



In search of maturity

Himanshu Chakrawarti, chief operating officer of Landmark, talks about the changes looming on the horizon of the retail industry

I shop for office wear once in 3-4 months and generally visit a particular store where I am recognised by the staff as a regular shopper. On a recent visit to this store I was surprised to find not a single known face. I had to go through the ordeal of explaining my preferences, dealing with over enthusiastic sales associates and figuring out the new store layout. On my asking why there were no known faces, I was told that a newly opened department store had recruited nearly all the experienced staff. Welcome to the world of retailing!

The above experience will resonate with many readers. As retailers we hope that it will happen to other retail outlets and not ours, but the truth is that the turmoil in the retail industry is affecting all of us in varying degrees. The growth of the Indian retail industry in the last few years and the media frenzy has led to the emergence of retail gurus who spew wisdom on any and every subject under the sun although their own companies keep piling up losses and the customer experience keeps deteriorating.

That situation will change. Although growth rates will continue to be buoyant for many years, it will be driven by how customer centric and how well the retailer is able to satisfy current and emerging customer needs. The days of general customer euphoria are over and retail formats will now need to work for their growth.

There are four main challenges facing the retail industry in India: location (real estate), people (manpower and attrition issues), infrastructure (supply chain and back end) and customers needs (understanding and adapting to customer needs and satisfying these needs).

Location

Location is the key to success for most retailers. The last

few years have been difficult because mall developers had a great run. Before you could say 'Jack Nicholson', available space in a forthcoming mall would be gone. The recent slowdown in the economy has created a situation where developers have become interested in long term viable retail players and are not so eager to hawk their space to the highest bidder. The dampening of the real estate sector will act as a boost to serious retail players.

People

The incident cited at the beginning of the article will hopefully become less frequent in the foreseeable future. The fancy salaries and designations that had become the norm are seeing a reality check; staff retention figures will soon stabilise for key retailers. Training will continue to be the key differentiator in service levels.

Infrastructure

In many sectors both suppliers and retailers are making investments in improving the supply chain and logistics. The effort of GS1, a global organisation dedicated to the design and implementation of global standards, in this context is commendable. The adoption of a uniform system of coding and data transportation will reduce processing time. Airports, ports, roads, telecom and better quality trucking are all set to improve in the years ahead. The signing of the nuclear deal should also reduce the cost escalation pressure and improve availability of power.

Customer needs

This is one area where we have a lot of talk with little or no action. The best analysis of customer needs is done by people who are in daily contact with customers and not by people who work as consultants in many sectors. Customer needs are category and format specific. A customer who walks into the book or music section at a hypermarket has completely different needs from a

customer who shops at Landmark who in turn will have different needs than a customer who shops at one of the bestseller-oriented formats.

Retail vs e-tail

The core categories of Landmark, ie, books and music, face a new emerging threat in the form of online / internet retailing (e-tailing or e-commerce). Although broadband in India has not been as successful in terms of penetration as mobiles, the allocation of 3G licences is bound to improve this. Busy schedules and increasing road traffic makes online buying an attractive option.

Landmark has made a head start over others with www.landmarkthenet.com (a quick marketing pitch – we have over 2 million titles and we offer a 10 per cent discount to Tata employees who access the site through TataWorld). We are seeing huge growth in online selling with large number of orders pouring in from small towns of India. We at Landmark see this as a great opportunity to tap the potential of smaller cities which would not have a Landmark store in the foreseeable future.

There is a growing trend of Indian and global retailers tying up to introduce “global” formats. While some of these tie-ups are valuable, there is a need to question the rationale for this. Global brands in the luxury or fashion space make tremendous sense (customer pull) and also in the area of grocery / hypermarkets (relevant assortment, processes and supply chain), but for most other categories the value add of this is debatable. In the books and music space, large global players are struggling in their home markets; an added concern is that the Indian market can be quite a cash guzzler.

Similarly, in most sectors the impact of foreign players on local retailers will not be of great consequence as long as local retailers are willing to keep tabs on customers’ current and emerging needs. The debate on foreign direct investment adding to consumer benefits or the job market is swayed by which side of the ideological divide you are on and also how desperate your company is to get an infusion of foreign equity.

To end the article I will narrate another anecdote. On a recent trip to Mumbai, a friend of mine bumped into the CEO of a retail company which is well-known for choosing wrong locations, poorly trained manpower, poor inventory, and copycat retail format, and is making huge losses to boot. While my friend (who is entitled to and can easily afford business class) was travelling by economy he found this CEO sitting in business class. In Mumbai the retail CEO offered him a ride in his hired car — a Mercedes E-class



taxi. All this for the CEO of a retail company making huge losses.

Contrast this with the habits of the late Sam Walton, founder of Wal-Mart, who drove a beat-up old pickup truck. When he visited a store and needed to stay the night, he would stay at the motel that was always the least expensive, even if there was only a \$1 difference. Mr Walton always said, “A dollar saved is a dollar passed on to the customer.” No one at Wal-Mart was allowed to fly first class. When Sam died he was the wealthiest man in the United States.

The moral of the story is not austerity or flying economy class. The point is that you can do it only if your company can afford it. How can you ask managers of your company to cut costs when you display such ostentatious behaviour, funded by money that has come through a public issue?

In the end, genuine care for customers and a keen focus on business will work wonders. A slowdown in the economy will have much less impact than lack of customer focus, bad service and a business model that’s not differentiated. Happy retailing! ●

Himanshu Chakrawarti is COO of Landmark, a position he has held since 2005. Prior to joining Landmark he was general manager, marketing at Trent for three years