FICCI

FOOTFALLS

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EMAIL: Sameer@ficci.com, sarvind@ficci.com

Website: www.ficci.com

Address: Federation House, 1, Tansen Marg, New Delhi 110001.

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Foreword



DR. AMIT MITRA
SECRETARY GENERAL, FICCI

SHAPING FUTURE OF THE RETAIL SECTOR IN INDIA

Retailing has shifted gears transiting from traditional formats to modern formats. It is estimated that the retail sector is likely to grow up to $427 billion by 2010 and organised retail could account up to a share as high as 20-22% of this market. The Indian consumer is changing rapidly. Average consumer today is richer, younger and more aspirational in his or her needs than ever before. The buzz today is malls, supermarkets, hypermarkets and convenient stores that have been the destination for the shoppers in modern times.

Federation of Indian Chambers of Commerce and Industry is instrumental in promoting the Indian retail sector. It has created a high level platform for modern retail sector to suggest, discuss and recommend policies, formulate strategies and catalyze growth of the sector. The recent ICRIER report supported FICCI's stand on modern retail and established the symbiotic relation between both the formats of retail i.e. modern & traditional.

FICCI is proud to present “footfalls” a newsletter on retail sector

Amit Mitra

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Activities & Vision

Vision

To create an environment for growth of organized retail in India, which enables retailers to comprehend their potential and catalyze the corporate and political arena to participate in framing policies and growth framework for the sector.

Retail Committee

FICCI Retail committee comprises business leaders from the key retail business groups. The committee would endeavour to facilitate rapid expansion of retail industry by identifying roadblocks at all levels and making representation for policy change to both central and state governments.

Activities

After the constitution of FICCI retail division following important events & policy papers were accomplished:

a) International Conference 'Winning with Intelligent Supply Chains' held in September 2004
b) Membership of FARA (Federation of Asia Pacific Retailers Association
c) Report release on FDI in Retail in February 2005 during a Seminar' Retailing in India: FDI and Policy Option for Growth'.
d) Footfalls December 2005 This two-day Conference focused on Opportunities and Challenges in Indian Retail Sector.
e) Hindustan Times FICCI & NID Luxury Conference January 13-14,2006
f) Auto Retail Conference: Auto retailing: A framework for growth September 2006.
g) RETAIL REPORT April 2007 - *Organized Retail: Unfinished Agenda and Challenges Ahead.*
h) Winning with Intelligent Supply Chains (WISC) 17-18 December 2007.
i) FICCI- Ernst & Young Supply Chain report 2007.

Forthcoming Attractions:

a) Winning with Intelligent Supply Chains 2009, January 29-30, 3008
b) “Footfalls-2009” July 2009.

Indian Retail Sector

India loses top investment destination slot to Vietnam

India, which had been ranked as the most attractive destination for retail investments among emerging markets for three-years in a row, has lost its top position to Vietnam this year, a latest report says.

According to global management consultancy firm A T Kearney's annual Global Retail Development Index (GRDI), Vietnam leaped to the first position this year from 4th place in the 2007, driven by strong GDP growth, changes to the regulatory structure favouring foreign investors and increasing consumer demand for modern retail concepts. The growing challenges such as soaring real estate costs, lack of good commercial real estate and regulatory complexities, especially for foreign retailers are now starting to shrink the window of opportunity for new entrants to India, he added.However, most large foreign retailers with plans to be relevant in the country already have offices and operations in the country. The large domestic players have also hit the ground running and most are executing extremely aggressive growth.

Source- The Economic Times, June 2008

RMMAI releases first rural retail study

Rural Marketing Agencies Association of India (RMAAI) has announced the release of a report on a nationwide rural retail study. A press release says the report will help marketersof a wide range of products to work out their rural retail *strategy.* This first research Project of RMAAI has been co-sponsored and conducted by Francis Kanoi Marketing Research, a Chennai-based agency reputed for its syndicated studies on consumer durables and the agricultural sector, the press release said. The study seeks to estimate the number of retail outlets in rural India by listing them in 609 villages of different sizes across the *67* socio-cultural zones in 203 districts covering 6,105 households or 70 per cent of the country, the release added.

Source- Business Line Delhi, August 2008

Retail biggies to co-opt kirana stores

Retail biggies such as Reliance Retail, Subhiksha, Land mark, Fab India and Select Citywalk have said that they would co-opt small kirana stores and upgrade their retail capabilities instead of competing with them. "Traditional retail business was $330 billion in 2007 while modern retail was $13 billion. These are likely to grow to $530 billion and $130 billion, respectively, by 2010. There is, therefore, enough room for both large and small formats to co-exist in the Indian context," said Reliance Retail president and chief executive Bijou Kurien at a conference organised by Ficci Ladies Organisation (FLO) in New Delhi.

Source- The Economic Times Delhi, July 2008

Crorepati CEO club gets 219 new members

India Inc's creamy layer executive directors and above rewarded themselves handsomely with a 36 per cent pay rise in 2007-08. As a result, the crorepati club (those earning more than Rs 1 crore annually) saw 219 new entrants, taking the total membership to 596. Consultants estimate that top salaries in sectors like retail and management consulting would be between Rs 5 crore and Rs 7 crore.

Tech Mahindra had the highest number (10) of senior executives drawing a Rs 1 crore-plus salary. Larsen & Toubro and Tata Motors had eight each; Nagarjuna Constructions seven and Aditya Birla Nuvo, Bharat Forge and Indian Hotels six each.

Thirty of the new members in the crorepati club were from newly-listed companies and 53 entered the bracket by switching jobs. The compensation package of 88 CEOs more than doubled over the previous year, although the number of those drawing Rs 10 crore-plus salaries was unchanged at 18.

Collectively, these executives from 298 companies took home Rs 1,524 crore from salaries, commissions and perquisites (excluding stock options and deferred pay).

The aggregate net profit of these 298 companies increased by the same level of 34.5 per cent at Rs 1,21,454 crore (Rs 90,327 crore) in FY08, but employee cost jumped 26 per cent to Rs 76,124 crore (Rs 60,257 crore). The share of director remuneration to net profit has been almost constant in the last four years at 1.09 per cent.

For the second year in a row, Reliance ADAG Group Chairman Anil Ambani has toppled his elder brother, Reliance Industries Chairman Mukesh Ambani as the highest-paid Indian CEO.

(CEO remuneration in Rs crore)

Name	Flagship Company	2007	2008
Anil Ambani *	Reliance Comm	32.34	48.01
Mukesh Ambani	Reliance Ind	30.46	44.02
Kalanithi Maran	Sun TV Network	23.26	32.41
Kavery Kalanithi	Sun TV Network	23.26	32.41
P R R Rajha	Madras Cement	24.78	32.39
Kumar Mangalam Birla	Grasim Ind	17.53	20.14
Malvinder Mohan Singh	Ranbaxy Lab	6.57	19.58
Sunil Bharti Mittal	Bharti Airtel	14.96	19.55
Sajjan Jindal	JSW Steel	13.25	16.73
Onkar S Kanwar	Apollo Tyres	9.98	15.54

**Includes Rs 34.65-crore proposed commission for FY08 by Reliance Comm*

While Mr Mukesh Ambani took home a total compensation of Rs 44.02 crore (Rs 30.46 crore in the previous year), Anil is set to get Rs 47.98 crore (Rs 32.34 crore).

Source- Business Standard. September 2008

Retail Policy & Regulation

MCD changes licencing policy

The Municipal Corporation of Delhi (MCD) approved a revised policy for the grant and renewal of trade or storage licences on Wednesday to "mitigate hardships being faced by the businessmen of Delhi".

Addressing a joint press conference after a meeting of the Standing Committee, chairman Vijender Gupta and deputy chairman Subhash Arya said the new policy would "help bring in transparency into the processing of licence cases and put an end to the era of ad hoc licences".

