THE MESSAGE FROM IFF’04: IN RETAIL, NOTHING STANDS STILL... SO INNOVATE, DIFFERENTIATE

A world of opportunities for brands, realtors and retailers - that’s what finally emerged out of the seminars, discussions and displays at the event-packed Images Fashion Forum 2004, held on February 11-13 at Ashoka Hotel, New Delhi. The mood of the delegates said it all. Some 2,000 head honchos from across the globe converged there to ponder upon, and prepare the roadmap for the future of retail in India. They were all there – the masters and visionaries of varied and allied fields like fashion, design & architecture, visual merchandising, retail support systems & promotion, and real estate – exploring the contours of a country that is likely to emerge as one of the largest consumer markets in the world by the end of this decade.

The coming together of Lycra® Rendez-Vous and KSA Retail Summit with IFF enabled many delegates from both retail and fashion arenas to participate in a more time-and-cost-effective manner. While LYCRA®, the global fashion brand, complemented IFF from the forefront, the event had the support of prominent names like Liberty, Safexpress, ICICI, Tencel, Crossriver Mall, Titan, Tanishq, NDTV and Outlook. With IFF Fashion Vision Conclave 2004 opened with the keynote address on “India Shining”, delivered by B.S. Nagesh, the charismatic CEO of India’s first organised retail chain, Shoppers’ Stop. He reiterated the need to restore ethical practices in retail, increase services and manpower, adopt a joint approach with the government to introduce legislation, and for retailers to deliver services and merchandise as per the needs of customers. Nagesh also talked about the need for Indian retailing to go global so that Indian consumers shop more in India, rather than being the “largest spenders in Australia or Singapore”.

THE RETAIL CHALLENGE

Bhaskar Bhat, managing director, Titan Industries, had some interesting tips for brands and retailers in terms of managing the brand as well as channel conflicts both within the organisation and the industry. “Industry structure determines market strategy: Titan is a Designer-Manufacturer-Retailer brand while Tanishq is a Retail brand. So, Titan will have a Marketing strategy, while Tanishq will have a Business strategy,” he explained.

Retailing, Bhat said, is at the core of the organisation, as Titan Industries has in place powerful listening posts that cut through the trade clutter to listen to the customer. Tanishq entered an industry segment that was dominated by traditional jewellers, with no branded players. The immediate task at hand was to shift from “investment” space to “adornment” space, and to create awareness of fraudulent market practices. For this, the chosen route was to have in place Tanishq’s own retail chain.

Thus, the business philosophy formulated for Tanishq was that “Retail space can showcase products far more brilliantly than advertising
ever can,” Bhat elucidated, “We understand that retail can make the magic of brands come alive, because retail can deliver the brand value proposition to consumers in a compelling, yet cost-effective, manner.”

In order to make retail a key element of the brand, Bhat believes it is necessary to:

- Showcase the product brilliantly and seduce the customer with the magic of it;
- Surround the customer with an environment that evokes the brand proposition; and
- Speak to customers about the brand and its relevant benefits.

In the case of Tanishq, the façade was used to tell a brand story – for the first time ever in the world of Indian jewellery. For example, Tanishq conveyed the brand proposition of “mysteries in seven-stone diamonds” in visuals powerful enough to draw thousands of shoppers into the store. Once inside, the customer was disarmed by alluring store windows and customised display units placed around black Egyptian Pyramids – symbolising the theme of mystery.

Bhaskar Bhat summed it up pointedly: “In retail, nothing stands still: Markets change, customers do not always respond in the way anticipated, and retailers must therefore constantly monitor their success... Today’s hot idea is only as good as next week’s sales figures.”

CHANGING WITH THE TIMES

Darshan Mehta, president, Arvind Brands, spoke of two classic business paradigms – the cohesion between “mind to market” and “time to market”. This, Mehta said, can make all the difference in an industry where change lies at the very core. He went on to explain these fundamentals by delineating three key harbingers of change: the imposition of excise duty in 2001; the price initiatives and the resultant price war that prominent national brands engendered by going in for market share as strategy; and the emergence of new categories of retail.

“In fact, department stores have brought in another permutation to the retail scenario by helping private labels create a niche for themselves,” Mehta asserted.

What kind of response do such changes demand? In Mehta’s words: a hard look at cost structure on a weekly basis if needed (“there’s no cost that is sacrosanct”); re-investing cost savings back into building brand equity; and getting the “innovation matrix” right (huge innovation=huge premium).

Kumar Sitaraman, managing director, Lifestyle, reiterated the need for customer feedback, saying this could be done only by research, which in turn would help organisations respond to customers’ needs on time. Here, he said, retail plays a vital role by enabling fast feedback and consumer research.

