

HYPERMARKETS IN TIER-II TOWNS SLASH PRICES

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Fierce competition seems to be prompting certain hypermarkets in tier II towns to slash entry level price points to lure consumers.

Based on consumer studies conducted by Aditya Birla Retail, consumers found the existing lowest entry price point of Rs 99 to be high. The firm has dropped the lowest entry price at its newly opened Aurangabad hypermarket to Rs 49, covering a range of products, like apparel, footwear, CD and IT items, among others.

However, for Spencer's in a tier II town, the lowest price point for an apparel is around Rs 199 and for footwear it would be around Rs 145. Though Spencer's has maintained its lowest entry price points on such products for quality reasons, Aditya Birla Retail—a relatively new player in the field—attributes its pricing actions to “some hard negotiations with vendors”.

The company's moves are directed at building confidence levels among consumers by giving its hypermarkets a mass appeal.

“We would be replicating this model (of reducing the lowest entry price point) in some of our other hypermarket stores as well. Pilots have already begun at our Baroda store,” said Thomas Varghese, CEO, Aditya Birla Retail, which is set to open its first hypermarket in Indore.

At present, Aditya Birla Retail has three hypermarkets—one in Mysore, one in Baroda and one in Aurangabad. It plans to open five more—one each in Bangalore, Surat, Ghaziabad and Mumbai, this year.

“We found consumers in tier II towns to be very discerning and demanding in terms of quality and pricing of assortment particularly in the case of fruits and vegetables,” said Varghese.