The new policy will allow traders to obtain licences without going through a long process of surveys by various departments. The new process has been simplified to a single form that will cover shops and roadside thelas alike.

A brochure containing all information about the revised policy will be available at Citizen Service Bureaus along with application forms and formats of the undertakings/NOCs required. Also to be made available online, the brochure will contain details of documents to be submitted by applicants.

"Even after areas had been declared as local commercial, mixed-land use, special areas and pedestrian streets by the MCD, the operation of the 2021 Masterplan for Delhi had been of no use due to lack of proper guidance and coordination between departments. Time and again, a need was felt for the reframing of the whole trade and storage licencing process," Gupta said.

"It is in this context that to save traders from any hardship, the Standing Committee has formulated and approved the revised policy," he said.

Subhash Arya said: "Various roadblocks in the issuance and renewal of licences have been removed under the revised policy." The change comes as a welcome move for smaller traders, he said.

The MCD had provided for ad hoc licences in 2004 for smaller traders but the move had not been implemented after the Supreme Court orders directed the Corporation to "stop the misuse of residential premises and to put an end to rampant commercialisation in residential areas", Arya said.

Roadblocks removed

- No new ad hoc licence to be issued or renewed. Existing ad hoc trade/storage licence holders will have to obtain regular licences wherever land use has been brought into conformity of the land owning agency
- No need for applicant to seek NOC from the building section of the zone before applying for licence
- Structural safety certificate to be submitted along with application and an undertaking
- Fire safety certificate will not be required only an undertaking will be obtained from the applicant
- The list of licencable trades/storage articles and their fees will not include trades that come under the Health and Veterinary departments
- Fee to be paid as a fixed amount and to be increased only in three years

Salient features

- Regular trade/storage licences to be issued in commercial mixed-land use area, special areas, pedestrian shopping streets notified by the government
- Manufacturing activities being run manually in conforming areas and household activities in residential areas (without use of electricity, mechanical or other agency) to be granted regular licences
- Trading and storage activities started after February 6, 2007 to be licenced
- Small shops with a maximum area of 20 sq m, presently allowed only on groundfloors in residential premises, to be reviewed and number of shops in one plot can be increased (as per the provision of the Masterplan for Delhi-2021

Source - Express News Service July 2008

Marks & Spencer among 28 FDI plans cleared

Global retail major Marks & Spencer's proposal for 51 per cent foreign direct investment in single brand retail business was among 28 FDI proposals worth Rs 1,328 crore, cleared by the Government. "Based on the recommendations of the Foreign Investment Promotion Board (FIPB) in its meeting held on June 24, the Finance Minister, Mr P. Chidambaram, has approved 28 FDI proposals," an official statement said here.

The approved proposals relate to chemicals & petrochemicals, industrial policy & promotion, information & broadcasting, urban development, tourism and economic affairs, amongst others. A proposal of Giordano Fashions (India) to establish a chain of single brand retail stores, and another by Pearle Europe BV involving induction of 50 per cent FDI for single brand retail trading also received the Government's green signal. Parryware Roca's Rs 741-crore proposal has also got approval for increasing foreign equity from 50 per cent to 100 per cent in the sanitary ware venture, while the Government nod was also granted to Multiscreen Media's FDI proposal (about Rs 158 crore). FIPB also approved real estate major Eldeco's Rs 195.7 crore proposal for induction of foreign equity and change in status from operating company into operating-cum-holding company

Source-* The Hindu, *July 2008

FICCI presents 100 day agenda to PM

The Federation of Indian Chambers of Commerce and Industry (FICCI) today presented a 100-day agenda to the Government. The

agenda includes doing away with the 5,000-acre limit for SEZs, keeping interest rates low and opening up defence sector by allowing private participation. It is aimed at stimulating investment, enhancing efficiency by cutting transaction costs, sprucing up governance and correcting the perception of a looming fiscal crisis.

Addressing the press after meeting with the Prime Minister, FICCI president Rajeev Chandrasekhar said, "The perception of a problem whether real or fiscal, must be addressed. We`re not trying to create alarm. But if you continue tightening monetary policy for two consecutive quarters, it can potentially curb development."

The agenda lists measures to boost investment in infrastructure and calls for stabilising the policy framework for, granting `Industry` status to the retail sector, allowing companies under section 25 to set up higher educational and opening up the defence and homeland security industry to the private sector.

Source- www.ficci.com

SC's blanket stay on retailers service tax cases in Hcs

The Supreme Court stayed the proceedings challenging the legality of imposition of 12.36% service tax on renting out premises. Various multiplexes, members of the Retailers Association of India, Confederation of Real Estates Developers Association of India and others had moved various high courts against levy of such tax.

A 3-judge bench headed by Justice BN Agrawal on the plea of the Centre also sought explanation from the Retailers Association of India, Confederation of Real Estates Developers Association of India, Multiplex Association of India and others why petitions pending in high courts on the issue should not be transferred to the apex court.

The court also issued notices to Amritsarbased RS Builders, Chennai-based RR Industries, World Build Mart, General Styar Kitchen, Kasturi Estates, Mumbai-based Synergy Realters&Services, Bentley Properties, Chandigarhbased Talwandi Estates, Ernakulum-based Joy Alukkas Traders (India). The Centre through its counsel said that there is a likelihood of conflicting decisions by the high courts on the matter.

Advocate Mahesh Agrawal, on behalf of Retailers Association of India, however, said that the Mumbai-based body has no difficulty in transferring the petitions to the apex court in order to have an authoritative ruling on it. Mr Agrawal said that the petitions challenging the constitutional validity of section 65 of the Finance Act 2007, levying service tax on leasing, letting, renting or other similar arrangements in respect of immovable property, were pending in high courts of Bombay, Madras, Calcutta and Punjab & Haryana.

The Bombay HC had restrained the government from taking coercive steps for recovery of service tax. It had also asked the members of the multiplexes in Maharashtra, the members of the Retaliers Association and Real Estates Developers of India not to transfer their interest in the property without giving notice to the government. The issue raises an important question of law. Whether Parliament can levy the service tax on the leasing, letting, renting or other similar arrangement in respect of the immovable property for commercial purposes? Various developers, Retailers Association and members of the multiplexes said that the issue falls within the ambit of list II of the Seventh Schedule of the constitution, which is a state subject.

Source- The Economic Times August 2008.

New math for rating JV FDI

The government is reworking the method of calculating indirect foreign investment holding in domestic companies. The department of industrial policy & promotion (DIPP) has worked but a new formula for calculating indirect holding in sectors that have an FDI cap. According to the proposed method, holding in downstream companies a subsidiary or a joint venture would be directly linked to holding in the upstream (or. parent) company. 'FDI in a downstream company would be ascertained only if the foreign investor has at least 50% stake in the parent company.

For instance, if a foreign company holds 60% in an Indian company and the holding company has 30% in the sub-holding company, the indirect holding of the foreign investor in the downstream company will be calculated as 18% (60% of 30%).

DIPP had earlier proposed 10% as the cut-off limit since Companies Act does not confer ownership rights if the holding is less than 10%.

The government is also likely to incorporate the definition of indirect shareholding in the Companies Act to differentiate between actual shareholding and the economic interest of a foreign investor in a domestic company

The new FDI policy would apply to sectors such as telecom, aviation, insurance and banking, wherever there is a sectoral cap. Equity stakes acquired by domestic investors by taking loans from foreign joint venture partners are likely to be considered FDI.

While the government is planning to introduce a grandfathering clause for the existing players and ongoing FDI cases, new proposals will be considered in view of the revised FDI guidelines and the amendments proposed in the Companies Act.

Grandfathering is an exception that allows an old rule to continue to apply in certain situations while the new rule will apply to all future situations. At the moment, there are four distinct FDI. slabs: ranging from 100% to a complete bar in some sectors. The telecom sector has a 74% sectoral cap, the aviation sector has,a 49% sectoral cap and the insurance sector has a 40% sectoralcap.

