“RETAILERS IN INDIA – A STUDY ON BENCHMARKING WITH WALMART”

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Abstract: The Retail industry has emerged over the years from the concept of selling multiple lines of products under one roof. A hypermarket is a format of retail selling, where various lines of products are traded under one brand. The entire world has been moved by one front runner – Walmart, who has been dominant in the retail industry for past 2-3 decades. On the Indian scenario, multiple retail giants have been competing to outscore the global giant. On the other hand, it is notable that Walmart only has wholesale outlets in the subcontinent. This paper will focus on two giants from the retail industry in India, namely Future Group (Big Bazaar) and Avenue Supermarts (D-mart), their performance over the last few years, how they have grown and how they are similar to the chosen benchmark – Walmart, and when compared to Walmart, how closely they are following the standards set by the global retail giant.

Keywords: Retail industry in India, Future Group, Walmart, D-mart

1. INTRODUCTION

The concept of retailers was brought about by the Fred Meyer group, when it opened the first and foremost hypermarket in 1931 in Portland, Oregon, which is now part of Kroger, one of the largest grocery store chains in the US. However, the history of hypermarket is usually traced to the early 1960’s when two similar prototypes of what is later known as a hypermarket design came to the light. Later, a multi-product store called ‘Thrifty Acres’ was opened in Michigan in the United States and in the year 1963, Carrefour opened the first hypermarket in St Genevieve-de-Bois, near Paris, France.

During the latter half of the twentieth century, stores were using labels such as “mega-stores” and "warehouse" stores to reflect their growing size and accommodation of products. The retailers started appearing in France in the early 1960’s. The history of retailers and supermarkets in France was connected with the evolution of the American grocery stores.

But the concept of Retailers was new to a majority of Indian consumers until late twentieth century. The British colonial government introduced the idea of Supermarkets to facilitate its officers with access to all household goods under one roof in the then important cities. This led to the development of super-supermarket or modern supermarket or Hypermarket in the sub-continent.

Retailers, in India, house varied individual stores selling different types of essential commodities and durable comforts along with luxury goods. These Retailers are mainly concentrated in urban areas even in the twenty first century. The Retailers operating in India typically sport a heterogeneous mixture of large and small scale individual retailers. Most of these Retailers sell branded products of both, domestic and international manufacturers attracting the elite section of the Indian consumer base. Even though, they also offer numerous products with different price bands for each section of the urban societies of India.

2. LITERATURE REVIEW

India is a land of retail democracy, where hundreds and thousands of weekly haats and bazaars are located across the length and breadth of the country in accordance with the varied classes of people’s self-organisational capacities.

Retail business in India was induced with the concept of weekly markets, where all the traders gather at one big place to sell their products every week. These weekly markets catered to varied requirements of the different sections of the society by trading products of different lines, all in one place. The modern formats of the retail corporate giants are comprised of the exclusive brand outlets, retailers and supermarkets, departmental stores and shopping malls.

Madhav N. Segal and Ralph W. Giacobbe (1994) “Market Segmentation with Competitive Analysis for Supermarket Retailing” demonstrated the utility of putting together retail market segmentation with competitive analysis as a very handy method to understand the mechanics of retail markets and to analyse the strategic choices available for supermarket chains. They mainly attempted to further the market segmentation research by narrowing the gap between academically oriented research on segmentations and the practical applications of the same.
Carlos Pestana Barros (2006) “Efficiency Measurement among Hypermarkets and the Supermarket ad the Identification of the Efficiency Drivers: A Case Study” worked on a number of retailers and supermarkets by way of benchmark procedures to compare companies, which cater in retail industry and thereby attempted to derive managerial and policy implications. When the analysis was made across different sectors, the efficiency of retailers and supermarkets seemed to be relatively high. The author also revealed that the performance of national retailers operating at large scale seemed to be much efficient than the small scale regional retailers. Market share in terms of consumer base, number of outlets and place of physical situation were the positive drivers of efficiency as administrative regulations only had a negative effect.

Ranjith P. V. and Rajesh Nair (2010) “A Comparative Study of Service Quality of D-Mart and Apna Bazaar” examined the Retail Service Quality Scale (RSQS) developed in the US for applicability to the Indian retail market. The data collected from 140 shoppers in large supermarkets in Vashi and Nerul of Navi Mumbai indicate that RSQS can be used to assess overall service quality levels and for tracking overall improvements over a stipulated period.

