

A Consumer Store with a difference !

In India, there are about 12 million retail shops operating in 5161 towns/cities and 565,000 villages providing employment to more than 25 million people. In generation of employment, retailing is only next to agriculture. With the growing consumerism, this sector will generate still more employment.

Compared to the retail scenario of the developed countries, Indian retail panorama is almost half a century behind. Super Markets, Hyper markets, big department stores, shopping malls, chain stores and varieties of other modern methods of retailing have brought about a sea change in retail operation of the developed countries. In India, we only have a limited number of Super Markets and Department stores in limited urban pockets, catering to a microscopic segment of the total market.

In India, retailing so far has essentially been a family business. The learning process has been limited and has largely been either through inherited approaches and trade practices or worst still, through trial and error. The success of some co-operative super markets and department stores have brought about some awakening. Slowly but surely, modern private super markets and department stores are making their presence felt. Multinational super market giants, which have already made successful inroads in Malaysia, Indonesia, Thailand, China, etc. are optimistically eyeing the Indian retail market. We are on the threshold of a retail revolution. Retailing which until recently was in the hands of the semi-literate, is gradually opening up as a career prospect of the educated young. Fortune 500 companies will not create



by
A.K. Taneja
Program Officer, ICA-AP

large-scale employment in the near future nor the public sector, which will be shrinking with the growing concept of globalization and market economy. It is retailing and small scale sector which will provide big employment.

Yet another aspect of Indian retailing is that the poverty-stricken economy has led to an abnormal low margin in retailing. A large number of retailers use to resort to unfair trade practices like adulteration, under-weighting, cheating, hoarding and black marketing. Some awfully consider these nefarious practices as the secret of retail management. With such a lot of misgivings, some new players jumped into the fray and pulled down their shutters within a couple of years. But some stores, who adopt professional skills are doing wonders.

With this background, recently, I came across a small but successful Super market in a thickly populated middle and upper-middle class locality of a big city. Hardly two years back, it was a small traditional grocery shop in a busy market, whose turnover was about Rs. 15 lakh per month. The owner of this shop, a young chap of about 30 years of age, who inherited this property from his father, thought of modernizing this shop into a Convenience Store with self-service facility. He hardly has 2000 sq.ft. space. He provided all new infra-structure for

a self-service shop. Made it air-conditioned. After modernizing, his sales immediately jumped to more than Rs. 30 lakhs a month. He was very happy till he met a professional consultant on retail management, who gave him some tips to improve his sale further. He implemented his suggestions and, you won't believe it, today his turnover is more than Rs. one crore a month. Please look at the following data:

Monthly Sale:	Rs.1,04,00,000 (10.4 million)
Area :	2000 sq.ft.
Stock :	Rs.35 lakhs (3,500,000)
Staff :	27 employees plus 4 brothers
Margin :	15%
Other Income:	More than the total monthly expenditure

In other words, we can say that his sale per man per day (SPMD) is Rs. 37,000/-; Sale per sq.ft. (SPSF) is more than Rs. 500/-; Rotation of stock: 3 times a month. Looking at the above data, it seems, he is the national topper with reference to all efficiency parameter in retailing. Now he is the envy of his peer groups.

How did it happen ?

Expert Consultancy obtained and implemented

He told me, as he is a traditional Baniya (businessman), he thought he knew everything since it is his family business. From his father's traditional shop, he made it just a self-service shop. Of course, the sale increased to double. But he proved wrong when he met an expert consultant on retail management. The consultant told him

that his lay-out was faulty. He gave him many other suggestions/tips too to increase the sale further, which he implemented and with the result, today he is a national topper with a total sale of one crore four lakhs (10.4 million) per month.

Professionalization of Management

Though the boy (owner) is an educated person, he is not an M.B.A. But he regularly reads journals/magazines/latest news on retail management to update himself, which he tries to implement. He made his store fully computerized. Bar coding and scanner is used for preparing the bills/cash memo.

Ambience

First of all, he made his store air-conditioned. It makes the shop cool, pleasant and dust free. It also helps in maintaining cleanliness of the shop and the stock. It also makes the workers happy. When I questioned that the electricity bill would have increased, he replied in the negative. He said rather it became cheaper because his sale has increased many folds. With the result, suppliers are giving him many incentives.

Full front of the store has a glass wall. From outside the shop, everything is visible. Light arrangement is very good. Flooring is attractive with marbonite tiles. There is no false ceiling, which I, think, is not required. Standard furniture, which is both sales oriented and customer oriented is being used. The racks and shelves are uniform. Best utilization of space has been seen at this store.

Customer Service

Free door delivery system has been introduced; credit cards are accepted; even cheques are accepted. Some times, manufacturers come out with various schemes like buy one, get one free. This type of benefits are passed

on to the customers. During the last Diwali, he introduced a Unique Selling Point (USP) – a free gift (a big coconut) to every customer who made purchases of Rs. 500 & above, and half a litre of edible oil free on purchases of Rs. 1500/- & above. With this scheme, his sales increased many-folds on these particular days.

Relations with suppliers/manufacturers

The owner is a good negotiator. He tries to extract maximum benefit for his store. Normally, suppliers try to pass on minimum profit to the retailer. But you have to negotiate well. While I was sitting there, the owner had to rush to meet suppliers a number of times, who came to his store at that time.

15% margin

Normally, I have seen that average margin of a retail shop is between 5 to 10%. But this store has a margin of 15% though he sells his products 2 to 20% less than MRP. He supplements the low margin with some side income which are incidental in retailing. He provides space in his store to big companies for advertisement purpose. He demands a good amount of rent. Various companies pay substantial amount to him for displaying their products in the shop. Sometimes, he sub-lets the space to demonstrate the new products of a company. Some companies pay him for keeping their products in a particular rack or particular place.

Some time on a holiday, he gives his store on rent for a few hours for film shooting or advertisement shooting. By selling waste material like torn paper or torn parcels, empty gunny bags, tins and cartons, he earns a lot. Some companies provide free shopping bags with their names on one side. Though this is not a direct income, it entails saving in shopping

bags. In other words, he said, this side income takes care of his electricity bill and salary of most of the staff members.

Why is it not happening with the co-operative stores?

On other hand, I visited a co-operative store too in Mumbai. Though it is also doing well, but I felt if they can improve their lay-out a little bit, make it air-conditioned and adopt above measures, their sale can also be increased manifold. I saw in this co-operative store that board of directors and Chairman are sitting in an air-conditioned room but staff members who are working (about 20 persons) are sitting in a small non-air-conditioned hall. I am sure, they cannot give 100% to the store under this environment. People also come in the evening to purchase when it is a little bit cooler.

In India, according to my observation, in most consumer stores, the elected office bearers and the managers ensconce themselves and live in their own cocoon. They seldom resort to any introspection and SWOT (strength, weaknesses, opportunities, threat) analysis. Instead of comparing their efficiency with successful retailers and discussing how to improve, they shield their inefficiency. Instead of admitting their lapses and mistakes and trying to rectify them, they put forth flimsy justification. This seems to be an attitudinal problem. Apparently, this is the main root of all problems - an impediment to professionalism in management, which provides cutting edge in this today's world of competitive market economy.