Source- The Economic Times September 2008

BERMUDA TRIANGLE AND THE INDIAN RETAIL INDUSTRY



Prof. P K Sinha, Chairperson,
Center for retailing , IIM Ahemdabad

Professor P K Sinha is professor of marketing and Chairperson of Center for Retailing at IIM Ahemdabad. Prof. Sinha has a rich teaching experience of 28 years. He is an expert of retailing, shopping, point of purchase communication and strategy formulation for media. He has authored many books his latest book published by Oxford University press was "Managing Retailing".

The Indian Retail Industry seems to have found its first cross road, after almost 10 years of freeway. During its course it has sprung several surprises, several avoidable mistakes and some unavoidable circumstances. The 1998 a study had portrayed that food and dry grocery were the largest portion of retail industry. This led to many retailers to venture into it. But soon it was found that the potential is there, but the mechanism used, the organized format, for harnessing this potential was very restrictive due to the supply chain and the MRP restrictions. Consequently, organized retailing found that lifestyle and apparels, with no restriction of MRP and comparatively easier and economical sourcing, were the segments that suited them most.

The traditional format with all its imitations, as brought out by most surveys, was supposed to have been affected and provide the market share to the organized retailers. The share of the new format retailers have remained more or less same over ten years. The estim ates of higher market share were negated by the industry by a common rule that most industries follow during its embryonic stage. The entry of new retailers brought excitement to the sector. While the new formats retailers came in few hundreds, the traditional retailers were added in lakhs. As of now, except for the appliance channels, no sector has shown of reduction in the number of traditional retailers. We seem to have forgotten that small businesses follow a model that is not simply a miniature of large retailing firms.



Food world can be attributed to be the pioneer of the modern retailing in India. It started well by offering a very differentiated value, but went overboard. It chose to fight small retailers with their core value of convenience and paid the price for it. It sent the first warning signal across retailers. It is interesting that Tesco also followed the same strategy of entering the East European country through supermarkets and met exactly the same fate.

Almost identically, the success was found by Big Bazar through the hypermarket formats. This brought a new phase into Indian Retailing. The success brought credit to Pantaloon, but it also brought competitors. Since



these players were regional in nature, like the Trinetra and Adani, the heat was not felt. The market seemed to be ripe for even the MNC retailers to enter. The industry started behaving very much like the dot com business. Many of the retailers infused a lot of investment so that they had a size that was attractive to be bought. A big debate based on FDI that has not been settled yet leaving several retailers disappointed.

The Indian retailing is also different from the fact that worldwide the growth of retail companies has been gradual. The different formats came into existence in a linear progression; whereas in India most formats came at very quick successions, leaving the customers gasping and expecting more and more. The dynamic market is not allowing the customers to fix on the expectations and they keep hopping form one store to another. This increased the customer acquisition cost even when the store should have settled down. The real estate boom has also affected the economics of business. Through the period of last few years the cost of real estate and people has gone up significantly, putting pressures on the bottomline. Interestingly, the excitement in the market has pushed the share market, driven more by the euphoria and real estate perspective of retailing. Consequently, while owners are happy, not everyone in the value chain is as happy, including the customers.

Hence, a quick look at the industry shows that the growth is largely being driven by euphoria, lower price offers, real estate, share market and a buoyant economy. All these factors are market forces; none has to do with the firms' internal strengths. The result, unfortunately, would not be seen in short term due the booming market. But the fact is that several firms are passing through a Bermuda Triangle, a phase where investment have been made but the returns are not sufficient and hence profitability is lower, and unless firms build internal strengths through differentiated value propositions and their delivery, many would sink without trace. Finding from other industries indicate that a deeper purse is not necessarily a guarantee for survival. Retailers need to build capabilities that are dynamic enough to cope with changing market realities almost on a real time basis.



Consolidation in Retail (M&A and JV)

Subhiksha picks up major stake in Blue Green

Subhiksha has acquired 40 per cent stake in the Chennai firm. Blue Green has a paid-up capital of Rs. 5 crore. The acquisition was done at par value. Sixty-seven per cent of the paid-up capital of Blue Green is held by the promoters. The merged entity will be known as Subhiksha Limited and is expected to list its shares on the National Stock Exchange, Bombay Stock Exchange apart from Madras Stock Exchange, where the shares of Blue Green are currently listed. Subhiksha would also come out with an open offer to the public to acquire another 20 per cent shares as mandated by the Securities and Exchange Board (SEBI) of India under its takeover guidelines. The promoters led by Mr. Subramanian hold 60 per cent stake in Subhiksha. ICICI Ventures hold 23 per cent and other institutions 15 per cent. Two per cent is held by the employees under ESOP (employee stock option plan). Apart from food and grocery, Subhiksha was also a leading mobile retailer.

Source- The Hindu, June 2008

BCCL acquires stake in the clinic

Bennett, Coleman & Co (BCCL) has bought a stake-in "The Clinic", a consortium of allopathic practitioners, with a network of 200 clinics. The Clinic provides standardised service to patients though a network of back-end partners like testing laboratories and medical stores. Using a high-tech 'electronic medical records' programme and a personalised approach, it helps doctors guide patients. "The Clinic aspires to create affordable and qualitative health benefits through a huge client bank for the network of doctors; moving the quality benchmarks a notch higher," director Dr Anil Mehta said. The Clinic has established its presence in Mumbai, Chennai, Ahmedabad, Baroda, Hyderabad, Bangalore, Meerut and Pune. It expects to set up shop in New Delhi and Kolkata this year.

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Source- The Economic Times, July 2008

Reliance ties up with British toy retailer Hamleys

Reliance Retail has tied up with the British toy retailer Hamleys Group to set up a nationwide network of exclusive toy stores. Under the exclusive franchise agreement, Reliance Retail will invest for setting up the network while Hamleys will bring in its expertise on designing stores, training staff and developing its private labels. Reliance Retail will pay royalty to the British company for 20 years. Reliance Lifestyle Holdings president and CEO Bijou Kurien said they would set up 20 stores in seven years. This includes two flagship stores of nearly 25,000 sq ft, one each in Mumbai and New Delhi. The first store will be in place by April 2009. The regional stores will come up in Bangalore, Hyderabad, Pune, Chennai and Kolkata. ET had reported on March 21 that Reliance Retail would partner Hamleys to set up exclusive toy stores in the country.

Reliance Retail targets sales of Rs 900 crore from this business. The Rs 2,500-crore Indian toy industry is dominated by unorganised players and is growing at 25% per annum. Almost 20% of the market share belongs to the organised players like Mattel and Funskool, and other modern retailers.

Reliance is targeting a growth of 20% from its toy stores by launching a range of Hamleys products costing Rs 400 and onwards. Hamleys Group trading director Paul A Currie said the company is looking at India as a possible destination of its product sourcing.

Source- The Economic Times, August, 2008,

Sadhrtha retail will acquire Samina

The Asian Age Sadhrta, the retail arm of Intelligent Business Systems (IBS), will acquire Switzerland based **Samina.** Mr Kaustubh Chokshi, CEO of Intelligent Business Systems, said, "Samina was the joint venture partner of Sadhrta in India. In order to expand our retail footprint overseas, we thought of acquiring Samina, a retailer and producer of pillows and mattresses." Noting that the acquisition process would be completed in the next 18 months, he said Sadhrta has already acquired a 50 per cent ownership stake of Samina in Germany for 2 million euros. With this acquisition, the company would open 20 additional retail outlets in Germany. In countries like Turkey, where Samina already has franchise outlets, Sadhrta will continue with them. Since franchisees are already in place, Sadhrta will not extract a margin and the economics for all parties will remain unaffected. As per the deal, following the acquisition Sadhrta will set up a central sales office that will transact with all countries except Austria, Germany and Switzerland. Samina produces all kinds of mattresses and pillows and IBS is a software product company.

