

The retail challenge

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He is acknowledged as an expert academic voice and researcher in retail worldwide. His papers on the subject have been carried by the Harvard Business Review, Financial Times and The Journal of Marketing.

Thirty-six-year-old Nirmalya Kumar is of Indian origin, a US citizen, and currently working as professor of marketing and retailing at the International Institute for Management Development (IIMD), Lausanne, Switzerland. He also dons the cap of

director, strategic marketing for retailers, an executive development programme at the institute.

He has worked in a consulting capacity with a number of companies in countries such as France, Japan, the US and UK and a number of others. He is also currently working with a few undisclosed Indian companies on retail re-strategy and retail training.

On a recent visit to the country, he spoke to Brand Equity on how viable

supermarkets can be in the emerging Indian market place which is seeing shifts in consumption habits thanks to more purchase options.

NIRMALYA Kumar defines his role as that of a "learning partner with global companies." He has been with IMD since 1995, after a three-year stint at Simel College of Business Administration, followed by a year at The J.L. Kellogg Graduate School of Management, both in the US.

While agreeing that retailing in India holds promise in terms of tremendous upgradation, which can well spell supermarkets, Kumar points to an undeniable reality. "Retailing in India still remains just the same as it has for several generations, with small, independent, owner-managed shops constituting a chunk of an estimated 10 million retail outlets that dot the country's landscape. It still is an underdeveloped faculty,

with emphasis only on distribution."

He draws attention to the just about 30-odd supermarkets in the country in contrast. "And these are primarily two-to-three-store chains only."

The bigger problem for supermarkets, however, lies typically in establishing cost and technology dynamics to achieve suitable operating efficiencies and logistics to run a business-viable supermarket chain.

"The existing multi-level distribution system, even in major metros in the country, operates very efficiently at margins varying from 15 per cent to 25 per cent. For a supermarket, on the other hand, the cost structure is typically thus: three per cent for property, 3.5 per cent for labour, air-conditioning, lighting and interest costs will take another five per cent to six per cent. Then there are promotional costs and tax obligations. That leaves a virtual wafer-thin net margin. The traditional