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DAMAGE CONTROL

Product recalls have serious financial implications for companies. With consumer safety and brand perception on the line, ensuring timely action and customer convenience can mitigate the costs involved

ROHIT NAUTIYAL

The cost of preparedness is high. In recent weeks, General Motors India has learnt that the cost of unpreparedness is far higher. At the time of going to press, the world's second-largest carmaker was facing a fine of at least ₹3.4 crore for violating technical specifications in the manufacturing of its sport utility vehicle. While the company had suspended production and sales of two Tavera variants earlier, last month it recalled over 1.14 lakh units of the brand sold since 2005. GM has also reportedly sacked more than two dozen executives in the country for possible oversight and was facing a big blow to its brand image.

India is not new to product recalls. But things have come under the spotlight

Train sales and marketing teams in product recall management

NIRANJAN NADKARNI
CEO, TÜV SÜD SOUTH ASIA

because of the intense media gaze and the proliferation of social media now. Sectors like automobile seem most vulnerable. Data made available by the Society of Automobile Manufacturers (SIAM) shows that between July 2012 and June 2013 more than 3 lakh vehicles have been recalled in the country by Honda Motorcycle and Scooters (HMSI), Ford, Mahindra & Mahindra, Toyota, Nissan, Honda Cars, and Renault put together.

Vishnu Mathur, director general of SIAM, says even until a few years ago, car manufacturers recalled vehicles without using the term 'recall'. "Earlier a product recall situation was disguised as 'special service'. Today no company can resort to such camouflage and put consumers at risk," he says.

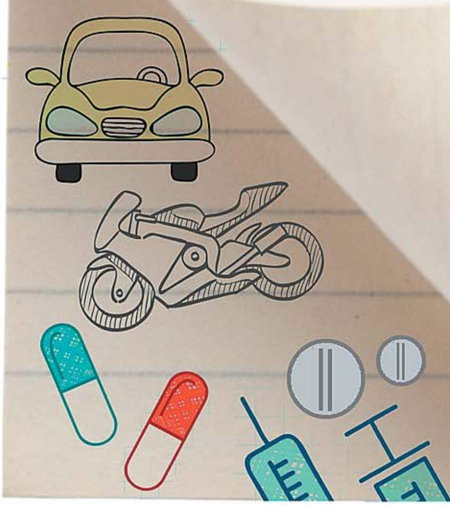
VG Ramakrishnan, MD, Frost & Sullivan South Asia, adds, "Consumers in India are exceptionally well-informed about their rights. While product failure rates are higher in categories like toys and fast moving consumer goods (FMCG), it is not easy for consumers to swallow the bitter pill of recall in automobile as the upfront payment is way higher."

Indian corporations are still not comfortable discussing the issue. When The Strategist approached the country's top five car manufacturers to understand the challenges related to product recall for this article, all of them declined to participate. "Even when recalls are done by companies voluntarily, the average consumer looks at it with suspicion," says a marketing executive with one of the auto companies, who didn't want to be identified in the article. "Manufacturers consider this a sensitive matter which should be resolved without it impacting their brand image. Also, marketers think the moment you utter the word 'recall', the

"COMMUNICATION NEEDS TO BE TRANSPARENT AND TIMELY"

In the last few years, the Indian auto industry has not just risen in numbers but also matured in perception. The recall of vehicles is a serious situation that needs a measured response. The Society of Indian Automobile Manufacturers put in place a Voluntary Code on Vehicle Recall last year, which draws from global best practices in handling such situations. The biggest take-away from the Code is that a recall is not something that is necessarily negative. As norms and regulations change, vehicles may need to be recalled to adapt them to new norms. It can be seen (and communicated) as a proactive step by the company to ensure consumer comfort and safety and address environmental concerns. The company must put itself in the shoes of the consumer. These are some of the must-dos:

- Have a communication SOP (standard operating procedure) in place so that you can get into gear quickly
- Communicate proactively once you take the decision to recall
- Take your dealers into confidence and include them in your plan
- Be transparent about the situation and the reason for recall, both with consumers and with other stakeholders, including the media
- The biggest concern should be the convenience of the consumer; so there should be clear communication about which vehicles are being recalled, what the process is and who he or she should get in touch with (ideally, there should be a helpline)
- Make the use of digital platforms like Facebook and Twitter because they give consumers a sense of real-time 'human' support



PREMA SAGAR
PRINCIPAL & FOUNDER, GENESIS BURSON-MARSTELLER

The stakeholders must find a way to make consumers part of the recall process

VG RAMAKRISHNAN

MD, FROST & SULLIVAN SOUTH ASIA

A recall is difficult to execute in two-wheelers because of the low awareness levels among consumers

YADVINDER SINGH GULERIA

VICE-PRESIDENT, SALES & MARKETING, HMSI

competitor will use the opportunity to gain some sort of mileage," he adds. Eventually, most of them degenerate into PR crises with the company, the government and consumer forums and NGOs pitted against one another. And the whole issue of protecting consumer interests gets lost in the kerfuffle.

So what is the best way to handle a product call-back so it doesn't turn into a full-blown PR crisis? Are there any international experiences from which companies in the country can pick up cues?

Step one: Own up

Many companies have faced the dilemma facing GM now. What is worth noting is the way they have swung into action.

Take Nokia. In 2007, Nokia issued a recall (the company prefers to call it a 'product advisory' and not a recall) for certain BL-5C batteries, manufactured in China for Matsushita, Japan, between December 2005 and November 2006. These batteries were used in a broad variety of phones, from the bargain basement Nokia 1100 up to the Nokia N91. While the risk of the battery overheating or bursting appeared to be fairly small - Nokia claimed 100 minor incidents worldwide against the possible 46 million batteries being recalled - the company announced the recall through the media, set up a separate website and put the entire service machinery into action. On the first day of the opening of its centre (August 16) for advice on the faulty batteries, Nokia India answered 20,000 calls and received 1.45 lakh SMSes, according to the company.

Now come to the Tylenol recall of 1982. In October that year, Tylenol, the leading pain-killer medicine in the United States at the time, faced a huge crisis when seven people in Chicago were reported dead after taking extra-strength Tylenol capsules. Once the connection was made between the Tylenol capsules and the reported deaths, McNeil Consumer Products, a subsidiary of Johnson & Johnson, conducted an immediate product recall from the entire country, which amounted to about 31 million bottles and a loss of more than $100 million dollars. The company also halted all advertisement for the product, its most profitable.

Step two: Don't delay

The second challenge for companies doing recall is how to compress the time frame of executing a recall activity. This depends on the number of vehicles to be covered in a given recall. For instance, Ford wrapped up a recall programme for the diesel variant of its newly launched EcoSport in three weeks. As part of this, 972 vehicles were recalled to relocate the glow plug control unit within the engine bay to avoid the component from catching moisture. However, one should keep in mind that EcoSport was into its third week when the problem was diagnosed and recall issued. It will take longer to execute recall for a batch of 50,000 or more vehicles. Usually the cost incurred in a recall is shared between the manufacturer and component vendor.

Also a recall is even more challenging in a low-ticket product category like FMCG. That is because it is impossible to trace the consumer as a major chunk of the transactions are made in cash and happen at kiranas. Do you know a customer who would retain receipts of every chocolate, wafer and baby care product she buys?

To understand the repercussions of any delay at any stage on brand image, let us recall the infestation case in Cadbury chocolates. In 2003, expired inventory worth ₹40 crore was found in the warehouse of one of the Cadbury distributors. Unfortunately, this came to the notice of the Maharashtra Food and Drugs Administration before the company could pick up the expired inventory. It was a double whammy when insects were found in this batch of products. The controversy threatened to blow up Cadbury's face and erode its reputation in India.

Since product recalls are relatively a new animal for consumers in India, the company realised it was crucial to take that extra step to re-establish lost connection with the consumers. After some initial hesitation, Cadbury responded with a two-pronged strategy. First, it changed the packaging to minimise the scope of infestation later. Second, veteran actor Amitabh Bachchan was roped in for a new advertising campaign that was aimed clearly to win back consumer confidence. In his latest book Darwin's Brands, brand expert Anand Halve says, "His deep baritone was the 'voice of reassurance' that informed us of the measures the company had taken to ensure quality and safety."