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LEARNING BY EXPERIENCE – THE PANTALOON WAY

India’s retail wizard Kishore Biyani had his entire team of divisional heads from Pantaloon Retail (India) Ltd lined up at the dais of IFF Fashion Vision Conclave to present the company’s distinctively “Indian” style of functioning. “We have a Knowledge Group because we make a lot of mistakes, record each of them, analyse them and rectify our working thereafter,” Biyani said.

Pantaloons had earlier opened large Big Bazaars, much on the Western hypermarket model, and after analysing the results, evolved a model whereby a number of small bazaars Food Bazaar, Gold Bazaar, Shoe Bazaar, Fashion Bazaar were introduced within Big Bazaar. The
various divisional heads explained how a conscious attempt was made to mould to regional tastes and requirements the store designs, merchandise, and even the loyalty and rewards programmes.

**WILL PRIVATE LABELS KILL NATIONAL BRANDS?**

A highly informative debate between brand professionals and retailers hovered around the topic of co-existence between established department stores and national brands. It was pointed out that large department stores copy what sells, and introduce the same merchandise at a cheaper price under the store label. Brands, therefore, are left with no choice but to focus on their exclusive outlets and smaller MBOs.

Adarsh Gupta, executive director, Liberty, said, “To kill a national brand, we will need not just one store brand, but hundreds of them. This is because the share of chain-store business is hardly 10 per cent in the total sale of a national brand.” Gupta, however, assured that the share was growing rapidly.

Three possible ways of dealing with this conflict of interests, according to Gupta, are:

- Brands allow extra margin from their manufacturing margin by cutting down the supply-chain cost and improving efficiencies;
- Brands increase MRP percentage for all retailers, which, though, carries the danger of the brand getting discounted by street retailers, a higher incidence of government taxes, and resistance from customers; and
- Brands develop special line for chain-store requirement.

“Brands express and reinforce certain values and opinions that the customer has. But in an environment where the customer’s needs are constantly in a state of flux, like it is happening in India at the moment, deciding on a branding strategy can become a real mind-boggling issue,” conceded Gupta.

Also participating in the debate were Akhil Chaturvedi, director of Provogue, Neeta Narula, managing director of Ebony Retail Holdings, Krish Iyer, CEO of Piramyd and Hem Chandra Javeri, president of Madura Garments, while Chetan Shah, managing director of Pepe (India), played it out as moderator.

The high cost of sustaining retail operations means retailers are bound to put pressure on brands to increase retail margins. Professionals from department stores said the initiative on private label was actually meant for achieving higher margins, as an alternative to squeezing the national brands.

Brand professionals, on the other hand, said the cost squeeze driven by the retailers might lead to compromises on product quality, which would ultimately kill their brands. The panel, however, was unanimous that retailers and brands need partnerships rather than adversarial relationships, since private labels could themselves be a threat to the national brands due to price advantage.

**Expert Speak:** “Power Brands” can withstand powerful “Store Brands”

All brands are not equal. “Power” brands, which command strong customer loyalty, are at lower risk from store brands, vis-à-vis the multitude of wannabe national brands that are largely undifferentiated from each other.

Also, brands that successfully create a lifestyle/image appeal are less susceptible to competition from store brands, than those whose appeal is only product-led, since product differentiation can be sustained only by highly innovative brands over the long term.

Private labels gain share by offering products at better (not cheap) prices. They thus benefit from the customer making tangible product and price comparisons with national brands in the store. Only when “national brands” deliver the intangible/emotional benefits along with tangible attributes, will they be able to sustain themselves against store brands.

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Vivek Mathur, director, Integrated Retail Management Consulting
MALLING OF ARABIA

Phil McArthur, director Dubai Festival City, gave an informative presentation on “The Malling of Arabia, the Market Perception and Market Creation”. Describing the upcoming Dubailand, part of a huge government project, he said, “It will be the biggest, most varied leisure-entertainment-shopping attraction on the planet.” It will feature seven themed “worlds” that together cover over 35,000 acres of built-up space. Within Dubailand will be several shopping centres, including M all of Arabia (7,000,000sq.ft), factory outlets, Auction World, World Trade Park, The Flea Market, and other facilities.

Speaking about his own project, the Dubai Festival City, McArthur explained with the aid of visuals how it is being developed on 1,600 acres of prime downtown waterfront, with the project featuring splendid layout of retail, residential and leisure facilities. The crown jewel will be a 1.1 million sq.ft waterfront development inspired by the finest festival marketplaces in the world.

There was a lively panel discussion on “Learning for Developers of Indian Shopping Centres and Malls”, in which some of the country’s leading builders like Ajay Chandra of Unitech, Rahul Saraf of Forum and Atul Ruia of Phoenix Mills shared their experience and views with the audience. Anuj Puri, M D of Chesterton M eghraj moderated the session.

In yet another panel discussion on “Innovations - Key to Success”, Prem Sadhwani of Tencel stressed the fact that for innovations to be a continuous contributor to the success of any company, it needs to have a focused product development team. “Product innovation is all about partnership, from the fibre manufacturer to the retailer,” he said.

