

'At Aditya Birla Retail, we have perfected hypermarket model'

Thomas Varghese, chief executive officer of Aditya Birla Retail Ltd (ABRL) that runs the 'More' and 'More Megastore' chain of supermarket and hypermarket stores, is as open when talking about competition as discussing failures and success at his company. ABRL has begun rapid expansion of both small-format and large-format stores, having rationalised store-count a year ago, and is also evaluating a foray in a few specialty retail formats. Varghese, over the last two years, has been working 365 days a year to turn around the business at ABRL, starting work as early as 6:30 am. In a candid conversation, he tells Shailaja Sharma about the company's growth plans, his joint business initiatives with FMCG companies, his passions, and why competition, existing or new, is not a concern for ABRL. Excerpts:



Q&A

Thomas Varghese

Will focus be on hypermarkets alone?

Supermarkets were the one where we had expanded very rapidly in the first phase, and then we also closed many supermarkets. In hypermarkets, we started very slowly, but we picked up speed and today, we have nine hypermarkets and we will have three more being put up before March. So, at 12 hypermarkets, we will probably be the second largest hypermarket chain after Big Bazaar.

We have now started our rapid expansion phase of supermarkets. We are now at 530 supermarket stores, we of course, closed a huge number of stores over the last two years. We will open another 50 stores by March. We had to open eight stores (hypermarkets) this year, but we are very late; we have been delayed because of the developer in most projects, but I am hoping that against the eight I wanted to open, I will open at least six. So, we have opened three in this year at Hyderabad, Delhi and Mumbai and the other three will come before March.

So the idea is to saturate neighbourhood locations with supermarkets and have large-format stores in malls?

Absolutely, and in my view, it is going to be an endearing proposition, because if you have a good supermarket right next to your house, you wouldn't even bother to get up and go to a hypermarket. Because time is of the essence to everyone today. So, this really works well.

Now that you have a substantial expertise in the existing formats, what next? Any plans to look at specialty formats?

Yeah, we are looking at certain specialty formats. I am not at liberty to discuss them, but we will be looking at it, and hopefully, within the next six months or a year, we probably will launch another new format.

Specialty formats can be many – across books, jewellery, footwear... what interests you? And will you look at joint ventures?

There are many categories, like footwear, eye-care. The business plan is yet to be made. Right now, we are in the process of appointing consultants to help us. In all probability, we

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will do it on our own, but then it depends on the format. There could be some formats like eye-care, where it makes sense to have a good partner. **What is your view of hypermarket competitors?**

Hypercity is a premium store, a very nice store. DMart, on the other end, is a discount store, good availability and good prices, but doesn't offer the ambiance or the proposition of an international hypermarket. So this hypermarket will offer you an international flavour of shopping but at absolutely rock-bottom prices. In fact, we compete with DMart very effectively on price.

Do you see yourself at par with Big Bazaar then?

No, we don't compare ourselves with Big Bazaar at all. Big Bazaar is very expensive; it's not a cheap store at all. It only has the perception of being low-priced.

Since you're selling products at such low-price points, how would you rate your margins and performance?

Our performance has been outstanding in hypermarket business. I mean we don't compete with these people anymore. Our margins are also amongst the highest despite the low prices, because we negotiate very well. But I think at the end of the day, we are saying that we can of-

fer a truly international shopping experience but give the Indian value savings. In retail, even 1% or 2% makes a big difference.

How would you describe your relationship with FMCG firms?

Very good. We have actually gone into collaborative working with many. We have taken the top 20 now, and of these, with 15 of them, we have a joint business plan for growth. We prepare joint business plans which are reviewed by the CEO of that company and me. We do it at least twice a year. Whether it's Unilever, whether it's Godrej, or Pepsi, or Coke, or Nestle and Marico, we have a clear goal. We meet twice a year; we review the joint business plan. So, unlike retailers who have been fighting with FMCG companies, we have started a very strong collaboration with them, to co-create value for both our businesses, and that's working well.

Have they started making modern-trade specific stock-keeping units (SKUs) or packs?

That's all a work in progress. A few SKUs may have happened, but we are looking at packaging, modern trade packaging, talking about SKUs which are specific to modern trade. It's all a part of their NPD (new product development) programme, our NPD programme. It's going on simultaneously.

If at all FDI in multi-brand retail, is permitted how would it benefit a player like you?

Private equity will become available, which is not available today because of FDI regulation. And that's all that counts. We are not worried about competition. Because now we have taken on Walmart (Bharti Walmart), we have taken on Tesco very successfully. We completely outperform all Walmart stores in whichever cities they operate, and I won't say we completely outperform Star (Star Bazaar by Trent and Tesco). We do as well as they are doing today.

Do you think you have perfected the India model?

We have perfected the hypermarket model. And supermarket, I would say, we are close to being the best in the country. Retail is just beginning to get exciting now.

What do you have to say to criticism from experts that rate the success of Indian retail very low?

Who are these experts? The problem is the media keeps banding about talk from people who have no clue about the retail industry at all. Believe me, what they know about retail, I would like to forget as quickly as possible. People don't know about retail. It's only the people who are working in the business who know how it really is. It is a tough business, it's a complicated business. **Will IPO for Aditya Birla Retail happen by 2013?**

2013 we will hit Ebitda profitability, 2015 we hit PAT profitability. And at that point, we will be the first (retail) company in India to have done that in a period of 7-8 years. Whenever we hit profitability, we will have an IPO at that stage. But there is no point discussing about it today.