RIDING THE WAVE

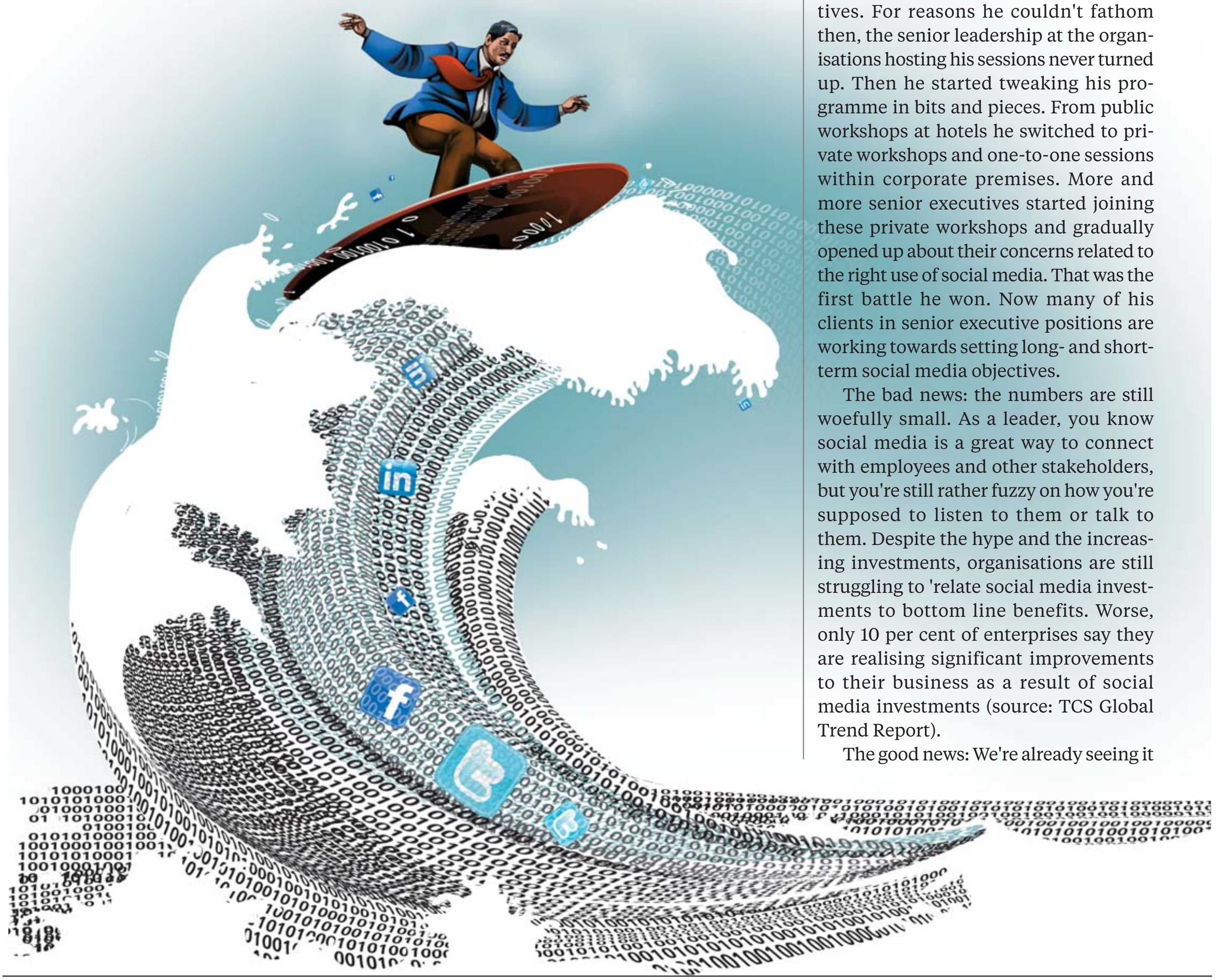
While employees are quick to see the benefits, most leaders need to develop management skills to leverage social tools

ROHIT NAUTIYAL

The experience of a corporate trainer based in Delhi nails the problem. About three years ago when he started putting in place social media training sessions for corporates he found these exercises were invariably thronged by junior and mid-level executives. For reasons he couldn't fathom then, the senior leadership at the organisations hosting his sessions never turned up. Then he started tweaking his programme in bits and pieces. From public workshops at hotels he switched to private workshops and one-to-one sessions within corporate premises. More and more senior executives started joining these private workshops and gradually opened up about their concerns related to the right use of social media. That was the first battle he won. Now many of his clients in senior executive positions are working towards setting long- and short-term social media objectives.

The bad news: the numbers are still woefully small. As a leader, you know social media is a great way to connect with employees and other stakeholders, but you're still rather fuzzy on how you're supposed to listen to them or talk to them. Despite the hype and the increasing investments, organisations are still struggling to 'relate social media investments to bottom line benefits. Worse, only 10 per cent of enterprises say they are realising significant improvements to their business as a result of social media investments (source: TCS Global Trend Report).

The good news: We're already seeing it



5 WAYS TO MAKE YOUR PRESENCE FELT ON THE SOCIAL MEDIA

1 Pay attention

First identify what you want to know. Whether you do it yourself or via a trusted aide, filter conversations on the social platforms to stay in tune with the mood inside the company and with people's opinion about your company and brand outside

2 Build relationships

Social media networking isn't a one-time effort, but takes continual nurturing and energy on your part. You should seem keen on helping other people. Talk about your favourite sports team and see your relationships propel forward faster

3 Keep at it

Social media is not about one-off postings. The book extract we have published on Page 2 this week has some cues on how to keep the conversation going. Make sure your team is updating Twitter, LinkedIn, Facebook or Google+ accounts regularly

4 Amplify others' message

Networking is not about advertising yourself; If you focus on sharing content your subordinates/customers have tweeted or posted, comment on their opinions, and leave insightful thoughts on their blogs, you will go a long way in building a strong relationship

5 Seek advice

One secret to appearing 'human' is asking for advice. Ask open questions on new products and plans from your company or even things completely unrelated. Online or off, you can't be formal all the time or play boss every time. Such a move might just spark new ideas

start to happen.

The formula is simple really. Real time information exchange within teams and across the organisation equals nimble decision-making, equals better outcomes. As companies rely more on social collaboration tools, the biggest gainers are going to be the C-suite decision makers - and not just because they can fan, friend or fire subordinates. In a highly competitive and volatile marketplace, decision-makers can use online social platforms to arrive at better decisions and to increase productivity. Internally, this would include understanding and influencing inter-department relationships, improving collaboration among teams, and externally this would mean creating new channels for research and increasing responsiveness to customers.

So what are the social media skills every leader needs to have to be more effective? How indeed do they make him effective in the first place?

To make the connection, consider your social media presence as a tool to advertise your corporate brand. Just like with networking in-person, there are secrets to smart social media networking. Apply these proven principles of in-person networking to social networking and you'll catch the attention of your subordinates and your customers outside.

Now the caveat: this article is not about what one can do across social media platforms like Facebook and Twitter. There is enough literature available on that. The whole idea here is to open up your mind to the possibilities.

Begin at the beginning

If you really break it down to the basics, what are your main responsibilities as a leader? To listen to your people, to deliver to your customers and to enhance shareholder value. So broadly, you should be a good listener to make good and early decisions, a good communicator to enhance internal collaboration within sales teams and last but not the least, you should be able to show results. Presumably there are teams to work out the nitty-gritty and execute the day-to-day chores.

In all this, the power and speed of the social media is amazing. Used within enterprises, social tools can make conversations among people in different functions (for instance, finance, marketing, customer service) visible and searchable. This lets everyone related to a particular job share valuable information. Trained users of advanced knowledge management processes can then track and tag these interactions to build a company's institutional knowledge and data base.

What's best, new team members can ramp up quickly by having this information readily accessible.

In terms of responsiveness to your outside audience, social platforms can cut down the time it takes for prospective customers to get an answer on prices, after sales and a host of company related issues. Indeed, social platforms can take the place of e-mail, allowing the first qualified person who sees a customer request to start responding. There are several instances where we've seen answer time drop from days to hours. That's huge - it saves both the company and the customer a lot of frustration. The bonus: using social media to communicate with outside customers creates visibility for the entire corporate team, lending it the much vaunted 'human touch'. Think about it: this is far more efficient than entering information into a traditional CRM system.

Remember, as a leader you have to show results. The best way to do this is through tangible examples. Try to quantify the impact of your strategic decisions and show how the outcome of a particular project ties directly back to the actions you helped facilitate. Put it up on your internal social platform. If not your Facebook page will do. This will keep both the internal stakeholders and the outside audience in the loop. This also provides competitors with tangible, contextual representations of your organisation's strengths and successes.

Now look at the contradiction. While every company talks about the significance of an 'open door' policy, organisational hierarchies defeat the whole open-door premise. When The Strategist got in touch with CEOs, CEO coaches and HR heads of various companies to understand what comes in the way of senior leadership getting on to the platform, one thing came across as a big surprise: the fear that social media will make them accessible to both experts and non-experts. Second, senior leadership is not clear on what kind of information should be shared. Even if they solve this problem, the next hurdle is the thin line between personal opinion of the leader and what he shares in his capacity as a company spokesperson. It is chaos when the two are mixed up. Third, there is little clarity on how a company's social media decisions impact its business results. This is also the reason why social media is never a topic of discussion at board meetings.