Sources-The Asian Age June 2008

Tesco enters India with cash-and-carry, Tata deal

Tesco Plc, the world's No.3 retailer, plans to set up shop in India with a wholesale cash-and-carry business and a deal to help Indian conglomerate Tata Group grow its hypermarket business.

The long-awaited move into the world's second most populous country is the latest expansion by Tesco as it looks for new profit streams beyond its dominance of the British grocery market. Last year it opened stores in the United States and last month it announced a big push into banking.

It also mirrors a move by U.S. rival Wal-Mart, which has teamed up with India's Bharti Enterprises, as the world's top store groups seek a foothold in India's $350 billion retail industry, amid forecasts it could double in size by 2015. Foreign multi-brand retailers are currently limited to wholesale or license and franchise arrangements in India.

Source- http://www.Reuters.com

Franchise India, Spa Siam tie-up

Franchise India Holdings Ltd is making a strategic move into specialty retailing under its new venture Franchise India Brands. To

fuel its retail plans, FIHL has joined hands with Spa Siam of Thailand to set up chain of beauty and wellness stores in India. These stores would offer the consumer the latest and natural range of beauty and wellness products. The concept of the stores revolves around delivering a complete package of natural skincare, beauty products and spa sol utions to consumers under one roof. “We plan to enter various specialty formats and we are starting this process with our entry in the beauty and wellness adornment vertical where we are partnering with Spa Siam,” Mr Gaurav Marya, President, Franchise India Holdings Ltd, said. To fuel its retail foray, FIHL will make an investment of Rs 20 crore. The company plans to open 120 Spa Siam centres across the country.

Source- Business Line, August 2008

Himalaya Intl ties up with Reliance, Bharti Wal - Mart

The BSE-listed food processing exporter Himalaya International announced on Wednesday its foray into domestic market through tie-ups with prominent retail players like Reliance and Bharti-Wal-Mart. Launching its products under the brand Himalaya Fresh, the company announced an initial investment of Rs 150 crore to set up a facility in Gujarat to make milk-based products.

Himalaya has tied up with Reliance, More, Wal-Mart and Bharti-Wal-Mart. The company has signed two separate agreements with Bharti-Wal-Mart and the US retail giant Wal-Mart for selling its product and undertake cash-and-carry operations in a wide range of products at wholesale prices.

While Bharti-Wal-Mart will handle the retail business through their mini, major and mega format stores, Wal-Mart will look after business-to-business operations including supply-to-retail, grocery set ups, hotels, restaurants and other catering joints.

Source-Business Standard, September 2008

TGP buys stake in Sriram Retail

The TPG Capital group will acquire 49 per cent in Chennai-based Shri-ram Retail Holdings Pvt Ltd, the holding company of Shriram City Union Finance Ltd (SCUFL), for $120 million. SCUFL is the consumer finance arm of the Shriram Group with a focus on consumer durable, two-wheeler, personal and enterprise financing across India. The transaction will necessitate a public announcement of an open offer for shares of SCUFL in compliance with SEBI's takeover regulations. TPG will beneficially own up to 26.7 per cent of SCUFL, excluding shares that may be tendered in the open offer. The investment is subject to approval of the FTPB and other regulatory agencies. This is TPG's second investment in the Shriram Group. In February 2006, the TPG, the erstwhile Newbridge Capital, invested about $100 million in Shriram Holdings (Madras) Pvt Ltd, taking a stake in its subsidiary Shriram Transport Finance Company Ltd. Shriram Group chairman, Mr R. Thyagarajan, said in statement, 'TPG has been a partner with the Shriram Group in its commercial vehicle financing business since

Source-* The Hindu *September 2008

APPROACH TO RETAIL LOCATION DECISION



Asitava Sen, Director,
Retail Consulting Division,
South Asia, The Nielsen Company

Asitava is Director, Retail Consulting Division for South Asia, The Nielsen Company. Nielsen is one of the largest Market Information Companies in the Indian retail space. Asitava has over 17 years of varied experience in management consulting and services industries in strategic planning and marketing in India and the Middle East. He is a specialist in the retail sector and has been closely involved with the development of organized retailing in India. He holds an M.B.A. from XLRI Jamshedpur and a B.E. degree in mechanical engineering from Jadavpur University, Kolkata.

The Geographical advantage

The organized retail segment is expanding at a rapid pace and Indian cities are experiencing a paradigm shift from traditional retailing to organized modern trade. Nielsen estimate suggests that organized retail in food and grocery alone has penetrated 108 cities spanning more than 4500 stores (2007 data)

Ask any retailer or a shopping mall developer what are the three most important things to their business and many will respond 'location, location, location'. Operating a store is a long-term commitment. There are lock-in periods in the lease agreements with landlords and significant investments are made in the interiors and equipments as consumers expect higher standards and expect the retailer to provide an 'experience'.

In today's competitive marketplace geographical positioning of the retail business is a crucial issue with which the retailers must tackle with. Important issue which haunt the retailer are

a) Target cities for roll-out?
b) How many stores can the market support in each location?
c) Best suited locations for their concept?
d) Should the stores be on the high street, in a shopping mall or part of an out-of-town complex?
e) Is the demand in the area enough to support the store? Is the ownership title clear? Will it get planning permission?



Simply speaking, all operating costs, except for lease rentals, are typically location-neutral. Hence the retailer's profitability at a given location is directly dependent on the revenue potential vis a vis the occupancy cost. A poorly located store can impact dramatically on the retailers bottom-line

FACTORS INFLUENCING LOCATION DECISION

TYPE OF PRODUCTS

Different types of products need different types of locations depending on factors such as the shopping occasion (planned vs. impulse), average ticket size or frequency of purchase.

Convenience goods require easy access, allowing the customer to quickly make a purchase. The product range is typically lower priced and purchased by a wide range of customers. Therefore a local market will be a better location than a destination mall for convenience goods.

A specialty destination store on the other hand may cater to planned one-time purchases. Furniture, cars and upscale clothing are examples of products found at a shopping store. Because the prices of theses items are higher, this type of customer will want to compare range and prices before making a purchase. Therefore, retailers will do well to locate their store near similar stores.

POPULATION AND CUSTOMER

Researching the catchment thoroughly before making a final decision on the location is a must in terms of information on the area's population, income and age. The retailers know who their customers are, so they need to ensure that they find a location where their customers live, work and shop.

Location Costs

Besides rent, a retailer needs to consider all other costs (such as labor or utility cost) involved when choosing a retail store location.

Accessibility, Visibility and Traffic

A lot of traffic does not necessarily translate into a lot of customers. Retailers want to be located where there are many shoppers but only if that shopper meets the definition of their target market. Small retail stores may benefit from the traffic of nearby larger stores. Is the area served by public transportation? Is there adequate parking? Can the store be seen from the main flow of traffic?

Competition and Neighbors

Other similar businesses in the prospective location can actually help or hurt a retail shop. A retailer has to determine if the types of businesses nearby are compatible for his store. For example, a high-end fashion boutique may not be successful next door to a discount variety store.

NIELSEN APPROACH TO DETERMINE LOCATION POTENTIAL

The Nielsen Company follows the following major steps for analyzing the potential for a given location or evaluation of relative attractiveness of alternate locations for Retailer and Shopping Mall Developers:



UNDERSTANDING CONSUMER SHOPPING BEHAVIOR AND RELEVANT CATEGORY SPENDS:

Qualitative research (Depth interviews and Focus group discussions) can provide insights on shopper behavior, reactions to concepts, attitudes and motivations. Quantitative research, through detailed interviews, among the relevant target group can help quantify the above and estimate demand and revenue potential.