DR Alka Sharma and Palvi Bharadwaj (2015) “Hypermarkets: Growth and Challenge Perspective in India” revealed that the hypermarket industry in India at the beginning of 2010 was valued at $37 billion with strong prospects for future. His study was undertaken with the objectives of studying and analysing the reasons for this patchy growth and uneven progression of large format stores, particularly the retailers in India and suggesting measures to cope with their challenges.

Aradhana Gandhi and Ravi Shankar (2016) “Strategic Resource Management Models and Data Envelopment Analysis for Benchmarking of Indian Retailers” attempted to ascertain the mechanics of benchmarking retailer performance at a company level, global level, store level and merchandise category level. In regards to the data collected for the Financial Year 2011-2012, the performance of Trent is relatively better than Shoppers Stop. The authors also offered suggestions for its scope for improvements. It was further found that the performance of Wal-Mart is superior to the two Indian retail entities. The study offered direction to the two retailers to formulate relevant strategies to standardise their performance. It further evaluated the performances of 11 generalized retailers in the country and illustrated on how a retailer can use the SRM model as a tool for planning alternative strategies for inventory, space and people in a particular category.

With the second largest consumer population next only to China, retailing in India is receiving global recognition and attention as this emerging market is witnessing a significant shift in its growth and investment patterns. Several research papers reveal that it is not just the multi-national players like Wal-Mart, Tesco and Metro group are keen on capturing a major chunk of this market but also the domestic corporate entities like Reliance, KK Modi, Aditya Birla group, and Bharti group too are competing for a place in retail development. Ironically, India’s most profitable supermarket isn’t backed by any of the above big names. India’s Walmart in the making, as several analysts have called it, is Avenue Supermarkets Ltd, the parent company behind a chain of supermarkets and retailers called D-Mart. These retailers, including D-Mart are innovating new ways to survive and increase their business in the face of competition from online giants.

People may love to shop, but their eyes never stray too far from the price tag. As Andrew Levermore, CEO, Hypercity, Retail, says, “Rich people love low prices, the poor need them” Retailers must offer the best possible prices for F&G to bring in shoppers but, unfortunately, margins for this segment can be quite unattractive.

Retail industry of India is undoubtedly one of the fastest growing retail industries in the world. It is the largest among all industries accounting to 10 per cent of the country’s GDP and employs around 8 per cent of its workforce. Like most developed countries, India’s growth also relies on the growth of its retail industry.

India is becoming a dynamic open market with many international brands entering India to capitalise on the greener consumption patterns shown by the country. With the right reforms and government initiatives, Indian retail industry is steadily inching its way towards becoming the next boom industry. Even though retail industry in India is on an increasing trend, not everyone gets to taste success. Due to various diversities in the state policies and local influences, it becomes a larger hurdle for the retailers to expand rapidly. Challenges faced by Indian unorganised sectors are numerous and these are halting the Indian retail industry from reaching its full potential. The behavioural pattern of the Indian consumer has undergone a major change with the Indian consumers earning more than what the per capita income a few years ago, growing western influences, surge in women working forces, desire for luxury items and better quality. All these have led the Indian organised retail sector to further its standards in order to satisfy the Indian consumer.

The biggest challenge confronted by the Indian organised sector is a lack of retail space. With real estate prices escalating due to increase in demand from the Indian organised retail sector, it is posing a challenge to its growth. With Indian retailers having to shell out more for retail space, it is affecting their overall
profitability in retail. Trained or skilled manpower shortage is another challenge confronted by the organised retail sector in India, which again brings down the profit margins. The Indian government encourages the downpour of FDI, which has made the entry of global retail giants to this organised retail sector in India difficult. Global retail giants like Wal-Mart, Lulu hypermarket etc., haven’t been as successful in establishing themselves in India.

3. RESEARCH METHODOLOGY

3.1 Statement of Purpose
- To critically analyse the growth of the two retail giants namely Future Group and Avenue Supermarkets compared to world behemoth Wal-Mart over a period of 6 years
- To investigate the causes of the challenges faced by the Indian retailers and their inability to perform to the standards of Wal-Mart

3.2 RESEARCH OBJECTIVE
- To understand the success story of Wal-Mart which grew to be the world’s best retailer in terms of revenue
- To help achieve unprecedented growth and tap the vast prospective reservoir of purchasing power in the hands of people of the second fastest growing economy in the world

3.3 Data Sources and Type
For understanding the current retailer scenario in India, secondary published sources like newspaper articles, research papers, journals, annual reports, etc., have been be made use of. Quantitative data has also been collected from official websites of the concerned retailers to facilitate the comparison within the retail industry.

For our study, we have taken the standards set by Wal-Mart, the world’s biggest retail store in terms of revenue, as a parameter for the Indian retailers in picture.