The other refrain among business leaders is that social media demands undivided attention and that's what most people in the C-suites are unable to provide. This is ironical if one subscribes to the theory that once people reach the C-suite, technical and functional expertise matter less than leadership skills and a grasp of business fundamentals. To cut to the chase, mastery of social media communication should be treated less as a mastery of the technicalities of the various social media platforms but rather as a tool that can enhance your performance as a leader.

So give up control and stress on collaboration.

To become a social media expert, begin by acknowledging someone else- presumably someone younger - might know better. In this scenario, reverse mentoring can make a difference as the parties involved can co-create something of greater value by pooling fresh and seasoned ideas. The young executives occupying smaller cubicles in your office are hooked onto the social media... kind of naturally... which makes them experts in a way. But this will not happen instantly because of the simple reason that the concept of reverse mentoring has not really been practiced on a large scale, at least in India. This is where your HR department should step in to, first, facilitate these conversations and second, to create in-house programmes on social media.

Understand what connects

After studying social media guidelines set by your organisation, decide the topics on which you would like to share your opinions on. Learn from leaders who have been there, done that. Chairman and managing director of Mahindra Group Anand Mahindra is one of the most interesting business leaders to follow on Twitter (with more than a million followers) because he has managed to grasp the complex art of engagement. He clearly knows that broadcasting his opinion on the automobile industry may not be appealing to his current and prospective followers. Going against the grain, he started tweeting on a variety of topics including car launches, current affairs, festivals etc. Interestingly, he has a knack for uploading pics along with gripping captions. This is what he tweeted on December 30 last year: "Switched from my XUV to the e2o. My driver's a little unnerved since the loudest sound in the car is the AC." The tweet was accompanied with a close up pic of Mahindra e20's dashboard. Great way to advertise your brand.

Yashwant Mahadik, senior vice-president, head of HR business transformation, and global head of learning, Philips, is another Twitter junkie who uses the platform to disseminate his views on HR-related issues, technology, and at times just about anything under the sun. One of his recent tweets is on how to "recruit internal talent into key leadership roles instead of just finding external talent".

As of now there is no research to establish the link between the popularity of a leader and its effects on brand engagement levels for a company he represents. Going by the fan following of certain leaders, the day when this will be measured is not far.

Using social media to communicate with customers creates visibility for the entire corporate team

Fix an impending crisis

If done correctly, social media has been of great help for companies and their leaders during crises situations. In October last year, social media platform Buffer was hacked. Usually companies break all ties with the external world in such situations. At least that's how RIM reacted when Blackberry services were interrupted for days globally a few years back.

Spearheaded by co-founder CMO Leo Widrich, Buffer communicated with media, customers and their greater social audience instantly. Barely 20 minutes after people started talking about spam tweets and Facebook posts appearing on behalf of some Buffer users, the platform sent its first tweet acknowledging the problem. Andy, a Buffer representative, tweeted in response to each and every mention it received at the peak of the crisis. All the while, the company staff was also communicating across their blog, Twitter, and Facebook to ensure customers knew how things were unfolding away from their eyes. Customers later praised the company for its transparency and timely communication.

So stop perceiving your presence on social media as just a must-do-since-competition-is-also-at-it thing. It is not tactical anymore; social media literacy is increasingly a source of your strategic advantage. Remember, consumers are going to talk about you and your brand whether you are there or not.

With inputs from Om Manchanda, CEO, Dr Lal PathLabs; VK Madhav Mohan, leadership expert and management mentor; Nimesh Shah, co-Founder, Windchimes Communications; Simran Oberoi, senior knowledge consultant, Society for Human Resource Management; and Kapil Ohri, planning director at OgilvyOne among others.

THINKSTOCK

REINVENTING RETAIL

With the growth of online shopping, traditional brick-and-mortar retailers need to evolve rapidly

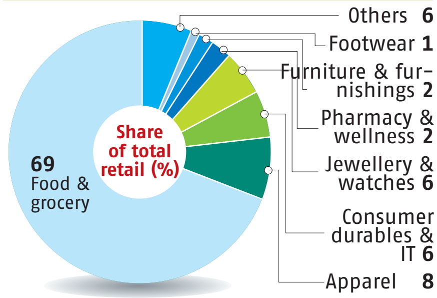
ABHILASHA OJHA

A recent report by Technopak, Emerging Trends in Retail and Consumer Products 2013, states that the Indian retail market, currently estimated at $490 billion will grow at a CAGR of 6 per cent to reach $865 billion by 2023. The report further states that e-tailing will emerge as a key retail channel, which will drive the growth of corporatised retail. To be precise, the size of e-tailing is estimated to grow from the current $1 billion at 0.2 per cent of the retail market, to $56 billion (in real terms) at 6.5 per cent of the total market by 2023, driven by an ecosystem favouring the e-tailing market. What will, in fact, fuel the growth of corporate retail in India (it currently holds 8 per cent share of Indian retail and is slated to reach 24 per cent by 2023) will be e-tailing that will emerge as a key alternative retail channel, according to the report. In fact, Technopak predicts that the ecosystem creation for e-tailing will outpace the same for corporatised brick-and-mortar retail and its growth will offer many advantages to the Indian economy, besides bringing in immense benefits to consumers.

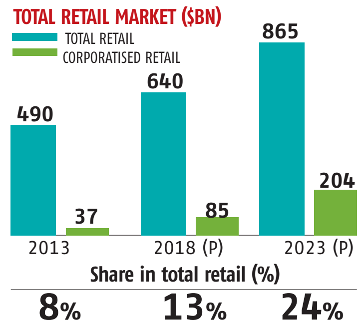
As is evident, retail analysts and domain experts not just in India but all over the world are beginning to sound a warning bell to brick-and-mortar retail. Many have started cautioning the big box retailers not to ignore the pure-play e-tailing companies that are fast developing an ecosystem and growing the corporate retail business at breakneck speed. While only a select few are profitable, all of them seem to be on an overdrive to acquire customers and keep them. In fact, the Technopak report quoted earlier states that brick-and-mortar will continue to face structural issues encompassing real estate, labour, sourcing and supply chain that will stunt the growth of the corporatised segment — it will, at best grow from 7 per cent currently to 17 per cent by 2023. The alternative retail landscape (direct selling, home shopping, and e-tailing)

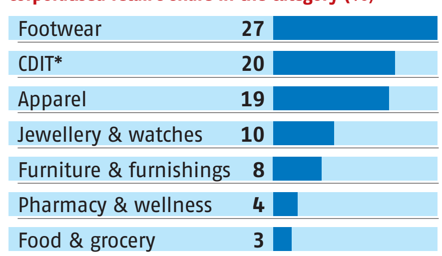
CHALLENGES & OPPORTUNITIES

Inability of food & grocery to modernise will restrict corporatised retail's growth



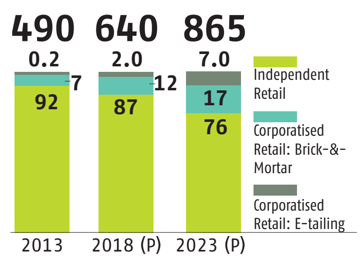
E-tailing will fuel corporatised retail's growth





*CDIT: Consumer durables & IT, Source: Technopak Analysis; all figures for 2013

- Inability of food & grocery to migrate to the corporatised retail platform has been one key reason for corporatised retail not to grow to its potential. This scenario is not going to change much in the near future as policy uncertainties and lack of structural reforms across the value chain will act as deterrents



- E-tailing will emerge as a key alternate retail channel which will drive the growth of corporatised retail
- Ecosystem creation for e-tailing will outpace the same for corporatised brick-and-mortar retail

will continue to evolve rapidly. Of these, e-tailing is considered most compelling, with its growth pegged at 60 per cent annually compared to 20 per cent in direct selling and home shopping.

Even globally, e-tailing is giving traditional retailers a run for their money. Battered and squeezed by the growing e-commerce business, many traditional retailers in various markets have been forced to shut shop. In Europe, according to a recent survey, one in five high street shops are expected to close in the next five years even as a third of the consumers do their shopping online. A recent article in The Economist summed up the phenomenon succinctly: "...it is tempting to conclude that shops are to shopping what typewriters are to writing: an old technology doomed by a better successor."

Against this backdrop, it is imperative that brick-and-mortar retailers reinvent themselves. Says Pankaj Gupta, practice head, consumer and retail, Tata Strategic Management Group, "Physical stores and retailers cannot avoid or ignore the online market. The online play has to be there." On their part, retailers cannot help but agree that it is time for them to go back to the drawing board and come back with a bang to win back consumers who once scouted and shopped at their physical stores.

The Strategist spoke to experts, some successful e-tailers, and to some of the more successful traditional retailers to find out just how to get their mojo back. We would also like to add here that despite repeated attempts to convince them, some of the big Indian retail companies, including Shoppers Stop, Westside, Landmark and the Future Group refused to participate in the story.