DEFINING THE LOCATION CATCHMENTS:

The area surrounding the site of the proposed venture is divided into catchments such as primary, secondary, & tertiary defined with respect to the distance from the site and natural geographic boundaries. Providing an understanding of the existing demand and supply scenario through the following four-pronged approach can help determine potential:

UNDERSTANDING THE POPULATION CHARACTERISTICS AND DEMOGRAPHICS IN THE CATCHMENTS:

This involves a combination of primary and secondary research. Primary research involves profiling shoppers in all catchments in terms of demographics like age, gender, SEC, life-stage and affluence indicators. The same can be supported by secondary research such as National Readership Survey (NRS), which divides the city into micro-profiling zones (within top 8 metros) and provides consumer profile and product penetration data within each zone.

MAPPING OF EXISTING TRADITIONAL AND MODERN RETAIL INFRASTRUCTURE IN THE CONCERNED CATCHMENTS:

This involves in-depth Retail Infrastructure Analysis (RIA), which forms a surrogate to primary research to identify the catchments' retail potential in terms of:

- Retail Turnover, density, throughput for FMCG and Consumer Durable Stores
- Modern Trade activity

MAPPING LOCATION STRENGTHS AND WEAKNESSES:

This involves a site analysis, entailing a combination of desk-research, on-site visits and expert interviews among developers and other stakeholders. It provides inputs on location accessibility, modern trade and commercial activity, existing infrastructure and expected development in the immediate vicinity around the site.

Conclusion

The costs associated with developing new stores are extremely high, all hitting the bottom line if the store does not perform as expected. Poor marketing, merchandising and management can all be improved but there is nothing much one can do with a store that is poorly located store. Leases are long and tend only to go up. Build and refurbishment costs are also increasing. Arriving to a retail location decision can be a complex process, but it is simply unavoidable for retailers looking to excel in today's competitive marketplace.

New Product Launches & Diversification

Salora forays into retail with digital electronics stores Terminal

Salora International has rolled out its chain of digital electronic retail outlets under the brand name **Terminal**. With nine stores in the Capital currently, the company, working on a neighbourhood concept, plans to be a national player in five years.

The company said it recognised a gap of digital focus stores in the friendly neighbourhood category that it hopes to fill with Terminal. Salora Retail Venture is targeting the 35 cities whose weighted average in value of sales is higher. The 900-sq. ft (on an average) stores will be standalone ones, at "3-4 km from the consumer's house," designed to "sell an experience first".

Salora, which has exclusive single brand tie-ups with Sony Ericsson in North India for about 10 stores, and Virgin Mobiles in North and East India for kiosks, is also in talks with other players to set up and manage their stores. Currently, it has about 17 Virgin Mobile kiosks in various malls; it is hoping the association with the mobile maker is extended to cover their plans for Virgin stores too.

"Retail is an extremely dynamic industry and it is important to build right competencies. Leveraging on the supply chain abilities of the group as well as their domain knowledge and relationships, we have been able to tie up the backend of this operation successfully," said Mr Sanjive Sethi, CEO, Salora Retail Ventures Ltd. The retail stores are also expected to benefit Salora International's LCD TV business.

Source- The Hindu September 2008

Australian dry cleaning major to launch retail chain

Australian dry-cleaning and laundry major Brown Gouge has entered into a technical collaboration with Delhi-based Diamond Fabcare to launch retail chain 'Wardrobe'. With an investment of Rs 150 crore in the first phase, Wardrobe will spread its footprint in the North initially and look for a pan-India presence in a three-year horizon.

Under the collaboration, the 93-year-old company will provide the technical knowhow of running the business, besides developing a supply chain system and conducting training programmes.

'Wardrobe' will deploy equipment imported from Europe and the US, besides using fabric-friendly chemicals. The garment and upholsteries will be picked from its retail outlets and cleaned at a central processing unit.

According to marketing information company AC Nielsen, the dry cleaning and laundry industry in India is estimated at Rs 3,000-3,500 crore. Demand drivers such as the rising number of working women and awareness on dressing right and growth in hospitality and retail sector is giving a fillip to the sector.

The company is targeting both institutions and individuals for its growth.

Source- Business Line September 2008

Azim Premji buys 10% in Subhiksha

Azim Premji, promoter of Wipro, has bought a 10 per cent stake in food and grocery retailer Subhiksha for about Rs 230 crore. This transaction was done by Premji's personal investment entity Zash Investments Ltd.

After this transaction, Subhikha's promoters will have 59 per cent stake in Chennai-based retailer, followed by ICICI Ventures' 23 per cent. Mutual funds have 5 per cent holding. The employees control 3 per cent stake through stock option route. Premji's stake purchase in Subhiksha follows his decision in April to buy a 2 per cent stake in Kuotons Retail for about Rs 20 crore. He earlier bought more than 3 per cent stake in a Bangalore-based textiles-related company, Himatsingka Ltd.

In June, Subhiksha had acquired a 40 per cent stake in Blue Green Constructions and Investments, a non-banking finance company (NBFC) listed on the Madras Stock Exchange (MSE), for Rs 2 crore.

Subhiksha plans to merge Blue Green with itself and the merged entity will be called Subhiksha Ltd.

Source- Business Standard September 2008

Yamaha Launches Mumbai Lifestyle store

Yamaha Motor launched its first new-age lifestyle company-owned store at Malad in Mumbai, which will display accessories and apparel besides the latest bikes from the company. Yamaha has similar showrooms in Delhi and Pune.

Source-* Business Standard , *August 2008

Suncity launches `Jewel of India` A unique retail concept worth Rs. 2000 Cr

Suncity Project (P) Ltd a real estate developer announced the launch of 'Jewel of India', a unique retail concept set to revolutionize the retail sector in the country.

With an investment of approximately Rs. 2000 crores, 'Jewel of India' is touted to be next retail heaven of India quite justifying its punch-line 'A world in a city'. It is a concept aiming to change the realms of the real-estate industry. It will be a one-of-its-kind destination that promises to offer retail, office spaces, and hospitality & entertainment options. The projects will be spread across India in Mohali, Greater Noida & Indore, besides Jaipur (the first of the series).

'Jewel of India', Jaipur, a 40 lacs sq. ft proposition is on the 8 lane expressway at JLN Marg is strategically located at the heart of Jaipur, perfectly connected with all major landmarks of Jaipur.

The hospitality segment of 250000 sq. ft., a joint collaboration with one of the top international 5- Star hotel, is dedicated to provide you the divine luxury. Jewel of India also offers the world class office block with plush Business Suits and state-of-the-art Business Centre, spread across 350000 lac sq. ft. promises to give your business a global feel.

Jewel of India will also house an exclusive entertainment segment plush with a food court, 6 screen multiplex by Fun Cinemas & Viking, a high tech gaming zone. Both are sister concerns of Suncity Projects.

Source-* Business Standard *July 2008

EFFICIENT SUPPLY CHAINS FOR RAPID ECONOMIC GROWTH



Martin Dlouhy, Managing Director
Metro Cash & Carry India.

Martin Dlouhy is the Managing Director of METRO Cash & Carry (MCC) and is responsible for the overall operations of METRO Cash & Carry in India.

Under his leadership METRO Cash & Carry India has embarked on a pan-India expansion and has raised the organization's delivery capability to international standards.

In his earlier roles as the Managing Director, METRO Cash & Carry, Czech Republic & Slovakia and the Expansion Director and Member of Management Board, METRO Cash & Carry Russia, Martin has been instrumental in setting up business in Russia and Slovakia.

Prior to METRO Cash & Carry, he was the Managing Director of McDonalds, Czech

Martin holds a Masters degree in International Business from the Prague School of Economics and a degree in Advanced Management Studies from the London Business School.

Martin interests include Food, Designing, Skiing and Mountain Biking.