The study will be conducted by adopting a qualitative research technique using open-ended questions regarding the challenges faced by retailers in India and the measures to overcome the same. Quantitative facts and figures will also be taken into consideration for a more precise analysis and comparison. These facts and figures will be obtained from the financial statements and annual reports published in government notifications and official websites of the concerned retailers.

3.4 Scope of Research
This research study might bring in awareness among the selected 3 retailers about the various aspects they might possibly be going wrong about, which might hinder their growth on an international arena. It would help them identify their unique strengths which they should further emphasize on that could boost their performance, and to select appropriate techniques to manage their areas of expenditure effectively and efficiently.

4. ANALYSIS AND INTERPRETATION

4.1 Qualitative Analysis of Brand Comparisons

4.1.1. WAL-MART
Wal-Mart is a Multi-National Corporation headquartered at Bentonville, Arkansas, America. The global retail giant operates a whopping 11,703 stores of retailers, grocery stores and discount department stores in about 28 different countries across the globe. Apart from being the world’s largest revenue generator, Wal-Mart is also the world’s largest private employer extracting work from about 2.3 million employees worldwide. From a small retail outlet in early late 1940’s to the world’s largest retail chain, Wal-Mart has made its way through a long journey to check little milestones every now and then from being the highest selling retailer in The America to open up subsidiaries in almost all the developed and developing nations of the world. Though Wal-Mart has its presence in India only as a wholesale store chain, the global retail history of this MNC has always been providing the inspiring spark for aspiring entrepreneurs rising from different countries and regions. Moreover, the success of Wal-Mart speaks volumes about the multiple innovative initiatives brought about by the company pioneering a number of corporate strategies and administrative techniques.

Sales Strategies
Wal-Mart lays emphasis over creating a great shopping experience which would encourage the consumers to aspire a habit of visiting the brand. Their policy of price-leadership enabled them to attract high volume-turnovers over value-turnovers, which would earn them lucratively in the long-run. Price leadership is achieved on top quality brands in every market throughout US by charging low prices and rollbacks on thousands of quality products. They introduced an initiative called the $4 Prescription programme to improve the business of health and wellness sector in 2008. Improvements in merchandise quality and presentation are contributing to better customer experiences. Net sales increased due to customer traffic and continued global expansion activities.
Optimising Operations

Wal-Mart initiated to leverage on technology to increase its operational efficiency and also decided to restructure and remodel its stores in order to provide customers with a seamless shopping experience. Competitive wages and benefits of opportunity led to significant increase in store traffic. Gross margin improvements, tight expense control, strong inventory management and efficient capital allocation contributed to the improved performance of the company.

Growth in operating expenses to net sales, and income to net sales indicate how effectively the company manages assets and leverages operating expenses. The objective is to grow operating expenses at a slower rate than net sales and to grow operating income at a faster rate than net sales. Convenience format stores named Walmart Express have been set up in less than 30000 sq ft. which sells groceries, pharmacies etc.

Supply Chain Strategies

Wal-Mart is largely benefitted by the scale advantages that empowered it to open impact stores and deliver a full line of products. The company has optimised transportation routes to save on the transportation expenses. Distribution centre mechanization has also helped the company’s supply chain to function more efficiently.

4.1.2 Future Group – BIG BAZAAR

Future group, one of India’s retail pioneers with multiple retail formats, connects 300 million customers and 30000 small, medium and large entrepreneurs and manufacturers across India. Future Group owns Big Bazaar, Central Hypermarket, Brand Factory, Pantaloons, eZONE, Home Town, futurebazaar.com, KB’s Fair Price to name a few, through a wholly owned subsidiary of Pantaloon Retail India Limited that is listed on Indian stock exchanges.

In 2008 Big Bazaar crossed the 100-store mark, marking one of the fastest expansions of the hypermarket format anywhere in the world. Over the last few years Future group has been transforming into a connected commerce company with multiple strategies brought about through big bazaar onto digital as well as physical platforms.

Big Bazaar is credited with bringing organized mega retailing to India. The project was conceived as a unique Indian hypermarket in a format that merged all the senses of the consumers by the look, touch and feel of Indian bazaars with the comfort, convenience and quality that modern retailing brings. Launched in August 2001, Big Bazaar grew into the iconic destination of modern retailing for all sections of Indian consumers with more than hundred Big Bazaar stores across the lengths and breadths of the country.

A typical Big Bazaar store offers over 1,60,000 products across categories like apparel, general merchandise, food, cosmetics, home needs, electronics, furniture, communications, books, music, gold and pearl jewellery and even value-added services like consumer credit, beauty salons, gyms and travel services. It is designed as an agglomeration of bazaars or Indian markets offering a wide range of merchandise.