The root issue

Let's understand just why many of these successful retailers haven't managed to taste success on the virtual platform. First, offline and online markets work on very different principles and so the business models have to be totally different. Then, most e-commerce companies have succeeded in offering better price and a larger selection, something that offline retail stores are unable to match. So, while a typical offline retail store wouldn't change their shelves more than four or five times a year, online stores are making changes every day in their offerings, adding new variety and options. Third, brick-and-mortar's limited penetration in the smaller cities and towns where the aspirations of consumers are growing has created a sweet spot for this alternate retail channel to grow and thrive. Nearly half of the sales for e-tailers in India currently come from towns and cities beyond the eight metros. Even in the urban areas, where consumers are becoming increasingly "time poor", the quality of urbanisation (transport, accessibility, work-life balance etc) limits the consumers' ability to shop at will and so non-store retail formats are increasingly becoming a preferred choice to shop. According to the Technopak report, nearly 40 per cent of the orders placed on home shopping networks are placed between 11:00 pm and 6:00 am.

Some traditional retailers are taking note of these issues seriously. Lifestyle retail brand Titan, for instance, felt the heat but unlike the others who are perhaps still preparing their online blueprint, the company went live with its online store six months ago. The planning has taken two years and the online strategy will continue to be unveiled in phases, says Alokedeep Singh, head, e-commerce business, Titan Company. The company, he adds, drafted its online store script after a lot of research. "The DNA of an offline business model and an online business model are completely different," says Singh.

While some of Tanishq's products (the company's jewellery brand) were offered online earlier, the company felt it needed to have a 'unified' approach for all its categories, including watches, eyewear, jewellery, fragrances and so on. Singh says the biggest issue while going online was the prospect of cannibalisation given that the online model is largely discount driven. Titan took the difficult business decision not to have any price variation between the physical and the online stores. Singh says that Titan's online strategy is backed by omni-channeling, the system of marketing and selling products to shoppers through a seamless integration of platforms, including websites, mobile devices, television and radio, direct mail and even social media, in addition to physical storefronts. This helps in keeping a larger inventory and ensures faster delivery in certain cases.

Experts say that omni-channeling is one of the best ways that traditional retailers can compete with successful e-tailers. "For both physical and online stores to co-exist, omni-channeling becomes critical," says Gupta. Simply put, if the consumer goes to the retail brand's physical format store, finds the product that she is looking for, but not in the right size, she should be able to order it online (while standing inside the physical store) via the laptop, mobile, tablet etc and have it delivered at her door step. Or, for that matter, if she is sitting at home, browsing through a retail store's catalogue online, she should be able to order it and have the option of picking it up from the store within a matter of hours. In Gupta's view, retailers have to start identifying needs of the consumers in terms of service and convenience once they decide to go online.

Going online may cause cannibalisation as the model is largely discount driven

ALOKEDEEP SINGH

HEAD, E-COMMERCE BUSINESS, TITAN COMPANY

The thing is, omni-channeling is expensive given that the transition requires a new software architecture that can combine online and in-store inventory.

Going forward, many predict that stores will need to be redesigned, team strength beefed up, and faster delivery mechanisms needs to be deployed that can handle packing and delivering orders without a hitch. Then, apps will also need to be developed for smartphones (Titan's on track on this) so that retailers can target customers appropriately and shoppers can track and browse products and the running promotions on them more efficiently.

Here, Indian retailers can take cues from some of the biggest international retailers who are working hard to stave off competition from e-commerce giants like Amazon and eBay. Companies like Nordstrom, Macy's and Wal-Mart Stores are using their stores as the points from which to ship products, to speed up delivery process. In fact, Wal-Mart now fills 10 per cent of its online orders that go to shoppers' homes from its stores. This allows Wal-Mart to optimise delivery and cut down on the attendant costs. The company is now looking at facilities wherein the products ordered by consumers can be picked up at kiosk-like locations that are strategically located without them having to visit any of the main stores.

Others like Kohl's, Macy's and Target, besides some specialty stores and teen chains, are also opting for the 'buy online, pickup in store' route for the seamless integration of the online and offline businesses. Then, in some markets, brands like GAP and Banana Republic are letting consumers reserve items online, even holding them for a set number of hours/days so that

EXPERT TAKE

PRAGYA SINGH

ASSOCIATE DIRECTOR, RETAIL, TECHNOPAK

A multi-channel transformation

Even though the business of online is still nascent, the revenue numbers small, it is where the big daddies of traditional Indian retail need to focus. The trend of people shopping online is growing. The online business is far more dynamic than offline and operates real-time and has a wider reach. Brick-and-mortar retailers, therefore, need to explore the following strategies to stay in the game:

- **Know the DNA**: Understand well that the business of online is different from offline. The cost of technology is high and the biggest investment is on the technological interface. For starters, offline retailers can tie up with other online companies and third party distributors for their product range, delivery etc but the investment in technology cannot be neglected
- **Adopt an omni-channel strategy**: It is no longer the opportunity, it is now a necessity. Offline has to integrate seamlessly with online and offer the best to consumers. This is a trend that will continue in the retail industry
- **Leverage the strength of the existing consumer base**: Look for diverse ways to encourage consumers to shop online
- **Reinvent the stores**: The physical format stores should start acting like mini-distribution centres. Invest in technological interface that makes it easier for consumers to enjoy a better shopping experience
- **Look for ways to grow**: Offer differentiation in products, look for exclusivity, encourage private labels and make the range more relevant to the target group. Integrate the the online experience with offline

The e-commerce venture helped Croma service more than 250-plus smaller towns

AJIT JOSHI

MD & CEO, INFINITI RETAIL

consumers can collect them from the stores at a pre-determined time. Tesco allows consumers visiting the stores to scan QR codes of products and get them delivered at home.

The last mile

According to Ajit Joshi, MD & CEO, Infiniti Retail, offline stores going online is a natural extension. "At Croma, the core idea to venture into e-commerce was to extend our reach beyond the boundaries of our brick-and-mortar stores," says Joshi. While the move has allowed Croma to service more than 250-plus smaller towns where he admits the brick-and-mortar stores couldn't reach, the company also allows its customers the option of ordering online and picking up the products from its 100-odd stores.

Aasheesh Mediratta, chief executive, fashionandyou. com, says traditional retail companies should act fast given that many people in the smaller towns and cities will move directly from unorganised retail to e-retail. So, if traditional retail reaches 40-50 cities, even 100-200 at the most over the next two years, online retail is already seeing sales from roughly 4,000 towns, maybe more, as we write this article. Fashionandyou, which sells an array of branded lifestyle products at a discount (products are changed on a daily basis here), works on a managed inventory model wherein it doesn't purchase products right away to be displayed on the site, instead it 'blocks' them and pay the vendor only after a confirmed sale.

Traditional retail stores can trump online by not laying emphasis on discounts but on repertoire, quality and delivery. A good strategy, say experts, is to offer 'basket discounts' on the number on items purchased.

Additionally, retailers can also offer incentives for customers when they go online. For example, a Mumbai-headquartered financial services company recently started charging a certain amount for services offline but gave incentives to consumers to migrate online. Gradually as consumers began adapting to the online interface of the company, it was able to reduce the size of branches and even relocate some branches to off-high street locations to save on real estate costs.

If a full-body plunge into virtual retail seems untenable, some retailers can think of exclusive previews and launches of products on successful e-tailing site to start with. Today we have examples of brands that create exclusive collections to be released only on sites like Jabong.com, says Manu K Jain, co-founder and managing director, Jabong. Offering 90,000 products and over 1,000 brands, the turning point for this company came when it understood that buying power was not restricted to customers in the metros but in Tier-II and Tier-III cities and towns as well. It was then that the company decided to create its own in-house logistics network. Simply put, the company not only does a thorough check of the products in the warehouses in-house, it also has its in-house delivery mechanism in place complete with delivery persons in different towns and cities who reach the products at the customers' doorstep. "This allows for better a turnaround time, tighter quality control, and the open box delivery wherein if the product is not to the customer's satisfaction, it can be returned," he says. Jabong already has a separate mobile site for its consumers to shop on the go.

Lifestyle brand Puma recently launched its own e-commerce website with the belief that buyers on multi-brand websites, who were invariably looking for better deals, were not necessarily engaging with any one specific brand.

Interestingly, some e-tailers are also keen on developing an offline presence. Craftsvilla.com, a popular site selling handicrafts products online, is already looking at an offline franchise route with roughly 50 stores in the next 12-18 months. These will be in the form of kiosks that will have a few sample products, but a laptop-totting salesman will be at call to take the consumers through the full catalogue on the website. "We don't undermine the touch-and-feel aspect that some of these products demand and our next milestone will be reaching out to first-time online consumers so we spot them early and enlist them as loyalists," says Manoj Gupta, co-founder, Craftsvilla.com, which has 30 lakh consumers and a selection of roughly two lakh products.