In today's globalising world, a major discussion point is also bilateral and multilateral trade, and the formation of trading groups and FTAs However, rarely is collaboration or learning from each other discussed in an area which is a fundamental building block of a nation's economy the way in which goods and services are distributed. Distribution is at least as important as manufacturing or farm production. An efficient supply chain consisting of infrastructure, systems and distribution concepts and formats goes hand in hand with the rapid development of the economy and the general well being of the populace. Efficient supply chains have several very important bearings on development:

- Lower costs, leading to lower prices, which lead to higher consumption.
- Reduction in investment as stock holding in the supply chain is reduced.
- Reduced losses from point of production to consumer. This is particularly true in the case of fresh produce like fruits and vegetables, meat and fish.
- Improvement of quality and food safety.

It has been proven globally that modern systems of distribution for both food and general merchandise are a pre-requisite for economic development.



PROSPECT

In an environment where both infrastructure and systems and formats are allowed to develop and enough scope is allowed for innovation and experimentation. The removal of systemic bottlenecks and the provision of a predictable legal and regulatory system go a long way to developing an efficient but multi-dimensional supply chain. The key learning is that for an economy to grow rapidly, a variety of supply chain systems must develop, and continuously adapt and become more efficient.

INDIA'S CHALLENGES

One of the greatest challenges that India faces is the ***development and modernisation of its distribution infrastructure***. With the

"green revolution" in farming and the"white revolution" in dairying, India has long overcome the era of food shortages, and is, in fact, surplus in many areas. The dismantling of the "license permit raj" in the last 10 years has led to a similar situation in most other merchandise. Virtually all categories of goods are available in India, manufactured within the country by both domestic and international companies. The shortage economy is a thing of the past, but the supply chain remains inefficient and unidimensional. As the Indian economy grows. The range and diversity of products available will continue to increase. Virtually all manufactured goods from soaps to matches to clothing to refrigerators follow the same multilayered chain which includes C&F agents, distributors,wholesalers/dealers, and retailers.

The chain for agricultural commodities also has a number of intermediaries, often as high as seven, before what is produced on the farm reaches the consumer. The agricultural supply chain is further distorted by a series of rules and regulations that restrict movement between states, define limited areas where trading can take place, and put severe restrictions on how much can be stored by any one person or entity. This situation has severe economic consequences. In the case of manufactured goods, For example, the **lack of a national VAT** system necessitates the creation of at least one C&F agent in every state by every manufacturer, so as to avoid paying Central Sales Tax (CST). Another consequence of this multi point stocking is an increase in product damages or at least deterioration in quality, since these are often stocked in unsuitable conditions.

Fragmentation makes it very difficult for a new entrant to build distribution. This acts as a huge entry barrier, leading to an overall lowering of competition in the economy. The small entrepreneur, deprived of an ability to cost effectively and reach his product to the consumer, has at best to remain content with being a local player, or more likely, cease his business.

Proper handling, especially by ensuring a proper cool chain, can lead to significant increases in shelf life, and decreases in losses. It is estimated that the damages and losses for fresh products in India are as high as 35 per cent between the farm gate and the consumer. This colossal waste not only reduces nutritional security and raises prices, but also means that the farmer does not receive the full value for his harvest.



An example of fruit juices can be used to best illustrate the impact of diversification in distribution formats. It is accepted by all that drinking more fruit juices would be beneficial to health, and also that packaging fruit juices would go a long way in ensuring that a lot of the fruit harvested in the season is not wasted but used over the whole year.

The farmer would also get better prices for his crop as processing would provide an alternative to immediate consumption. If one compares the situation between India and Germany, there is a sharp contrast.

In Germany, there are hundreds of different packs of a vast number of types of fruit juices available at different prices to suit every consumer's taste and purse. All these are able to be sold to consumer because a wide variety of retail outlets with their attendant supply chains are available. These range from convenience stores to supermarkets, hypermarkets, discount and department stores. Wholesale formats such as Cash & Carry also fulfill a role.

No one type of outlet keeps all the types/pack sizes or price range of fruit juices available, but each focuses its offer on its

customer base, and links itself to different manufacturers who in turn are linked to different farmers/cooperatives and/or fruit wholesellers. In contrast, India has perhaps two-three juice manufacturers who have a national presence, and perhaps a few more with regional distribution. Only a small number of varieties of juice are available, and that too at prices that makes them prohibitively expensive for a middle class consumer. This is despite the fact that India is the largest producer of fruits in the world. It is also not as if there are no processing facilities available there are a very large number of processing plants set up in various growing areas and in food parks promoted by the government, but most of these plants are lying idle.

Seeking solutions based on experiences

Clearly, there are three main areas of focus that emerge from the experience that Germany and Europe have had.

(a) Building of supply chain infrastructure

(b) Removal of legal and taxation bottlenecks to the development of a unified market.

(c) Active facilitation of the development of different distribution formats in both the wholesale and retail sectors.

It is pertinent that Sam Walton, the legendary founder of Wal-Mart, the world's largest company, is reported to have said that the success of Wal-Mart in providing the American consumer a wide variety of goods at “everyday low prices” was due in great measure to the US government highway building programme. This enabled Wal-Mart to move merchandise efficiently and also allowed customers to access its super-centres easily.

The speed at which such infrastructure is developed will determine to a large extent the speed of economic development. The involvement of private investment in these areas would go a long way towards ensuring India's economic future. One of the key factors for the success of the European, and especially the German economy, has been the creation of a truly common market with harmonised trading and taxation systems.

The impact on efficiency in the supply chain, and overall economic activity of a stable, reliable and transparent taxation and legal regime cannot be overstated. Seemingly innocuous provisions in the legal systems and tax codes can place enormous burdens on trade and commerce.

While the Indian economy has changed in character in the last decade, the underlying structures have not been adequately addressed. The move to a VAT system is a step in the right direction. The creation of a unified national market for agricultural products is an even more imperative task. Various legal constraints on procurement, storage, transportation and selling of agricultural commodities like fruits and vegetables, grains and spices, has produced a system which seems to work on the surface, but is, in fact, riddled with a lot of waste, inefficiency and a lack of transparency. In the final analysis, this affects both the farmers and the consumer adversely, leading to low realization for the farmer, and high prices for the consumer.

Finally, policy makers also need to recognize that active encouragement of diversity and competition in the distribution sector is a major factor in the rapid development of the economy. In the Indian scenario, this would involve a concerted effort to resolve many of the ambiguities that exist in definitions of various forms of trade and commerce, which lead to disputes and litigations. Also, the lack of clarity in zoning regulations in cities as well as in property ownership leads to a very stunted growth in distribution infrastructure. The need of the hour is to foster the development of different forms of distribution, often overlapping and competing with each other, and not to create entry barriers or undue protection to an existing system.

Conclusion

Supply chains and their efficiency are often overlooked as key determinants of economic progress. Modern, multi dimensional distribution formats, using the latest but relevant technologies, are the need of the hour in India. The country has already demonstrated its ability to master technology, especially the IT-based management systems that characterise efficient supply chains. Innovative concepts such as Cash & Carry can help dramatically improve the supply chain, especially for the benefit of the farmer and fishermen that the Indian government is making such strong efforts to support. To truly emerge as an economic powerhouse, India needs to take the steps that Germany and Europe took in developing its distribution infrastructure and systems.

CHANGE OF GUARD

Varghese Named CEO of Aditya Birla Retail

The Economic Times July 2008

The Aditya Birla group appointed Thomas Varghese as the new chief executive officer of Aditya Birla Retail, replacing Mr Sumant Sinha, who will move out after spending six and half years with the group. Thomas Vaighese is currently a senior executive president and head of Grasim's pulp division. The move comes at a time when the retail sector has slowed down due to high real estate costs and lesser purchasing power with the consumer. Other large players including the Reliance, the Future group and the Tatas, being hit by the slowdown. Mr Varghese will report to the chairman and will be based in Mumbai.