Sales Strategies

The Future Group identified four major categories which comprise more than 60% of the Indian markets in terms of value. The four categories include fashion, food, general merchandise and household appliances like furniture and electronics.

To capture new consumption trends, the Company has rolled out a large number of new initiatives and retail formats in segments like home improvement, consumer durables, communication products, books, music and entertainment, health, beauty and wellness among others.

After launching the concept of Fashion@Big Bazaar, the Company launched one of the largest promotional and communication activities centred on theme of Des Badla, Bhes Badlo. The campaign has been reasonably successful in increasing the share of fashion in the total business and in improving the overall margins of the Company in the value business.

The Company mitigates risk by having formats for various segments of customers and capturing the maximum customers from each segment by having appropriate locations for each format. The strategy is to drive the customer for cross spending across various formats of the Company as well as group for the various needs of the customer. This is possible due to the presence of the Company and its group formats in almost all segments. Further coupled with this the specialised services give the niche to the Company to have better and faster access to the customer needs.

Better and faster order fulfilment rates between the stores and warehouses, improved markdown management during, automatic replenishments and enhanced business intelligence has resulted in higher availability of merchandise within the store and is leading to better customer satisfaction and productivity.

Optimising Operations

In the year 2006-07, the Future Group developed a multi-tier marketing segment to facilitate customised solutions to the different formats and zones exclusively. They opted to minimise the risk of operations management by formulating policies and came up with defined responsibilities for each of its
management and category heads in 2008-09. Further the Company also looked into making use of the Information Technology services to ensure flawless and continuous execution and audit of the numerous functions and operations.

They also pioneered a weekly Wednesday Bazaar as a tool to acquire new customers to be subsequently replicated by other chains. They re-energized the proposition, which resulted in a substantial growth in footfalls as fruits and vegetables acts as a key footfall driver. Future Group introduced packaged fruits and vegetables which can even be branded the next day providing a higher assurance of quality and freshness for customers.

The Company carries out various programs of learning and development of its employees to groom them to take up higher responsibilities. The focus has been on creating an environment of continuous learning and development. These programs also lead to increased accountability and authority of the employees enabling them to drive growth and profitability. The Company has achieved continuous success in attracting the top talents from the industry and creating a confident and committed team. At the same time, the Company continued to invest heavily in training and development in order to meet the growing needs of its business.

Supply Chain Strategies
The Future Group came with a new initiative in 2008-09, about creating Sambandhis in business. This was an initiative to involve their vendors and suppliers into the scheme of businesses by collaborations and assistance to tap the benefits of synergy. The company spent resources and time on strengthening its supply chain network as efforts have been made in terms of IT integration, SKU rationalization, vendor management, warehouse optimization and transportation network ensuring a seamless integration between all partners in the value chain. As a result, they have seen improvements in the fill rates and turnover rates at the store level, thereby improving margins and turns.

A large number of stores in fact have now have set stellar examples that are emulated across the network. For example, the monthly Annasantharpane initiative that started in Mysore involved serving food by store employees to customers and in return customers would donate according to their wish to the cause of a chosen social organisation in the area. This has now been replicated at a number of stores across the country. A large number of stores have also instituted Seva Sapthami as a ritual, wherein on the 7th of every month the stores provide a platform to a social organisation from the community to leverage walk-ins for a cause.

Market Mix
Pantaloons, an important business unit of the Future Group was its prime factor in its market mix sporting a top of the mind association with Indian Fashion Frenzies, to retain which they were the title sponsor for the Femina Miss India 2007 pageant. The Company has developed a multi-tier marketing department that delivers customized solutions to individual formats operated in the form of zones.

4.1.3 Avenue Supermarkets – D-MART
D-Mart is a brainchild of Mr. Radhakishan Damani that was materialised in the form of a retail chain in the year 2000. Having started its first physical store in 2002, the retail store opened its tenth physical store in 2008 and hundredth in 2016. Currently, D-Mart operates with 131 branch stores across India headquartered from Mumbai. D-Mart is a brand owned and operated by Avenue Supermarkets being the most expensive retail stock among its global and regional competitors as valued by JP Morgan.

According to a report published by Livemint (e-paper- 11 April, 2017) D-Mart’s strategy is markedly different from nearly every other Indian retailer. While other companies have expanded quickly into multiple segments with differentiated retail chains, D-Mart’s sales mix is largely limited to food and groceries. Categories like high-end electronics, jewellery and watches, which other retailers like Reliance have forayed into and which comprises of as much as 25 per cent of Indian consumer spending — is something the company has preferred to stay far away from.

