



No Small Wonder

By Vaishali Dassani

LAUNCHED ON MARCH 27, 2007, NEIGHBOURHOOD CONVENIENCE STORE CHAIN 6TEN'S RETAIL NETWORK HAS ALREADY SPREAD TO OVER 320 STORES ACROSS NCR, CHANDIGARH, MOHALI, PANCHKULA, AMRITSAR, LUDHIANA, AMBALA, AND NAGPUR WITH 3,10,000 SQ.FT OF RETAIL SPACE ON INVESTMENT OF RS.150 CRORE. THE RS.1,085-CRORE LISTED COMPANY REI AGRO LTD PLANS TO OPEN 1,000 STORES COVERING AN AREA OF 10 LAKH SQ.FT BY FY 2009 AND 2,800 STORES COVERING OVER 40 LAKH SQ.FT BY FY 2011.

→ In the existing scenario, the nature of the Indian retail industry is highly fragmented and dominated by the traditional, family-owned stores. Rapidly changing lifestyles are, however, making the proliferation of supermarkets, hypermarkets and convenience formats an emerging necessity. Opportunities in organised retailing are especially high with respect to the food retail sector.

IGD estimates that in the Indian context, the value proposition for the convenience sector is limited as the traditional kirana stores (typically not more than 500 sq.ft in size) operate in this space – they are open long hours, offer limited range, and most importantly, are conveniently located.

The 6Ten neighbourhood convenience store chain is a division of REI Agro Ltd, India's leading producer and exporter of basmati rice, and offers products such as grocery items, FMCGs, and fruit & vegetables.

Targeting middle class consumers the convenience stores are typically located close to consumers; the format does not require the store to be located in main markets or on main roads.

“The rationale of the 6Ten stores was to capitalise on our relationships at the retail level. All 6Ten stores are on COCO (company-owned company-operated) basis. This format has been developed to leverage on our relationships. We feel that we will not be able to achieve optimum results



REI AGRO HAS ALREADY LAID A FRAMEWORK TO DEVELOP SUPPORT INFRASTRUCTURE INCLUDING THE SET-UP OF COLLECTION CENTRES, PROCESSING, PACKING AND WAREHOUSING FACILITIES. THE COMPANY CLAIMS TO HAVE IN PLACE THE INFRASTRUCTURE REQUIRED TO CATER TO OVER 1,500 STORES. AT PRESENT THE FACILITIES ARE LOCATED IN DELHI, FARIDABAD, GHAZIABAD, MOHALI, LUDHIANA, NAGPUR, MUMBAI AND AHMEDABAD.



With organised retailing growing at close to 40 per cent annually, there is certainly a huge untapped market for these stores in India. The company is targeting the space across states such as Punjab and Haryana to deliver household staples and shopping convenience to even tier II consumers. Given the current density of retail outlets in India, retailers will have to motivate the consumer to trade convenience with price, range and ambience.

“There can be no doubt that the quality of the product and price are crucial for the success of any retail store. The supply chain for fruits and vegetables in India is characterised by inefficiencies. It is estimated that 40 per cent of the produce ends up as wastage. We need to improve efficiencies in the supply chain. This will ensure quality of products at most competitive prices. At REI Agro, are reducing wastages due to our strong network and our supply chain. We pass on this saving to our customers. We feel that the quality of our products at most competitive prices is the key to our growing customer loyalty,” says Jhunjunwala.

in a franchised model. Our strategy is to locate our stores in populated middle class areas,” says Sandip Jhunjunwala, MD, REI Agro Ltd.

The company has entered into long-term rental lease agreements for its expansion. “The rentals in the neighbourhood markets for smaller stores are much lower compared to the main markets. Another 100 stores will be added by next month. We plan to open 1,000 stores by end of FY 2009,” confirms Jhunjunwala.

The company is meanwhile, also exploring opportunities to enter highway and railway retail, as there is large scope in the same. REI Agro has started with one store in Delhi’s Metro on a pilot basis and shortly will be launching few stores on the Delhi-Chandigarh highway. The company plans to wait for the response from these stores before expanding to other areas.



FOCUS ON PRIVATE LABELS

As competition in the India's modern retail market intensifies, discounts and promotions are expected to play a critical part in generating footfalls. To counter the impact on profitability, organised players are finding it more attractive to promote private labels or store brands given their higher margins. The consumer too would benefit from lower prices. "Our focus is on wet groceries. We enjoy a major advantage on the supply chain for wet grocery. We expect the quality and pricing of fruits and vegetable to drive the footfalls. We have also started private label for most products such as, rice, pulses, wheat flour, tea, spices and other staples. FMCG products such as sauces, chocolates, juices, beverages, jams, biscuits, shampoo, moisturiser, hand washes, floor and toilet cleaners, mosquito repellents etc. Our products are packed in our Real Magic, Mr. Miller and 6Ten brands. Currently, private label products account for 30- 40 per cent of our sales," Jhunjhunwala informs.

"We are focussed on the daily requirements of households, especially for fruits and vegetables. We feel that the key in Indian retail is not just to replicate models that have been globally tried and tested, but to develop a robust and scalable model that will adapt to the needs of the Indian customer."



MAJOR ROADBLOCKS

Organised retail in India is still at a nascent stage. Only 4.6 per cent or so of the market is organised. Among all segments, food retailing, which is the focus area of operation for 6Ten, is the least penetrated by organised retail. The company believes that the biggest challenge for retailing of food in the country is the setting up of a supply chain. 6Ten, however, claims that it is uniquely positioned because of its experience in food on one hand, and relationships on the supply side enabling them to set up a strong supply chain, on the other side.

The second challenge is the setting up of the back-end infrastructure. The company has entered into this business with a realisation that back end is the key to success in grocery retailing. REI Agro has already laid a framework to develop support infrastructure including the set-up of collection centres, processing, packing and warehousing facilities. The company claims to have in place the infrastructure required to cater to over 1,500 stores. At present the infrastructure facilities are located in Delhi, Faridabad, Ghaziabad, Mohali, Ludhiana, Nagpur, Mumbai and Ahmedabad.

Adding further Jhunjhunwala speaks on the third challenge in the retail business – the availability of space for food retailing. Most stores of 3,000 sq.ft or above are located on the main roads and in malls, which are not ideal locations for food retail, he believes.

"We are in the small store format, located in densely populated areas. None of our stores are located in the main markets or on high streets. Our flexible format provides us with greater flexibility in terms of locations. We are currently operating 320 stores and have further contracted over 400 outlets. With the experience of locating and contracting over 700 stores behind us, we are confident that we have adequately addressed the challenge of availability of space," he says.

The fourth challenge, according to Jhunjhunwala, is the availability of trained manpower. As organised retail expands, there is expected to be a dearth of skilled manpower. The lack of institutions and courses for different aspects of retail management will have an impact on the overall supply of quality manpower.

"We are addressing this challenge with a massive 'on-the-job training programme' for our employees. We have already set up a senior management team for our roll-out. In addition we have already employed more than 4,000 people, making us one of the largest employers in the Indian retail industry," adds Jhunjhunwala. ❌