Former Lotte MD Joins Subhiksha Business Line

The Economic Times July 2008

Mr K.V. Ramachandra, former Managing Director of Korean confectionery major Lotte India Corporation Ltd has joined the leading discount retail chain Subhiksha as Senior President He will be in charge of the company's proposed retail venture 'home electronics', which will include consumer electronics and home appliances. Before joining Lotte India, Mr Ramachandra was with Pepsi India as Director Sales. Earlier, he was with the Dubai-based Jumbo Electronics as General Manager for over nine years. Commenting on this development, he said, it would really be very challenging and exciting to be part of the retail revolution that is happening here.

Bharti Enterprises reshuffle top brass

The Economic times August 2008

Bharti Enterprises, a business group with interests in telecom, retail, financial services, realty and agri business, put in place a new corporate structure at its apex level to strongly build emerging businesses as well as enhance empowerment to functions and other developed businesses.

Under the new structure, Sunil Bharti Mittal will be the group CEO and chairman, while there would be two vice-chairman and MD posts, held by Rajan Bharti Mittal and Rakesh Bharti Mittal respectively. The company's group CFO, Akhil Gupta, has been elevated as group deputy CEO and MD while Manoj Kohli has been appointed as Bharti Airtel's CEO and joint MD. Bharti Airtel is the country's largest mobile operator. The office of chairman and the group CEO has been created with the primary focus of seeking growth opportunities, guiding businesses, securing the financial health of the group and developing talent, a company statement said. Rajan Mittal, who has been elevated as the vice-chairman and MD, will be heading Bharti Retail, a cash-and-carry and realty business. Akhil Gupta, currently the deputy group CEO and managing director, will head the tower infrastructure unit, Bharti Infratel and Bharti's financial services and software business. He would continue to be on the board of Bharti Airtel. Further in the rejig, the group's functional directors have been empowered to enable them to shape all businesses at Bharti. The group's functions would leverage the best practices and synergies to create an environment of partnership and collaboration.

Major Appointments at Mahindra & Mahindra

The Economic times August 2008

Mahindra & Mahindra (M&M) has appointed Louis Pereira as the chief executive officer of its automotive arm. Pereira would be at the helm of Mahindra Automotive Limited (MAL), overseeing development of the Chakan plant, which would manufacture new products from M&M and Mahindra Navistar Automotives Ltd.

Among other major appointments, the automobile major named Rajesh Jejurikar as chief of operations, while Rajan Wadhera is the new chief of engineering and development. The appointments are effective from August 1, a company release said.

Jejurikar would be heading end-to-end operations, in addition to his current sales and marketing function and will also oversee its manufacturing business. Wadhera, who will head product engineering and development would also be in charge of materials management function, the release added.

In another release, the company said that Jejurikar will step down as managing director from Mahindra Renault Private Limited (MRPL), a joint venture... between M&M and Renault S.A. of France, with effect from October 1.

Nalin Mehta, current chief operating officer of Mahindra-Renault, will be its new CEO. Jejurikar will, however, continue on the board of MRPL.

Ashok Bhasin joins Wadhawan Retail as MD

The Economic times September 2008

Wadhawan Food Retail Pvt Ltd (WFRL), one of India's leading retail companies, has announced the appointment of Ashok Bhasin as the managing director for its entire business.

In his new role, Ashok will be fully responsible for designing the company's business plans and strategy and leading the overall operations across all brands under the WFRL umbrella (including Spinach, Sabka Bazaar, Smart, & Sangam Direct) and also the future expansions across all formats.

Mr Bhasin has rich experience and accomplishments in diverse roles in companies like Lakme, Reckitt Benckiser (then Reckitt & Colman), Whirlpool of India & Whirlpool Corporation, USA.

ROLE OF GLOBAL STANDARDS IN RETAILING



Ravi Mathur,
CEO, GS1 India

***Mr. Ravi Mathur** has been associated with GS1 India (earlier EAN India) since 1998 in promotion of globally accepted GS1 Supply Chain standards. Consequent to the efforts undertaken by GS1 India, despite near absence of Organised Retail, over 80% of consumer products today incorporate GS1 barcodes.*

***Mr.Mathur** is also instrumental in setting up ECR India with leading FMCG manufacturers and suppliers which is driving standardization within the FMCG Supply Chains in India.*

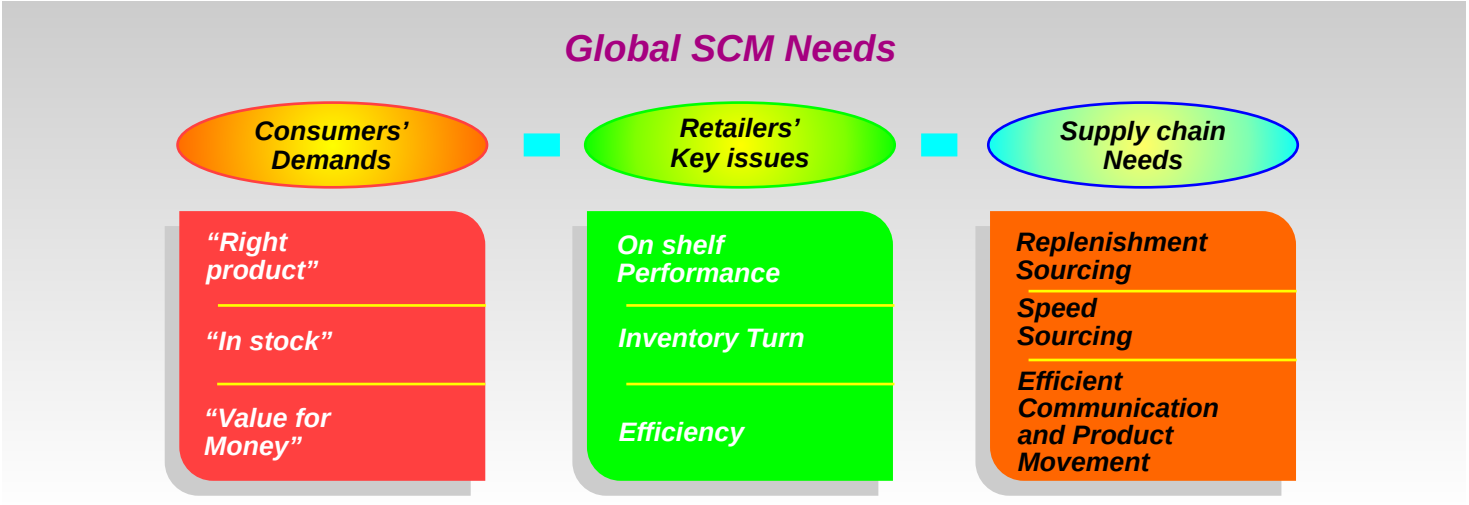
***Mr. Mathur** is on the Board of RosettaNet U.S., a body representing the high tech sector on standardisation. He has been the Regional Coordinator for GS1 organisations in the Asia Pacific region and is a key member of the Global Advisory Council of GS1 on global strategies since 2001.*

He has over 30 years experience across Industry/service sectors including in Larsen & Toubro, Sprint RPG, General Electric etc. He is a graduate in Mech. Engineering from I.I.T. Delhi.

Amongst the challenges a Retailer faces today, a major one relates to supply chain efficiency. Worldwide, supply chain costs contribute to a huge 20% of a product's cost. One can therefore appreciate the importance of leveraging supply chain efficiencies as it can be an important determinant of profitability. This in turn requires accurate and updated supply and demand management.

From the demand side, a Retailer would like to know his stock status across locations at all times with detailed analysis reports on what is selling, how much and when. This in turn facilitates him to build sales forecasts based on actual demand, store-wise and location-wise so that he can manage his dynamic sales ordering on vendor/suppliers more accurately and tune them to dynamic market environments. In addition, he can track & trace all his SKUs at all times, whether for new or old stocks and efficiently track his products/consignments across locations in transit.

