

The Wholesale Approach to Retail

Despite being fierce rivals, big retailers have come together to cooperate. **Thomas Varghese**, CEO of Aditya Birla Retail, tells *Saumya Roy* why



Vikas Khot

Till a few months ago retailers were competing with each other. What has changed to allow this collaborative approach?

The pain all of us went through. We are at a concept stage right now but there is a willingness to work with each other and use assets as much as possible. There is a lot of excess capacity. Kishore Biyani has been talking about it for a year or so. But now everyone is burning cash and we want to do what we can to avoid that.

What are the areas where retailers will collaborate?

We will look to pool logistics such as fruit and vegetable sorting centres or grading centres. Many retailers, including Reliance, Spencers, Future Group and us have set up regional processing centres for staples. There is no gain in this duplication. Some companies have training centres and hire and train people in bulk.

Won't this lead to all stores looking alike?

We are not looking at front-end synergies but combining to get economies of scale. For instance, with our private labels we have power brands and store brands. We could sell each others power brands [private labels that are sold by other retailers as well]. We could get volume synergies by getting uniformity on formulation and an understanding on branding and then may be manufacturing together. This will get us a higher margin.

Besides, these will only be in each others store and will be exclusive to modern trade. It will allow us to do a phased scale-up. Right now our volumes are limited so our ability to scale is limited.

Will you look at sharing information as well?

Yes. We have talked about sharing information on dealing with shrinkage, which is an issue for us. We could share best practices in controlling fraud. Also, when we sack an employee for integrity grounds we could put the names on a shared list. We could look at sharing consumer insights with each other that could help accelerate demand.

Will retailers want to use their own resources as their own businesses start to do better?

We don't have ambitious targets in mind. Of course, there are different plans for the short term, medium term and long term for everything. If something is cost effective I will not give it away to someone else. In the medium term people may build their own facilities. But today they will not have to build if they are not going to use it. This allows them to conserve cash today.

When can we actually see things happening on the ground?

Hard to say. But in the next couple of months we should have firmed up some things. ■

THOMAS VARGHESE

Title: Business Head- Aditya Birla Retail **Age:** 48

Qualifications: IIT Delhi and Advanced Management Program at Harvard Business School

Work Experience: Started out as a senior management trainee with the DCM group. Joined the Birla group in 1999 and worked at Grasim's pulp and fibre business as Chief Marketing Officer and later Business Head. Been Business Head of Aditya Birla Retail since 2008

Hobbies: Music, trekking and collection of antiques