Evidently, the balance of sales and costs have changed, hence retailers have to look at their business and reinvent their trade. A key component of any growth strategy must remain driving incremental sales by reinvigorating their existing assets — the traditional brick-and-mortar outlets.

CRISIS IN HR

If HR truly wants to add value to business and improve its reputation, it must transcend its functional boundaries

SAYANTANI KAR

A human resources professional in a PSU bank was once asked to manage the flagging operations in one of its territories. Many thought it was a way to sabotage his career. How he turned it into a stepping stone to become the bank's chairman and managing director, is, of course, Anil Khandelwal's story of ascension at Bank of Baroda.

But not many HR professionals get to wear Khandelwal's shoes. Indeed, you can actually count the number of corporate chiefs in India who have a background in HR. The level of under-representation of HR professionals in the top jobs is surprising, given the key role they play in the life of an organisation. As they say, a company is only as good as its people. HR, then, is on the front line when it comes to hiring, managing rewards and retaining employees. So why is HR seen as less strategic than other support functions? Why is the human resources department in most corporations still seen as the last bastion of bureaucracy?

Part of HR's image problems relates to the prevailing fuzzy thinking on the subject. R Suresh, managing director, Stanton Chase, says the management of human resources has become transactional in nature with misleading concepts such as attrition rate being used to measure success. "Even mature companies can become theoretical in their HR approach and zeal to ramp up," he adds. K Ramkumar, an HR professional who is now an executive director with ICICI Bank, is blunt: "HR has given itself a serious identity crisis because a lot of people choose it for the wrong reasons. One can't see the profession as a soft job, nor get entangled in evangelistic HR jargon. One has to be a business person first."

Think about it: what is the role of HR in an organisation? If you go by theory (take Dave Ulrich's 1996 book,

HR Champions, as a starting point), the role of an HR manager can be categorised as under: formulating and executing strategy (strategic partner); building an efficient infrastructure (administrative expert); increasing employee capability and commitment (employee champion); and creating a renewed organisation (change agent). However, if you look at the general practice, HR's role as a strategic partner is largely given the go-by, whereas its role as administrative expert is usually assigned the highest priority.

The net result: The brief of recruiting, retaining, and if necessary, replacing people, gets translated into administrative tasks. So, if a new employee joins, impress

ILLUSTRATION: AJAY MOHANTY

EXPERT TAKE

From HR to CEO

ANIL K KHANDELWAL

FORMER CHAIRMAN & MANAGING DIRECTOR OF BANK OF BARODA, AUTHOR OF THE BOOK, *DARE TO LEAD: THE TRANSFORMATION OF BANK OF BARODA*

A question that is often asked is whether HR professionals can occupy the corner ofice. We must first understand the role of the CEO in the current context. The CEOs in these challenging times cannot be just number crunchers and control-compliance types, but collaborative and inclusive. They need to work on building people, leadership, brand, governance, culture and technology. They also need to display high degree of business acumen, strategic mindset capable of orchestrating a vision to create sustainable organisations. Bureaucratic CEOs with emphasis on rules, procedures and hierarchy cannot align their organisation to an environment, which requires speedy leadership. Thus, the whole paradigm of CEOs' work is today undergoing a metamorphosis.

Only CEOs who can multiply passion, and who are communicative, team players and sensitive to people processes, can deliver in turbulent times. Viewed in this context, CFO, CTO, CHRO stand equal chances to compete for the CEO's position. Similarly, those HR professionals who have demonstrated skills in people management and have contributed in making their organisations transit to operate in a competitive environment successfully, can aspire to the corner office. However, mere HR skills are not enough to reach the CEO position.

My own professional journey from being an HR professional to becoming a CEO of two public sector banks — Dena Bank and Bank of Baroda — could be facilitated only when I took up the challenge to move to banking operations and demonstrated successful business outcomes in a difficult industrial relations environment. Here, I discovered the connect between HR and business in the real sense. My learning in the operational assignment provided insights as to how employee attitudes affect customer acquisition, retention and loyalty, how communication culture affects the business growth, key concerns of analysts, investors, employees, customers and how they affect business growth and finally how competitor strategies impact our business.

In my operational assignment, I successfully deployed my HR skills to work with customers in a more meaningful way. It was the successful handling of the operational role that eventually helped me to reach the CEO position. My background in HR helped me to transform Bank of Baroda by focusing on building innovative human resource practices, rebranding of the Bank including logo change, customer centric initiatives (such as 8 am to 8 pm banking, 24-hour banking), deployment of technology, improving internal processes, talent and leadership development and engagement of staff, resulting in dramatic business outcomes and a positive change in the perception of analysts and investors.

The background helped me to diagnose and design appropriate interventions, energise employees and lead execution with precision. Twenty first century CEOs have to be change leaders, ever transforming their organisations and, therefore, they need to possess extraordinary and strategic orientation to human resources apart from business acumen.

Human Resources executives can certainly aspire to move to the CEO role, provided they are not averse to soil their hands in business operations and demonstrate successful outcomes at some stage of their career. Organisations would do well to plan the career of HR executives and offer them early opportunity in handling important business roles.

Finally, HR executives will have an edge over others as Change Leaders on account of their background.

her with elaborate on-boarding training programmes; if an old-hand is unhappy with her remuneration, tell her she needs to upgrade her skills; an employee gets posted in a remote corner, get her family to be with her; someone is leaving, foist a 40-page exit questionnaire on her. If the team is particularly enthusiastic, they will send birthday wishes, organise cultural programmes or the odd training session. These things don't address the core issue — that of improving employee productivity, which have a direct bearing on the company's top and bottom line is clearly measurable — and are eminently outsourcable. Professor T V Rao, chairman, of TV Rao Learning Systems, and adjunct professor, IIM-Ahmedabad, says, "The problem lies with Indian HR professionals who do not perceive their role as important. They get busy with mundane tasks."

Get to the core

Why, then, don't we see more HR professionals connecting the dots — from their work to the revenues that a company earns? Two things came out strongly from our conversations with company CEOs and with HR chiefs. First, it is a classic case of not practising what one preaches — staying back to thrive in a company. Second, to get a seat at the table, HR needs to do a lot of internal marketing, be viewed as fair and knowledgeable, and not being unnecessarily intrusive.

Take the first point, first. Rao says, "Unless the HR person sticks to a company for some time, she won't be able to deliver nor demonstrate the effects of the work done. Building leaders happens in the long term, you can't build quarterly leaders. Those in HR need to stick around for it. When they don't, they get involved in administrative tasks."

Unlike a technical field, where much of your professional learning is portable with you, in HR you can take only so much of your effectiveness from one organisation to the next. Unlike some other functions, the effectiveness of your role in HR depends on the trust you can establish with your network of stakeholders and the knowledge you have of them as individuals. "When an HR professional does not stay back long enough to capitalise on that goodwill and understanding, she is short-changing her own career," says Visty Banaji, CEO of Banner Consulting, and a former HR chief at Godrej and Telco (now Tata Motors).

As a result, HR often ends up buying leaders instead of building them in a company. A fancy pay-packet does not sow commitment the way an actual bench does, leading to not just exits at the lower echelons but even at the top level. The company then has to stare at re-adjustments and low involvement among its people. HR, however, can borrow from global best practices and introduce rewards for people — from getting mentored by a senior to offering tailor-made training programmes.

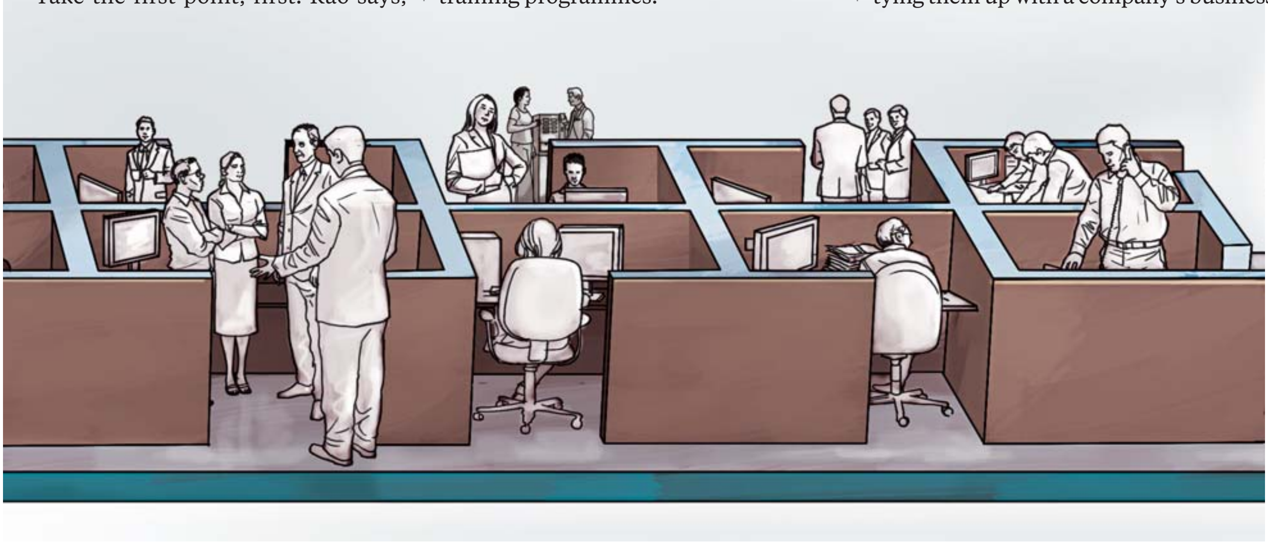
But dealing with people and their differences can complicate an HR manager's job. "We say that every support function has to be a partner of the business. HR is no exception but we must not forget that HR has an equally important mission to champion the employees," says Banaji.

