.ft shop in Coimbatore (Tamil Nadu), which in 2003 shifted to a 12,000 sq.ft space. In 1999, PLG's younger brother, Hansraj, decided to open another shop at Bangalore's popular high street Brigade Road. Though there was opposition from family members, Hansraj went ahead and this shop was an instant success. There has been no looking back ever since.

Two stores were added in 2001 and the chain's sixth store came up at Mangalore in 2003. In 2004, Girias opened a 7,000-sq.ft store at Rajajinagar in Bangalore. Today, this store does an annual business of ₹32



18 branded as Jainson – together occupying 250,000 sq.ft of retail space. All 44 stores are MBOs and the retailer has not ventured into single brand stores yet. Fourteen of the stores are in Chennai, 22 in other parts of Tamil Nadu and eight in Karnataka. Viveks has an annual turnover of close to ₹425 crore (\$93 million).

Though there was no expansion in the last 3-4 years, as the promoters were busy with consolidation, expansion is back on their agenda. Four to five new stores are expected to open in 2011 and by 2015, Srinivasa expects to have almost 150 stores



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Rishab feels national chains have many weaknesses, including little or zero flexibility in pricing, slow decision-making process and high overheads. He firmly believes Future Group's e-Zone is "slowly dying" and Reliance Digital is still in an infant stage. "Croma is the only threat," feels Rishab, "but it is also the highest priced and price is key in this business."

I disagree with his view. With 26 stores already operational, three-year-old Reliance Digital is already bigger than Girias in the number of stores and will cross Girias in turnover next year. Besides, Croma's turnover is likely to touch almost ₹2,500 crore by the next fiscal.

THE EXPANDING PAI

Rajkumar Pai was in the lottery business and was looking at diversification into something more organised. His friend recommended the consumer electronics retail

crore (an ATD of ₹3,800 per sq.ft per month) and is No.1 in the chain.

The eighth store came up in Mysore in 2005, followed by the ninth at Salem (Tamil Nadu) in 2006. One store each started at Bangalore's Domlur area and in Hubli town of Karnataka in 2007. This was followed by three openings in 2008 – two in Bangalore and one in Chennai. In 2009, Girias opened their third store in Chennai, eleventh in Bangalore and a second store in Mangalore.

Last year, Girias added four new stores – one in Chennai and three in Bangalore – taking up the store count to 22, including 14 in Bangalore, three in the rest of Karnataka and five in Tamil Nadu. In the next 3-4 months, the store count will go up to 25, with 16 in Bangalore and four in Chennai.

Girias does an annual business of ₹500 crore, of which ₹420 crore comes from pure retail and the balance from wholesale. Hansraj's son Rishab Giria (29) expects that by 2015, Girias will have 50 stores and a turnover of ₹1,500 crore.

The highest selling brand at Girias is LG, which accounts for 16 per cent of its sales, while No.2 Samsung



contributes 12 per cent. Girias sells around 1,500 mobile handsets per month from its 22 stores, which is miniscule compared to the mobile shops, some of which are selling as many as 1,200 handsets per shop.

There are as many as 10 family members in the business – four in Panna Lal's generation and six in Rishab's generation. The youngest, Arihant, is only 23.

business. Thirty-five years after the first Viveks store opened in Chennai, the first Pai International store opened on Bangalore's 100 Feet Road, Indirangar, in the year 2000. There was a huge difference in size – while the first Viveks store was just 200 sq.ft, the first Pai International store was a whopping 16,000 sq.ft. I remember being awed by this store when it first opened.

Pai opened three stores in 2001, followed by two in 2005, three in 2006, including one in Mangalore, three in 2007, five in 2008, just one in 2009 (a 20,000-sq.ft store at Rajajinagar in Bangalore, the chain's largest), and as many as nine in 2010.

Today, Pai International has 27 stores, including 23 MBOs, two LG and two Samsung stores. While 17 of these are in Bangalore, the other nine are in Belgaum, Bhatkal, Chikmagalur, Chitradurga, Hassan, Hubli, Kundapur, Mangalore (two) and Udupi – all in Karnataka. Also, there are four Pai Mobile stores, which sell only mobile handsets and accessories. The turnover this year is likely to touch ₹340 crore.

In 2011, the company will open 12 more Pai International MBOs in Karnataka, in addition to 30-35 Pai Mobile stores. By 2015, Rajkumar Pai expects to have close to 100 Pai International stores and 200 Pai Mobile stores, with a combined turnover of over ₹2,500 crore. That will need a CAGR of 49 per cent, a mammoth target. Pai is interested in expanding into other southern states, but only after he has completely saturated Karnataka.

Pai's No.1 selling brand is LG, which contributes ₹75 crore to the revenue, followed by Samsung at ₹60 crore. In the categories, just like all the other players, flat panel TVs is No.1, contributing 28 per cent, followed by refrigerators at 17.5 per cent. Pai sells 5,500 mobile handsets per month and this segment contributes around eight per cent to the turnover.

