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Rule of 7 still alien to retail, but is the risk worth it?

Amit Bagaria



There is something so conspicuous about purchase price range. This is reflected in most consumers who prefer to shop at a select few outlets that cater to their pricing power. Like, for instance, ladies

handbags which can cost you anything less than ₹400 or even more than ₹4 lakh apiece! So, those who can afford handbags priced at ₹50,000 or more have a clear preference for shops that deal in those products and usually stay away from others selling cheaper products.

That brings us to the unwritten Rule of Seven, which implies that most merchants (or brands) sell products within a price ratio of 1:7. Maruti Suzuki sells cars, excluding SUVs, at ex-showroom prices of ₹2.40 lakh to ₹17.50 lakh, with a difference of 7.3 times between its most expensive and cheapest models. Hyundai cars are priced between ₹2.90 lakh and ₹20.60 lakh, a ratio of 7.1. Toyota offerings are priced between ₹4.1 lakh to ₹29.40 lakh (7.2).

Similarly, Toyota, Honda and Skoda target a more upmarket consumer than Hyundai's. For customers with higher budgets, three German icons Audi, BMW and Mercedes Benz step in, all following the Rule of Seven. Customers looking for high fashion can also choose from Porsche, Jaguar, Bentley, Jaguar and Rolls Royce, which too are strict adherents of the rule.

So, you may ask why do established automobile manufacturers follow this norm? Because it is highly unlikely that the buyer of a ₹30 lakh car will be comfortable with the Maruti-Suzuki brand. Nor will a buyer willing to spend ₹50 lakh be warm to Honda or Toyota brands.

How does the Rule of Seven apply to the retail sector? Look at one of India's oldest brands — and largest retailer by number of stores — Bata. Women's formal shoes are priced between ₹489 and ₹3,599, a ratio of 7.4. Men's shoes have a lightly wider ratio of 8.8. Metro sells women's platform shoes ranging from ₹495 to ₹2,999, a ratio of 6.1. Metro's men's formals range is from ₹1,599 to ₹6,999, a ratio of only 4.4.

Hidesign premium handbags are priced between ₹2,595 to ₹8,695, a ratio of just 3.4. The story is not different when it comes to home electronics. Samsung sells 40" to 49" TVs in the range of ₹38,000 to ₹1,58,500, a ratio of 4.2. For those seeking luxury TVs, there's always B&O, which also conforms to the Rule of Seven. The world's most successful department store Harrods of London, which sells men's casual shirts from £60 to £299 (5.0), women's sandals from £65 to £310 (4.8) and men's jeans from £50 to £359 (7.2), too, falls in this category.

So, where does India exactly stand here? Shoppers Stop sells ladies innerwear from ₹169 to ₹1,999, a ratio of 8.9. In handbags, the range is even wider from ₹626 to ₹6,399, a ratio of 10.2. The ratio keeps going up — to 12.9 in the case of *salwar-churidar* suits, 13.9 for sunglasses, 14.2 for sarees, 16.0 for men's jeans and a whopping 16.8 for men's underwear. Lifestyle is no exception.

The reason is clear. Indian department store chains are trying too hard to cater to a very wide economic segment of society — but they are failing with this strategy. Consumers who can afford underwear priced at ₹1,599 are not comfortable searching in shelves filled with underwear priced at ₹95-100. It's time their owners looked at creating different retail brands to cater to various segments of society. While doing this, they must not lose sight of the Rule of Seven.

The writer is chairman of Asipac, India's leading mall development manager, retail research consultant and property marketing company