Supply Chain Management focuses on the flow of goods, information and funds, right from basic raw material supplier to the end customer.



Some of the key challenges faced by supply chain partners today are long queues at check out counters, high cost of electronic security systems, lack of in-transit information at the backend, poor communication network between Retailers and suppliers and lack of adoption of standardised product identification and codification.

Global standards in barcoding

A key enabler in facilitating some of the above is the use of International standards in barcoding which can uniquely and universally identify products/consignments/locations etc. and are recognized by all trading partners in the supply chain including the supplier, distributor, freight forwarder, Retailers etc. When used with barcoding, this helps to automate the data capture process with 100% accuracy and in microseconds across the supply chain. In turn, this eliminates manual errors in despatches/stock taking, repetitive data entry by supply chain trading partners etc.

Retailers in particular benefit from not having to apply additional barcode labels/tags to SKUs using proprietary product codes and thus saving labelling/tagging costs at their end. As is done worldwide, this task is performed by suppliers/vendors who use the International product codes based on GS1 standards which can be read easily by barcode scanners at the Retailers' end. This facilitates uniform product/goods identification by all supply chain trading partners.

The benefits of adopting global standards in barcoding include accurate product and information flow across the supply chain and its associated benefits in demand and supply management of SKUs, speedier check-out process at the Point of Sale, accurate billing, reduced data entry and increased data accuracy, easier product identification and overall reduction in costs.



Other challenges faced by Indian Retailers

Description	Retailer I	Retailer II
Out of stock	45%	30%
Inventory hold up	2-15 days	2 days
Replenishment lead time	5-7 days	Not available
Direct labelling (per label)	12.5 paise	15 paise
	(Rs. 3.6 lakhs p.m.)	
Associated labour + admin	0 (outsourced)	70 paise
Rework costs (wrong labelling)	5% of total costs	15%
Non-scannable barcodes	70%	Not available

Names and identities of respondents have been withheld on request

Almost all major Retailers operating in the country like Reliance Retail, Bharti-Walmart, Aditya Birla Retail Ltd., Spencers, Shoprite etc. are now scanning GS1 barcodes.

Global standards in emerging Retailing technologies

(A) RFID (Radio frequency identification): RFID is the new generation identification technology for improved tracking and tracing within a supply chain. RFID facilitates quick and accurate counts of store inventory, giving stores reliable information for deciding when to reorder and how much to reorder. This can substantially improve a Retailer's revenue picture.

Shrinkage, resulting from employee theft, shoplifting, administrative and paper error, and vendor fraud is a huge concern for Retailers that RFID can address. The Global Retail Theft Barometer, recently published by the UK-based Centre for Retail Research, says Indian Retailers have lost about Rs.9,691 crore in 2007 due to shrinkage and wastage. According to the University of Florida's 2002 National Retail Security Survey, Retailers in the USA alone lost US$31.3 billion to shrink. A 2003 report by Ernst & Young estimates an even higher amount - some US$46 billion annually. And these figures do not include losses due to spoilage/expiration, obsolescence, misplacement, and markdowns caused by poor merchandise management, all of which could be reduced by the better monitoring of objects and their handlers through RFID.

GS1 EPCglobal leads the development of industry-driven standards for the Electronic Product Code (EPC) to support the use of Radio Frequency Identification (RFID) in today's fast-moving, information rich, trading networks.

(B) Electronic Data Interchange (EDI): EDI can be conceptualised as paperless trading. A common and useful definition for EDI is the transfer of structured data, by agreed message standards, from one computer application to another by electronic means and with a minimum of human intervention. The structuring of data by agreed message standards implies that the data or information to be exchanged is recognisable, both in content, meaning, and format, allowing it to be processed automatically and unambiguously by computers.

Possible applications of EDI include electronic transfer of information of product data, price, purchase orders, despatch advice, order receipt messages, invoice, etc. The idea behind EDI is to minimise human intervention in this exchange and allow employees to focus on business processes rather than administrative functions.

GS1 has developed implementation guidelines for EDI following EANCOM (subset of UN/EDIFACT) & web based XML messaging standards. GS1 standards are endorsed by ISO and embedded within EDI standards for unique party, location & product/consignment identification

(C)Global Data Synchronisation (GDS): The use of technology for automatic aligning of product data between suppliers and Retailers is a revolutionary concept. In the absence of such real time application-to-application product data alignment, frequent errors in ordering, dispatches and invoicing take place which lead to highly avoidable administrative costs in effecting corrections etc. In U.S. alone, which otherwise has highly automated supply chains, it costs US$ 60-70 as administrative costs for correcting each wrong dispatch or order.

Item master contamination due to duplicate product codes, rogue codes, mismatches, etc. is yet another concern that is eliminated by adoption of data synchronisation. Besides, data



synchronisation allows trading partners to transmit product data selectively to different Retailers based on mutual agreements and promotes increased data accuracy

GDS is a global, Internet-based initiative that will enable companies around the world to exchange accurate, up-to-date, standards-compliant supply chain information. By improving information accuracy, companies will be able to reduce costs and improve the efficiency and performance of their business processes, such as inventory management and replenishment, order reconciliation and new product introductions.

(**About GS1 India:** GS1 India is a not-for-profit standards organization promoted by the Ministry of Commerce and Indian Industry to spread awareness and provide guidance on adoption of global standards in Supply Chain Management by Indian Industry for the benefit of consumers, Industry, Govt. Etc.)

The author is the CEO of GS1 India and can be contacted at rmathur@gs1india.org

International Retail Events

1. World Retail Congress
May 6-8 2009 Barcelona, Spain

For more information please contact
Kate Gallagher Senior Content Producer
Tel: +44 (0)20 7728 4763
Mobile: +44 (0)7966 143 754
Email: kate.gallagher@emap.com

2. Retail Week Conference 2009
18 19 March 2009, London, UK

For further details please contact:
Ms Bindi Binning
+44 (0) 20 7728 5259
email bindi.binning@emap.com

3. NRF Human Resources Executives Summit 2008
October 14-16, 2008
The Westin Michigan Avenue Chicago

For more information please e mail:
Eileen Pryor pryore@nrf.com or
Dan Butler butlerd@nrf.com

4. Retail Advertising Conference 2009
February 25-27, 2008
Las Vages, Mandalay Bay, USA

For more information please contact
Mr Tami Sakell
sakellt@nrf.com or +00202-661-3044

5. European Supply Chain & Logistics Summit
11th 13th May 2009 Swissôtel Düsseldorf Germany

For more information:
Mr Andrew Richards
Andrew.Richards@wtgevents.com
Tel +44 (0)20 7202 7560 -
Fax +44 (0)20 72027600

6. FICCI Foodworld India
Global convention for Food Business & Industry 13-14 November 2008 at Hotel Intercontinental the grand.

For more information please contact :
Mr Sudhir Zutshi, Senior Assistant Director
Federation House,Tansen Marg,
New Delhi-110001(India)
E mail: Sudhir.cifti@ficci.com

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RETAIL DIVISION

Mr Sameer Barde
Senior Director

Head Retail, FMCG, Agri Business and FICCI Young Leaders Forum
Phone: 011 -23311920
Sameer@ficci.com

Mr Arvind Singhatiya
Assistant Director

Retail Division
Phone: 91-11-23738760-70 (#221),
Fax: 91-11-233202174, 23721504 Handphone: 9968360521
Sarvind @ficci.com

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Sudhir Zutshi/Arvind Singhatiya
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To join the delegation, Contact:
Mr. Dhiraj G. Gyani
Assistant Director,
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Federation House, Tansen Marg, New Delhi-110001, India
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