

'More will become the second largest retail chain this year'

With the retail sector showing signs of revival, Aditya Birla Retail, which runs Rs 1,130 crore chain of stores under the More brand, is targeting to emerge the second largest retail operator in the country. The company is aiming to set up 2,000 supermarkets, according to its CEO, **Thomas Varghese**. It will be a pricing driven strategy to achieve the objective, he told DNA Money's **Sobia Khan**. Excerpts from the interview:



People say the retail sector is bouncing back after the slump. What are the indicators to show this?

The market, which is looking up since a couple of weeks, had, in fact, started bouncing back since January. The \$390 billion retail industry is expected to grow 8-9% over the next 4-5 years. Whereas the modern trade is hopeful of growing at a rate of 15% over the next few years. We have witnessed same-store growth of 3-4% month-on-month. If same trend continues we might see 25-35% growth in the current fiscal, helped by both same-store sales growth and the new ones.

In times such as these, how do you ensure that growth sustains?

The initiatives taken by company over the last 14 months have begun to show results. Unless you get the basics right, you won't get customers. To generate extra efficiencies, we closed down non-performing stores, increased private labels and shifted focus to higher-margin format hypermarkets. As a strategy we have decided to play on the pricing strategy to increase footfall in stores. It is a customised catchment strategy to build sales. We also shut down around 107 stores across the country. The shift in strategy was a result of the slowdown hitting the retail sector and consumers tightening budgets. As a result, after March we are seeing an exceptional performance.

You had recently repositioned your store, what is the reason?

Today most of the retail outlets look alike - there is not much of a differentiation. So we have decided to come out with new value positioning and differentiate ourselves. For us value positioning means extra and we came out with 'Hamesha Extra' concept. We have number of initiatives under the same to drive value proposition for the consumers. It is a very difficult proposition to live with but we decided to go ahead with it. Most of the stores are being re-branded or repositioned from this month. It is work in progress and we hope we can live up to it.

What is the strategy your firm is following to fight competition and to be profitable?

We have rolled out a new value proposi-

tion in our supermarkets and hypermarkets. However, there is no magic bullet to profits, one has to run a disciplined operation to be profitable. Retail is a 365 day and 24x7 hour business with no middle path. People who will survive in this will be the ones who are passionate about their job.

When do you expect to break even?

Our strategy is to make profit at company's level as soon as possible. We are at various stages of breaking even and hope to be profitable by 2012-2013. If we can break even in the next five years it will be phenomenal. Retail is a tough business and we hope that we can make money. We have the path to profitability chalked out and will work towards it.

Many retailers are replacing external brands with private labels. What is your strategy on it?

We are very strong in private label category in the country. We have 300 private products across categories. This year 19% of total sales will come from private label. With the consumer downtrading, the demand for private labels is reasonably good. Many of our private brands outsell national brands. We will add another 60-70 private brands this year.

What are your future plans?

Our vision is to be the second largest retail operator by the end of the current fiscal. We will open 100 hypermarkets by 2015-16. We will expand our retail operations by adding exclusive stores to the existing 646 outlets by the end of the current fiscal. We will open another three hypermarkets by the end of this year and plan to ramp it up to 15 more by the end of next financial year.

What is the revenue and growth projection for this year? What was it last year?

We clocked a turnover of Rs 1,130 crore in the fiscal 2008-2009. We are expecting to grow at around 25-35% this year and plan to close the current fiscal with revenues of Rs 1,600 crore helped by both same-store sales growth and opening of new ones.

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thomas
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