Tough Love

Following from this, HR should have the wherewithal to offer the required products and services to support the company's employees. This partnership has to be underwritten by mutual respect, trust and meaningful two-way conversations between HR managers and employees.

Being seen as do-gooders-only can backfire if operation managers do not take them seriously. Khandelwal, who applied HR insights to his banking assignments, says what works is 'tough love'. "I was tough on performance; leaders had to deliver results but I would also care for employees, be around when they needed my help, speak up on their behalf when needed." Khandelwal had found that zonal managers often got asked about their deposits. However, no one seemed to ask what he asked as a zonal manager, "How can I help you be a better competitor in the market? Is there any training that you need? How can I help you achieve your targets?" This is how HR can create confidence and trust in the people it deals with, reminds Khandelwal.

But weighing in on people's needs and tying them up with a company's business



performance is easier said than done. Some experts go as far as to blame the quality of HR education in India. Banaji points out, “The foundations of HR lie in psychology, sociology, anthropology and may be even, political science. An MBA degree in HR does not equip students with these. So, there is a huge gap between our ability to fathom what has been done successfully elsewhere and coming up with relevant solutions based on the first principles of human behaviour to tackle the situation at hand.”

This brings us to an important aspect of an HR job — get a handle on the business. Apart from their own career growth, it also helps them to understand how people can contribute to the business. Says, ICICI Bank’s Ramkumar: “Merely imparting behavioural training doesn’t work. One needs to hold a class on the nuances of business in the company. For example, I learnt credit, debit, mortgage, bank guarantees and so on. Also, HR talk has to be a part of your repertoire and not the only component.”

Otherwise, the HR becomes just a bystander noting the outcome of low performance rather than taking the onus of improving productivity on themselves. Santrupt Misra, who is the director of global HR at Aditya Birla Group and is the CEO of the Carbon Black Business, says, “At times, you have to lay out the consequences and take a pre-emptive step. Not all action will lead to returns in terms of money, but there are factors such as job satisfaction and retention which affect the company’s brand and hence, getting better candidates in the future.”

Some believe job rotation for HR managers in operations could sensitise them to the trappings of the business. Also, as Khandelwal says, “With specialisation just in HR, you cannot aspire to be a CEO. You have got to walk on fire and take up a business role and succeed.”

Attention, Mr CEO

Getting heard by the C-suite is a tall task. Familiarisation with operations will help HR become credible business partners. Ramkumar is pragmatic, “If you speak up only when there is an HR issue, in a room with five other C-suite people, then they will quickly categorise you as just HR. Also, many an HR person gets caught up in bombastic language such as engagement indices etc. You do all of them but in the boardroom, you have to speak equally in the language of productivity, of turnaround times, of margins.”

Once you’ve familiarised with the business, you can earn your seat by showing up at meetings prepared with concrete analysis of how HR impacts business functions and is in sync with the company’s larger goals. Say, if an executive proposes a new product launch or acquisition, the HR manager should explain the cost versus value from the effort and how the decision could impact human capital in areas like hiring, research or even employee morale?

This is how board members and business owners think and speak, and that’s the only way HR can expect to be heard by the CEO.

It is really not difficult picking up the ins and outs of business if the HR manager puts her mind to it. Indeed, many of the administrative processes in HR can be outsourced, writes Lance Haun, an HR professional and editor of SourceCon, in a post on YourHRGuy.com. Then, HR can direct its focus to three critical, strategic roles: a workplace process and productivity expert, a functional and effec- tive ombudsman, and an employee life cycle manager.

Even after all this an invitation to the top-level meets may take some time in coming. Stay the course nonetheless.

DIVERSITY HIRING IS SMART

Jewellery maker Gitanjali has dramatically cut its recruitment and training costs by hiring differently-abled people at its Hyderabad facility

ROHIT NAUTIYAL

In today's economy, employers know they have to get their hiring decisions right. Each hire brings costly and time-consuming tasks of orientation, training and indoctrination. One bad hire can interrupt a smooth-running operation and cost a business in more ways than one. Just the replacement cost can pinch: research shows it costs an average of two and a half times an individual's salary to replace an employee who doesn't work out.

So what does a company involved in a business that requires highly skilled artisans do when it is mulling setting up facilities outside its home market? Not only is the market new, the kind of skill-sets the job requires may not be readily available. What if a seemingly good hire becomes a discontented troublemaker? What if the overall team's performance becomes a casualty of high turnover?

These were some of the questions Mumbai-based Gitanjali Group faced when it was looking to step out of its stronghold in Gujarat and explore a new market in Hyderabad in the mid-2000s. What it did was something it hadn't tried before: it decided to hire a bunch of differently-abled people to be part of the unit. While the company was not sure how things will work out in the beginning of its experiment, its decision of hiring such workers has paid off handsomely — the company has reduced employee turnover by 50 per cent and cut down the staff training costs by about 20 per cent over a three-year period. This at very little extra investment. What's more, the company has come to be regarded in its industry as some sort of a front runner in diversity hiring.

How it all began

In 2006, while setting up its eighth jewellery manufacturing unit in Hyderabad, Gitanjali realised that getting skilled diamond cutters and polishers in that region was not going to be a cakewalk. While this southern Indian city is famous for its mastery over the delicate art of pearl drilling, Gujarat is the hub of diamond processing. As a result, Hyderabad had skilled pearl handlers and few diamond artisans. Left with little choice, for next two years, the company spent a bulk of the investment earmarked for the southern sojourn on training local hands in diamond cutting and polishing and making diamond jewellery.

Two years on, the company's chairman and managing director Mehul Choksi was to lay the foundation of Saksham, a CSR initiative, which would eventually turn out to be its best bet in tackling the rankling HR issues of high attrition and higher training costs.

The Group didn't really have a road map to begin with. As part of the pilot project, eight disabled people were identified with the help of local NGOs to work at its Hyderabad unit. The pilot batch, with three people with hearing impairment, started training around January 2008. The result of this programme made the company wonder if the whole model could be scaled up. Says Madhusudhan Reddy, vice-president, HR, Gitanjali Gems, Hyderabad, "We found out that the output of these people was as good as any able-bodied worker." What's more, "people with disabilities are loyal and resilient," adds Choksi, "and the training and hiring costs pay for themselves quickly as their attrition rate is lower than the other sections."

Not that it was a great surprise; it's just that no one at the company had thought about it seriously before. Jewellery making is an art that requires extreme precision but does not require a lot of moving around. The main responsibility is that of concentrating long and hard on the piece at the work table. The company realised that while vision impairment would be a serious handicap for such work, people with disabilities of lower limbs or other problems

would have no trouble getting the work done.

There was no pre-requisite in terms of educational qualifications — the company decided it was going to provide skill training over 90 days to take care of all the needs of the job. The age requirement for the trainees was set between 18 and 30 years. Besides a monthly stipend of ₹1,500, the company offered them food, accommodation and travel expenses during the training period. The trainees were also taken through sessions on personality development. Says Choksi, "Saksham is about capacity building for a sustainable livelihood. The initiative brings these individuals into the mainstream and helps the company meet its business objectives."

The success of the pilot programme gave the company all the cues on scaling up and broad-basing the programme to include other job profiles. By 2010, 110 disabled people had joined the Hyderabad factory filling vacancies for positions like data entry operators, dispatch clerks, quality controllers and hostel wardens. By then, the training period had also been extended — to six months in some cases.

Standardisation was the next step. A group of 10 students was assigned one trainer. A 'buddy system' was put into place to break the ice between the trainee and existing employees. Special interpreters were hired to facilitate communication with hearing impaired trainees.

