

7th September, 2009

RETAIL CO TO COMBINE PROCUREMENT & FINANCIAL MANAGEMENT OF SUPERMARKET & HYPERMARKET FORMATS TO CUT COSTS

Birlas plan combo strategy for More profits

Sabarinath M
MUMBAI

ADITYA Birla Retail, which runs a chain of stores under the 'More' brand, has combined procurement and financial management of its two different formats of stores as it sets on course to correct past mistakes and make profits in three years.

The privately held company of billionaire Kumar Mangalam Birla, has moved its chief operating officer (South India) Shivam Murthy, to head procurement for its supermarket and hypermarket stores, eliminating an earlier folly when two departments from the same company paid different prices for same products.

"You can now go to an FMCG supplier and buy goods for the company instead of a particular format," said Thomas Varghese, CEO, Aditya Birla Retail. "This helps us to save costs," he said adding the company hopes to turn a profit by 2012.

Many Indian retail companies including Reliance Retail and the Future Group have shut stores and eliminated jobs after the 2008 credit crisis led to consumers tightening purse strings. Their high-cost expansion before the crisis led to losses for many companies and most of them are trimming the flab now.

"Aditya Birla Retail has made several mistakes in the past," said Har-

minder Sahni, retail analyst and MD, at Wazir Advisory. "Things like merging the back-end operations are a step in the right direction, though attaining profitability in two years looks like a difficult target."

The company, which was shuttering stores, may revive expansion by opening five hypermarkets over the next three months, taking the total to nine, said Mr Varghese. To make this happen, it has shifted several key executives from supermarkets to the hypermarket team. Aditya Birla Retail has a total of 640 supermarkets.

Supermarkets mostly sell food and articles used on a daily basis, while hypermarkets also sell apparel, furni-

ture and even goods such as televisions and mobile phones.

"Our focus is clearly on single store business model. Profitability from each store should be 8-10% of its sales," said Mr Varghese, who took over the reins of the company after founder CEO Sumant Sinha left in June 2008.

The battered retail companies which compete for customers' purse, may form an alliance to negotiate better prices with suppliers such as Hindustan Unilever and ITC.

"We may fight at the front-end, but we need not compete at the back-end. Collaboration is the way forward in retail," Future Group chairman, Kishore Biyani had told ET.

sabarinath.muralidharan@timesgroup

SLIM SELLS

FUTURE SCOPE

more. for you



- The company closed 105 unviable stores
- Plans to open 5 hypermarkets in the near future
- Stores to come up in Bangalore, Mumbai
- Reduces manpower in regional centres
- Targets a turnover of Rs 1,600 crore this financial year