Sales Strategies
Ruchi Sally, Director, Elargir Solutions, said retailers such as D-Mart were profitable because they optimised on the space and inventory. D-Mart stores have the best inventory turnover ratio in the country, said Ravishankar W.S, founder of Probe Equity Research. The quick inventory turnover allows the retailer to also negotiate better prices for it and then passes on these low prices to its consumers.

Optimising Operations
“D-Mart is known to have more deals than the other retailers,” said Pankaj Jaju, head, strategic alliances, Axis Capital Ltd, explaining that the company works on lower margins, but higher volumes as compared to its rivals. For another, unlike most retail firms which are burdened by the high cost of rentals, 90% of D-Mart stores are located in properties owned by the firm.
4.2 Quantitative Analysis of Brand Comparisons

Walmart has been able to maintain a stable asset turnover ratio throughout. Dmart is highly efficient too, and is showing constant growth in revenue against assets year by year. However the asset turnover ratio shouldn’t be too high, leading to volatility.

Future group is required to pay immediate attention to its asset turnover ratio, as it is not in par with counterparts. The company seems to be investing too much on long term assets, which implies that it is not generating revenue to suffice their assets.

Net worth of walmart, the global institution is very high. The company enjoys very good reputation throughout the world and its asset value is way higher than its liabilities. In addition to that, growth in the revenue is proportionate to the growth in its net worth.

However, as long as the Indian entities are concerned, they don’t enjoy as good a net worth as walmart. They have high leverage or debt which automatically reduces their net worth. The revenues are not satisfactory in comparison to the latter.
Walmart is maintaining a stable and healthy inventory turnover ratio. D-mart has a very high inventory turnover ratio by focusing on volume of sales, which helps in achieving shrink in store area.

Future group’s inventory turnover ratio is extremely volatile. It cannot afford to cut down in store spaces; and it lacks in maintaining a constant reorder level, which in turn leads to increasing operational costs.

Avenue supermarkets have employed its capital investments in an effective manner to reap high rewards.

Walmart’s return on capital employed has been relatively stable, yet on a decreasing note for the past 3 years as it is on the lookout for expansion opportunities.

Future group must look into growth opportunities and other avenues for generating revenue, as its return on capital employed is not very satisfying.
Volatility of inventory turnover ratio of Future Group has direct impact on the operating margin. This is because the inventory is not efficiently managed, which is why the company incurs high operating costs. In addition to that, the floor spaces also have been adding to costs. Therefore, operating margin is fluctuating at a very high rate.

Avenue Supermarkets is successful in maintaining a very good inventory management policy, and the good credit policy enables it to optimize the operations in line with global context.

2014-15 has not been a very good year for retail industry; the odds were against retail industry. However, against all these odds, Avenue Supermarkets has been managing to perform well, which shows its operational efficiency. Profit margin has been steadily growing to surpass the rate of Walmart since 2015-16.

Walmart’s net profit is positive and highly satisfactory, despite the marginal fall it has been going through since 2012.

Future Group’s profit margin has been unstable throughout the course of study. It is a major factor of concern for its stakeholders.

5. CONCLUSION

Hereby, we conclude that the modern retailing has come a long way, registering a value growth of 17 per cent in 2016. This increment was stronger as compared to the 10 per cent growth for traditional retailers. The jump in growth has been credited to increased footfalls by urban consumers at retailers and supermarkets, with young urban consumers preferring to shop only once a week. Convenience is the key here, as offers given by these retailers when purchasing in bulk translate to lower pricing as compared to that offered by traditional retailers. Demand for luxury and comfort goods result in higher spending, with retailers providing exclusively sourced products at local prices.

The food and grocery segment enjoys the larger chunk of the market mix and is expected to grow consistently over the next few years, owing to its variety listing that holds matter to every household requirement. Improving living standards, a strong desire for a healthy lifestyle, and a rising affluent middle class population are influencing the overall market, in terms of products consumed. The experience of shopping in a comfortable setting, along with a variety of local and global products housed in an affordable range, makes modern platforms such as retailers and supermarkets a viable/popular choice in a developing nation like India. In fact, world’s top most retailers rated India as the second most preferred destination when they were asked about their next targeted countries for expansion. As far as the Indian Retail Industry is concerned, Avenue Supermarkets holds the cue by catering to the necessities of the Indian Consumer base as the focus of Future Group lies heavily on tapping the aspirations of the middle class consumers in Fashion and Electronics. Qualitatively and quantitatively, Avenue Supermarket’s establishment of D-Mart is identified as the next Walmart of India.

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