Learning from Croma, Pai has started selling IT products. "If I don't sell IT and mobiles, customers will go to Croma," says Rajkumar Pai. He seems to be very impressed with Croma. "The national chains have very good back-ends and deep pockets," Pai says, "Croma is very systematic because of the back-end being managed by Woolworths."

According to Pai, there are very few brands in India and the small number of manufacturers, therefore, dictate terms. He feels many Western brands failed because "they did not have



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good teams." He cites Philips as an example of a failed Western brand.

Yet again following Croma's footsteps, Pai is considering getting into the private label business in the next few years. Is Ajit Joshi reading this?

ADISHWAR: AGGRESSION IS KEY

Paras Jain was in the business of watch trading and multi-level marketing. In 2004, he leapfrogged into electronics retail by opening three stores in Bangalore, under the brand name 'Adishwar'. In the second year itself, Jain opened three Adishwar stores and one Sony store, followed by three more in 2006.

In the next year, as many as seven new stores were opened, including one Samsung and three LG stores. This took up the store count to 17, including one each in Mysore, Mangalore and Belgaum. Although only one new store opened in 2008, Jain opened eight new stores in 2009 (including two Samsung stores and one each of LG and Sony) and as many as 12 in 2010. Of these, 10 stores were opened in Hyderabad in just

five months last year. "Only when we expanded, the others, too, started expanding," says Jain, "earlier, the gross profit margin used to be 3-5 per cent; today, overheads alone are 12-14 per cent."

The chain now has 38 stores, occupying a total retail space of 1.73 lakh sq.ft, of which 29 are Adishwar MBOs occupying 1.41 lakh sq.ft, four are LG brand stores, three are Samsung stores and two are Sony stores. Twenty-one of the stores are in Bangalore and 10 in Hyderabad.

When he was planning to enter Hyderabad, Jain had discussions to acquire Shah's Electronics, but gave

PARAS JAIN OF ADISHWAR FEELS REGIONAL PLAYERS TAKE QUICK DECISIONS AND GIVE MUCH MORE ATTENTION TO CUSTOMERS; WHEREAS, IN A NATIONAL CHAIN "EVERY CUSTOMER IS THE SAME, WHETHER HE IS BUYING A ONE LAKH RUPEE LCD TV OR A HUNDRED RUPEE MOBILE CHARGER".



up as they were asking too much royalty for their customer database and "I can create my own database for just 20 per cent of that amount." Jain feels another Hyderabad-based player, PCH, may acquire Shah's. He believes that in another 2-3 years, there will be mergers among regional players within and across regions.

Adishwar expects to clock a turnover of ₹330 crore this year, achieving an 80 per cent growth over the previous fiscal. In 2011, Jain plans to add 18 new stores, taking the store count to 56. By 2015, Jain is targeting 100-plus stores, with the turnover crossing ₹1,000 crore.

Jain says Girias, Pai and Adishwar together have 50 per cent market share in Bangalore, while national chains have only 18 per cent. "We (regional players) are balancing the market between national players and the traditional sector," says Jain. He is going slow in Tamil Nadu as he feels it is a very conservative market and will take another five years to change. Jain also shared with me that more than 90 per cent of the markets in cities such as Ahmedabad and Indore were traditional.

Commenting on the national chains, Jain feels regional players take quick decisions and give

much more attention to customers; whereas, in a national chain "every customer is the same, whether he is buying a one lakh rupee LCD TV or a hundred rupee mobile charger". Pai disagrees with this. Jain of Adishwar admires Croma among national players and has high regards for Viveks and TMC of Hyderabad among regional players.

Unlike Pai, Adishwar does not want to sell mobiles and IT products, as Jain feels the margins are too low. He certainly seems to be the most aggressive of the lot in terms of growth. Only time will tell who is right!

OTHER PLAYERS

Started in 1978 by Congress MLA H Vasanthakumar, Chennai-based Vasanth & Co has over 45 stores and a turnover of over ₹600 crore. TMC was started in Hyderabad in 1980. It now has 11 stores in Andhra Pradesh, including eight in Hyderabad, and an annual turnover of about ₹200 crore.

Shah's Electronics was started by G C Shah in Hyderabad in 1971. Today, it has nine stores occupying an area of 29,000 sq.ft and a turnover of ₹50 crore. His sons, Neeraj and Nishit Shah, run the business now. Shah's Electronics does not sell mobile handsets and IT products. Neeraj feels Adishwar is a bigger competitor than Croma or Reliance Digital. Although Neeraj says they are growing and plan to add 3-4 new stores in 2011, and 20 stores by 2015, others in the business say Shah's is in financial trouble and is looking to sell out.

Other regional players include PCH (25 stores in AP, including 19 PCH ezone shops, five mobile shops and two Sony shops), VGP, Unilet (10 stores in Bangalore) and Kundan (five stores in Bangalore). ■

ABOUT THE AUTHOR



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