



Management consultant Harminder Sahni analyses the highs and lows of the fashion retail industry. Covering a spectrum of topics, each month he looks at the need of the hour for India.

Growing opportunities for Department Stores

Shoppers Stop, India's leading department store chain, can very well be given the credit for starting the modern retail sector in India. When B. S. Nagesh with the support of the Raheja family converted an old cinema hall into India's first department store in the early nineties, the terms modern or organised retail wasn't even a part of the business lingo.

That single Shoppers Stop store in Andheri, in Mumbai, was a runaway success as it offered the new Indian consumers a better place to shop and showcased whatever limited brands that were available in the Indian market.

As compared to the definition of a typical department store in a developed market such as the U.S. and Europe, Shoppers Stop was way too small. It had very few departments and offered mainly men's clothing and some other items. But, nonetheless in hindsight it was a significant first step in the evolution of India's own modern retail sector.

Shoppers Stop's successful entry into

other cities and the opening of various malls made quality retail space available and this encouraged players such as Pantaloon, Lifestyle and Westside to launch department stores in competition.

Pantaloon, the first format launched by Future Group, was clearly inspired by Shoppers Stop's success, and the group leapfrogged to open numerous formats including Big Bazaar, Central and Food Bazaar. Over the years few more players have launched department store chains but the market has always been dominated by the initially launched four chains namely Shoppers Stop, Westside, Lifestyle and Pantaloon.

In my analysis, amongst these four players, Shoppers Stop has a very distinct strategy of being a "house of fashion brands" and has kept the course over the

last two decades. With a loyal consumer base of 1.8 million consumers accounting for more than 70 per cent of its sales from 34 stores in 14 cities across India, Shoppers Stop is now poised to double its number of stores in the next two years. It is quite astonishing that what Shoppers Stop has achieved in 20 years, it will achieve the same in the next 20 months! On top of it, the company is delivering stupendous profits consistently for the last many quarters, and seems to be on strong footing to continue delivering better results in the positive economic and consumption environment.

Lifestyle and Pantaloon do offer some competition to Shoppers Stop, but they aren't distinctly seen as a "house of fashion brands" by consumers due to large proportion of private label brands



and other departments. Some people see a lack of large kids department in Shoppers Stop as a gap in offer, but it does support the positioning of a more matured store that is focused on fewer areas, and consumers seem to be loving it.

With lesser emphasis on private labels, Shoppers Stop enjoys far more leverage and support from brands that don't see it as a competitor in the disguise of a customer. The relationship

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a shirt from Arrow can be matched with a trouser from Colorplus and be coordinated with a tie from Zodiac in one go on the men's floor in such a department store. The whole proposition is so obvious and compelling and when we add to it the benefits of customer-loyalty points that the consumers earn while buying across brands, it gets even more intriguing that there is only one Shoppers Stop that is milking this opportunity.

I see the main reason for others missing on this opportunity is the whole excitement of adding private labels to their offer either for extra margins or for putting pressure on brands. In this process, most of the other department stores have diluted their position by offering cheaper versions of brands under their private labels.

As they say that a retail store's brand positioning is closest to the lowest positioned brand it offers, and this has positioned some of our leading department store chains lower than their intended positioning. With a far wider range of prices, these department stores have been trying to become everything to everyone, and in the process have not been able to create a core customer base.

I see a really exciting opportunity for a department store chains that can clearly focus on upper-middle to premium consumers with a sharp positioning as "house of brands." A chain of such stores can go to around 40 top cities in India with a million-plus population, and open around 100 stores in the next 4 to 5 years, and be a business worth Rs. 2,000 crore plus. I recognise that it will need a very bold promoter to try to do what has taken Shoppers Stop 20 years to achieve in less than 5 years. But, given the fact that the market opportunity is far larger today and it is growing even faster, availability of retail space in malls, which are getting bigger and better every year, and the presence of a very large number of Indian and international brands, it should be an achievable dream. **BoF**



is far neater and structured and lends itself to greater commercial benefits for all stakeholders.

I firmly believe that a department store focusing mainly on offering fashion brands is a really strong proposition from consumers' point of view as well. The malls today are flooded with brands and consumers are continuously figuring out the real value that is being offered by a plethora of players from all over the world. I have always maintained that Indian consumers, specifically in the case of fashion brands, have never been "brand loyal" but have been "loyal to brands." Most consumers have a certain set of brands that they consider and depending on the offer of the season

from these brands they make a selection for their wardrobe.

This set of brands is also not static and consumers are adding new brands and deleting old brands continuously. The biggest challenge for brands is to either maintain their position in that consideration set or somehow become part of this coveted set. While consumers are making these evaluation and selection, the whole process is quite tedious if the consumers have to go from one brand store to another.

This is where the role of department stores as "house of brands" come into play. Not only consumers can look at many brands at one place but they can also buy across categories. For example,