Interestingly, there's hardly any difference in the cost of training of an able-bodied worker and a differently-abled worker. While Gitanjali spends around ₹12,000 over 90 days on a differently-abled candidate, the same comes to ₹10,000 for an able-bodied candidate. "As attrition came down, we were able to save up to 20 per cent on the training cost," says an executive. After completion of the training period, both sets of workers start with a monthly salary of between ₹4,500 and ₹6,000 per month (excluding provident fund). The incentive-based pay structure allows an employee to earn more on meeting a daily target of 18 pieces of jewellery.

How it was scaled up

While the upfront investment was a little higher, the extra investment on differently-abled people has fostered great loyalty. Consider this. The Hyderabad factory alone has 1,050 able-bodied and 250 differently-abled people. While the attrition rate in Gitanjali's manufacturing units is about 15 per cent for able-bodied workers, it is less than 2 per cent for differently-abled workers at the Hyderabad unit. Says Reddy, "Disabled workers tend to be less distracted and more focused on the job."

That apart, while absenteeism is as high as 18 per cent among able-bodied workers, the same is less than 2 per cent for differently-abled workers. Also, the loss of man hours is negligible when it comes to the less-privileged workers. "They spend less time on tea breaks and office gossip sessions," says a company executive.

The spirit of competition is soaring at the Hyderabad facility of Gitanjali. "When differently-abled workers become star performers it creates a positive pressure on every worker in the factory to do better," adds Reddy. Gitanjali plans to increase the number of disabled workers at its various facilities to 1,000 in the next five years. "The biggest benefit of an integrated workplace is that all employees now enjoy a more compassionate workplace," says Choksi.

The business world has understood the benefits of out-of-the-box thinking — be it in managing people or products — for a long time because of its single-minded approach to market competitiveness and survival. At least one company in an industry not really known for cutting-edge thinking has figured that hiring for diversity is not just the right thing to do. It is the smart thing to do.

OPPORTUNITY IN DISGUISE

A slowdown may not be such a bad thing. There are ways of harnessing it to one's advantage

DEVINA JOSHI, MASOOM GUPTE & ROHIT NAUTIYAL

India is in the midst of a slowdown that shows no signs of improving anytime soon. Management theory indicates that organisations tend to operate out of fear rather than enthusiasm during a slowdown. This lowers morale and creates an atmosphere of uncertainty, insecurity or even inactivity in companies. The result? Haphazard cost-cutting exercises, recruitment freeze, pay-cuts, lay-offs, a pause on expansion plans —in general, a sit-tight-till-the-storm-passes approach.

Is this the only way of dealing with slowdown? Is there a better way? To quote Tina Seelig, faculty, Hasso Plattner School of Design at Stanford, from her article in *Rotman Management*, "Companies need to continually re-frame their businesses in order to survive as markets and technology change." Her words were never truer. Through this article, we offer a three-pronged strategy to ride the slowdown wave, instead of fighting it.

A time to gather speed

In his book *The Speed of Trust*, author Stephen Covey says, "In a global economy, 'speed to market' is the ultimate competitive weapon." He further establishes how low trust causes friction, whether it is caused by unethical behaviour or by ethical yet incompetent behaviour. What he says is in fact, more relevant now than ever. During uncertain times, it is important for an organisation to understand how faster strategic thinking and slow operations will ensure survival. Allow us to explain.

Here's what happened with **Ford** in India soon after the launch of its SUV EcoSport recently. The Indian auto industry closed last fiscal with a sales dip of 6.7 per cent. Despite the ongoing slump, utility vehicles grew marginally by 4.08 per cent during April-May 2013 compared to the same period last year. The success of Mahindra & Mahindra's XUV500, Renault's Duster and Maruti Suzuki's MPV Ertiga proved that utility vehicles are here to stay. Auto experts were touting Ford's EcoSport as the launch that was going to shift the market paradigm. Unfortunately, within a few days after the vehicle's launch, around June-end, 972 units of the diesel version were recalled due to a problem in vehicle's glow plug module.

Even when the company claims to have wrapped up its product recall programme, its brand value has been eroded say experts. Unlike mature automobile markets like the US where car manufacturers and consumers take product recalls in their stride, in India this concept evokes fear and distrust. "If Ford had spent a little more time on vehicle testing, this incident could have been averted," says an auto analyst. A justification could be the pressure faced by the company to have enough units ready to meet booking numbers during the launch phase. Actually, this was the right time to stop and think how EcoSport could be a star product by fine-tuning its strategy further. "The aggressive pricing goal of EcoSport may have made engineers overlook some critical issues," says Keyoor Purani, associate professor, marketing, **IIM Kozhikode**. "In a hurry to grab the opportunity and/or fighting a competitor, the growing product complexity in a category like automobile and aggressive product-development goals may diffuse the commitment to safety."

Some companies have figured how to balance strategic thinking and operational speed. Recently, two integrated communication companies of the Interpublic Group, **Lowe Lintas & Partners India** and **GolinHarris**, entered into a 50:50 JV. While both the companies will benefit in terms of new clients, the main objective is to leverage each other's capabilities. Traditionally, advertising agencies are good with research. The PR industry could never get its act together in terms of offering measurability and insights to clients, especially whenever clients tighten their purse strings. The internet and big data has changed that. As clients re-evaluate their budgets, there is a steady shift happening from above-the-line media to digital and PR. And so, measurability has come into play.

"Advertising budgets are under pressure. Clients are looking at options across media and non-media touch points," says CVL Srinivas, CEO, GroupM South Asia.

Simply put, rather than freezing up, a slowdown is the right time to take stock and plan ahead.

A time to beef up

The most obvious thing to do during a slowdown is to cut cost and lay off people. Cost discipline is a good thing. Going on a firing spree is just plain reactive.

The general sentiment is that there may not be much of downsizing this time; if there is something that 2008 taught companies, it was to be conservative even in good times. Despite market fluctuations, firms are likely to retain existing people, keeping a medium and long-term view in mind.

Indeed, the current slowdown can be an excellent time to invest in talent or 'pick up' good people from the market cheap — good people who may have been rendered redundant because of cost-cuts in another firm. An example here will help elucidate the point we are making.

During the economic slowdown of 2001 in the US, **Nokia** explored a new approach for handling layoffs. Both handset makers and telecom operators like Alcatel, Sony and Motorola were laying off a large part of their existing workforce then to make ends meet. Nokia realised the significance of being ready once the economy bounces back. It decided to retain as many employees as it could through a floating relationship. The company began by letting go of a few employees and then went on to offer every incentive possible to minimise its salary cost. Full-time employees were allowed to take unpaid leave of absence for six to 12 months. This way, employees were encouraged to take sabbaticals to pursue their hobbies. Extended maternity or paternity leaves were approved so the company could pay these employees lesser salaries. Another cost cutting measure was to allow Friday offs.

As the economy recovered two years down the line, Nokia was able to capitalise on a revitalised workforce.

India, from the looks of it, is learning fast. While rationalising expenses, companies like KPMG, EY, Cognizant and TCS haven't slowed down on hiring. TCS is hiring for its IP assets aggressively during this season. Ramco Systems has advertised for around 40 positions that it plans to fill in the next quarter.

About 15-20 per cent of Ramco's revenues come from South Africa, and the company is looking to send homegrown talent there, which is obviously cheaper compared to hiring expats. EY is looking at filling 700-800 positions across levels over the next two financial quarters. Cloud computing company Shephertz.com plans to hire 35 senior executives by the end of 2013.

5 take-aways from the slowdown

- **Adopt faster strategic thinking** to be future ready. But go slow on existing operations
- **Hire, don't fire:** Pick talent up from the market at a cheaper cost instead of resorting to needless lay-offs
- **Motivate existing employees** through part-time arrangements, internal communication and job rotation
- **Explore uncharted territory:** Expand into new markets, use cheap real estate to your advantage to launch new outlets
- **Take on projects never done before** to create new revenue streams and opportunities for existing employees

Cognizant too is hiring aggressively: last year, it snapped up talent from Infosys and Wipro at a 30-40 per cent premium. This year, people have moved laterally, at times even at lower pay, say insiders.

Evergreen consumption sectors like fast-moving consumer goods, pharmaceuticals and healthcare or even service sectors including consulting firms will continue to hire as usual, point out experts.

Staying away from fresh recruitments, the slowdown can also be an excellent time for getting the maximum output from one's existing employees. Particularly in industries that are customer-facing, like service industries, job rotation can be a neat way of maximising productivity and saving HR costs. A company can experiment with its current employees by rotating them into positions that can help them identify, utilise and enhance skills they would not have otherwise bothered about. This can keep them motivated till the company is ready to offer financial benefits once again.