CHALLENGES FOR RENOVATION OF OLD STORES

Differentiation, according to Jeremy McMullin of Design Corp, Canada, is going to be the critical factor in any shopping mall. So, how do you differentiate? First, plan in a way so as to maximise investments and optimise work efficiencies. This is where design architecture comes into the picture.

Design architecture, according to McMullin, is the packaging of the total product experience “the centre of gravity” in a shopping mall. People in a mall take in space at a very subconscious level. It is important that the space flows intuitively and consumers orient themselves accordingly. Citing two case studies of successful malls - Nova America in Brazil and O viedo Centro Commercial in Columbia he emphasised that planning, marketing, design and tenant mix in a mall should all speak the same language.

R. Nagendra, regional manager (Middle East) Ansorg, stressed the importance of the lighting element in the context of stores. The light preference in stores changes from country to country. For instance, a store in the United States/Europe will usually have subtle lighting, a concept that will not necessarily be acceptable in the Middle East/UAE, or even in India, where
people are used to so much sunlight and the stores are preferred brighter. Each zone, he said, should be in harmony with the merchandise it houses and the specific emotions attached thereto. Also, the importance of providing the “right” illumination for “fitting rooms” was reiterated, as in most cases it remains neglected in India. Correct lighting influences the decision-making process of customers.

Ahsin Rashid, Development Design Group, U.S., talked about the imperative to create new visions for the ever-changing market phenomena, as every trend goes through a certain life-cycle. In the context of the mall phenomenon, he stated that the “next big thing” would be “looking beyond the mall”, as is already starting to happen in the United States.

**IFF BRAND WATCH: ZARA AND GIORDANO**

Zara of Spain and Giordano of Hong Kong, two of the most aspirational brands, made a special appearance at IFF, with discussions on their brand value and supply-chain management. In his study on Zara, part of the euro 4 billion Inditex Group, retail and fashion industry consultant Devangshu Dutta contrasted traditional seasonal cycles of several months with Zara’s famed delivery-cycle of 15-30 days. This is enabled by Zara’s trend-spotting capability, commitment to vertical control of fabrics, in-house production capacity and quick decision-making mechanisms.

The case of Giordano, also known as “The Gap of Asia,” was presented by Ishwar Chugani, executive director, Giordano (Middle East). Chugani traced the brand’s history, from its first unisex T-shirts to technically-innovative products, including Dry-Tec and Nano-Tal. He also pointed out that Giordano works with 60 days’ inventory in the pipeline and dormant stock of less than 5 per cent. Even with basic merchandise, Giordano keeps its stores looking fresh, with visual merchandising changing every two weeks and reallocation of merchandise across the chain.

**COMPETITION KNOWS NO BOUNDARIES**

Earlier, at a panel discussion with Robert Young (chairman-RYA, Texas, USA) and Nicola Evoli on “Designing an Interactive Store: Tips for Indian Stores and Brands”, Young reminded that competition was no longer confined to territorial boundaries.

Moreover, since it was not possible for all Indian and fashion industry consultant Devangshu Dutta retailers to travel across the globe and learn about the contrasted traditional seasonal cycles of several months with Zara’s famed delivery-cycle of 15-30 days. This is enabled by Zara’s trend-spotting retailing capabilities of Indians, Watt said one particular thing he noted was that “Indians are traders by default.”

**6 LAKH SQ.FT MALL SPACE DEALS AT IFF**

The introduction this year of L³ (Location, Location, Location), a dedicated platform providing access to retail real-estate opportunities, attracted a large number of realtors and leading international property consultants (IPCs) including Chesterton Meghraj, Jones Lang LaSalle, CB Richard Ellis, Chushman Wakefield and Colliers International. They used the forum to discuss lease deals with major retailers like Pantaloons, Shoppers’ Stop and Lifestyle, and with brands like Mango, Pepe, Giny & Jony, Spykar, Weekender, Provogue, and Liberty.

“Business discussed at IFF can be divided into three categories: transactions initiated, transactions progressed and transactions concluded. All put together, we are happy having discussed over 2.5 lakh sq.ft of leasable space,” said Anuj Puri, MD, Chesterton Meghraj. Although the NCR region was in focus, ready and upcoming mall space in Mumbai, Kolkata, Pune, Bangalore and Hyderabad were also discussed. Similarly, the Jones Lang LaSalle India team discussed about one lakh sq.ft of retail space and concluded six deals, revealed Pranay Sinha, associate director with JLL.

Akhil Chaturvedv of Provogue finalised deals with Sigma in Bangalore and City Centre in Kolkata. Chetan Shah of Pepe held talks for four locations in the North, with about 5,000 sq.ft space each in Delhi, Gurgaon, Noida & Ludhiana. Adarsh Gupta, ED, Liberty, finalised with Forum Kolkata. In all, Liberty will take up about 12 locations of 1,400-2,000 sq.ft.