During a slowdown, internal communication also becomes a critical area. Firstly, to battle low morale and insecurity, internal huddling needs to take place. This may be a good time to get introvert employees to contribute ideas, for instance. According to John Trougakos, assistant professor of organisational behaviour at **Rotman School of Management**, there are extroverts (outgoing people) and there are neurotics (stressed, introvert employees) in every company, and productivity can be greatly increased if their traits are understood and honed. This may be even truer during a slowdown as employees are watching how a company treats them, very closely.

Second, instead of pay-cuts, part-time arrangements could be worked out where an employee works three to four days in the week and get remuneration for those days, like Nokia did in the US.

That a slowdown involves being future-ready is a given. How does a company actually achieve it? This needs to be done by creating new capabilities: a company will need to try doing projects it hasn't ventured in before. The slowdown, therefore, can be an propitious time to take stock of one's product portfolio, create new products, venture into new categories and markets, thus creating new avenues to engage the workforce. More on this in the next point.

A time to look outward

Keeping your company ready and prepped for the day when the economic cycle turns for the better involves a game plan. It really boils down to a choice between going offensive or defensive.

Should you use the slowdown to ramp up your activity and push boundaries or defend your turf and hold on to your current position?

Advertising budgets are under pressure. Clients are looking at options across media and non-media touch points

CVL SRINIVAS

CEO,
GROUPM SOUTH ASIA

The slowdown has taught us to be consistent in decision-making and continue with our expansion drive

SANTHOSH UNNI,

CEO, COSTA COFFEE

The choice depends on a lot of factors. As per an *Ivey Business Journal* article on the subject, 'the decision is determined by a firm's competitive position and ability to counteract income-statement and balance-sheet stresses caused by the downturn'. Simply put, if a firm has the capital, it can go ahead with expansion plans.

Sample this: quick service restaurant (QSR) chain **Subway** added close to 6,000 restaurants from 2008-10 globally. As per franchising industry research data firm **FranData**, this recession-era expansion by Subway was the largest of any chain by a long shot. The company attributes this to cheaper real estate, more available prime locations and more agreeable landlords. In fact, it even used this as an opportunity to mark its presence in comparatively unconventional locations like inside a church or at car dealerships.

The fact that Subway offers eating options at an agreeable price would work for slowdown-hit consumers too and the expansion augured well under such circumstances. This logic should ideally then apply to other QSR chains as well that are offering 'family meals at pocket-friendly prices'. In fact, **Costa Coffee** took a similar approach when it opened 32 outlets in India in 2010 around the last slowdown, the largest expansion drive ever. It will be taking a similar approach this year as well. "Slowdown has taught us to be consistent in decision-making and continue our expansion drive," says Santhosh Unni, CEO, Costa Coffee.

While retail and QSR chains can use a slowdown for expansion in terms of stores and outlets, FMCG companies can look at bringing unexplored markets under their ambit. That's **Dabur India**'s plan. The company has even made inroads into villages with a population of just 3,000. Without a formal retail chain, the company is trying non-traditional methods like setting up shop at the weekly *haats* (bazaars) and reaching out to consumers.

While Dabur looks at untapped markets in India, some companies like **Godrej Consumer Products Limited** are looking outwards. The company launched home insecticides under the GoodKnight brand in Nigeria earlier this year and its Renew occasion hair colour brand in South Africa. Opening up new frontiers, rather than focusing on saturated markets, it reasons, makes sense in slower times to get the requisite burst of growth.

For **TÜV SÜD**, a global certification, testing, auditing, inspection and training company, slowdown is a time to grow by exploring uncharted territory. During the slowdown of 2009, the company expanded its food services portfolio in India. Business from this category grew by 300 per cent in the next two years.

Now may also be a good time to set some terms for the way business is conducted. A good place to start would be the way a company runs its marketing campaigns. Is your company on a retainer with the agency? Does it make more sense to have a project-based relationship? Are you getting sufficient bang for your buck? Should you take a relook at measuring the effectiveness of your campaigns? In an interview with UK's *Marketing Week*, Jerome Lemaire, marketing director (UK) at **Reckitt Benckiser** spoke about consumers being used to very high level of promotions like buy-one-get-one-free or products at half prices and the need to de-escalate promotions, at least in some categories. The argument may be that higher promotions would be needed to push sales in a slowdown. But remember that weaning the consumer off sales promotions when the markets turn for the better may not be easy.

In the end, should you even lose the hypothetical toss and be forced to play defensive, worry not. There are significant opportunities to improve one's competitive position. While companies that get aggressive can buy out weaker competitors, setting the tone to emerge stronger at the end of the slowdown is no small victory. The important part is to identify the right path and seize the opportunities when they present themselves.

To sum up, a downturn may not always be a bad thing. It can be a great time to prune a company's inefficiencies. But it is important to focus on risk management, look at the long-term goals and resist the temptation to chop off critical investments in a rush to save. ♞

REDEFINING ASAP

If you wish to convert your online leads into actual sales, reduce the wait time. Here's how

ILLUSTRATION: AJAY MOHANTY

MASOOM GUPTE

The banking, financial services and insurance sector (BFSI) in India has been working hard to satisfy the consumer's demand for convenience by giving him what he wants, where he wants and when he wants. The expansion of the universe of touch points through which a consumer can interact with his bank or insurer today beyond the physical branch to on-the-go mediums like phone, mobile or internet is simply a manifestation of this. This however presents the sector with a unique problem — that of an entitled customer — who expects to be treated more than just another 'lead'.

The industry consensus is that if the lead generated is that of a customer who is actively shopping around, it is likely to go cold within 24-36 hours if the customer doesn't get a satisfactory response. Therefore, while lead generation is one side of the coin, managing the company's response mechanism is the other, equally important side, if you are really interested in maintaining the competitive edge.

Designing the response mechanism is as complex as it is critical for the growth of the business. Thanks to the multiple touch points set up, the system is constantly getting updated with leads from varied sources at the same time. Take the example of a consumer wanting to buy insurance. He may put in a request for product information via an online aggregator like PolicyBazaar, check the company website, ask to be contacted through a request at an automated teller machine after finishing his transaction, call up at the call centre, send an SMS etc. The same consumer can use a combination of options to reach out to the company, resulting in the duplication of 'leads', so far as the company is concerned.

A tablet can be used for collecting information and dispensing primary decisions (loan approval)

RAJIV SABHARWAL
EXECUTIVE DIRECTOR, ICICI BANK

Technology aids in creating a platform in the form a lead management system where all these leads can converge and provide a direction in devising the response mechanism. The lead management system in itself is critical as it gives the company a snapshot of where each lead and its progress stands, especially in a multi-sales channel environment. At Bharti Axa Life Insurance, for instance, if a lead comes in, with the possibility of response from say three different teams, it will get allotted to the team that responds first. The lead stays with the team for two weeks. In case there is no change, it is then moved to another team. All along, the information on the lead's progress from one point to the next, sits snugly in the lead management system.

In this article we will concentrate on the process that financial institutions must outline to convert a lead into a sale and look closely at how technology can help in polishing the response mechanism. As Ashish Desai, head of inclusive banking and digital business, FirstRand Bank, puts it, a response management system is not so much about "providing the consumer with instant gratification but rather with instant delight". Here's why.

Plugging the gaps

Desai elaborates on the "instant delight" aspect by pointing out a gap in most companies' response systems. He says, "In a flowchart, most companies would start the process with lead generation and move to the first response. They miss the in-between step, the acknowledgement time. This is crucial as it is the company's first engagement with the consumer." It can be as simple as sending a received-your-request note or go a step further and promise a timeline for taking the conversation ahead from there.

The response may vary in form and the medium used to convey it to the consumer depending on where the lead has come from. The acknowledgement time may vary accordingly.

Consider here the process established by Aegon Religare Life Insurance. Say a consumer browsing the internet spots an Aegon Religare banner advertisement and clicks on it, he is directed to the concerned landing page, giving further details on the advertised product. There is a digital trail here that will allow the company to trace the consumer's steps and possibly make a cold call so to say over a period of time. However, should the customer decide to proactively seek information, there is a click to call option he can use. As soon as he fills the lead form, it moves to the company's customer relationship management (CRM) system and then gets connected to an outbound caller.

Harshal Shah, director, marketing, Aegon Religare Life Insurance, says, "The response time can be as short as 60 seconds in these cases. One needs to be quick with online leads as the customer may lose interest as soon as he logs off your page." Since the time the internet has emerged as a key medium for the consumer to engage with companies, expectations for a quick first-level response have gone up, say experts. Shah says his experience shows that a consumer who engages with the company online expects a response within three hours compared to one who fills up a physical form. The latter would be prepared to wait for a day or two for the company to get back on his query.

It is also the nature of the products and services consumed that govern the response time expectations. For instance, a consumer may be okay buying a fairly standard auto insurance or travel insurance policy online. But he may want personalised guidance for a complex unit-linked insurance product, seeking face to face time with the company and allowing more room for reaction time.

Technology also provides tremendous

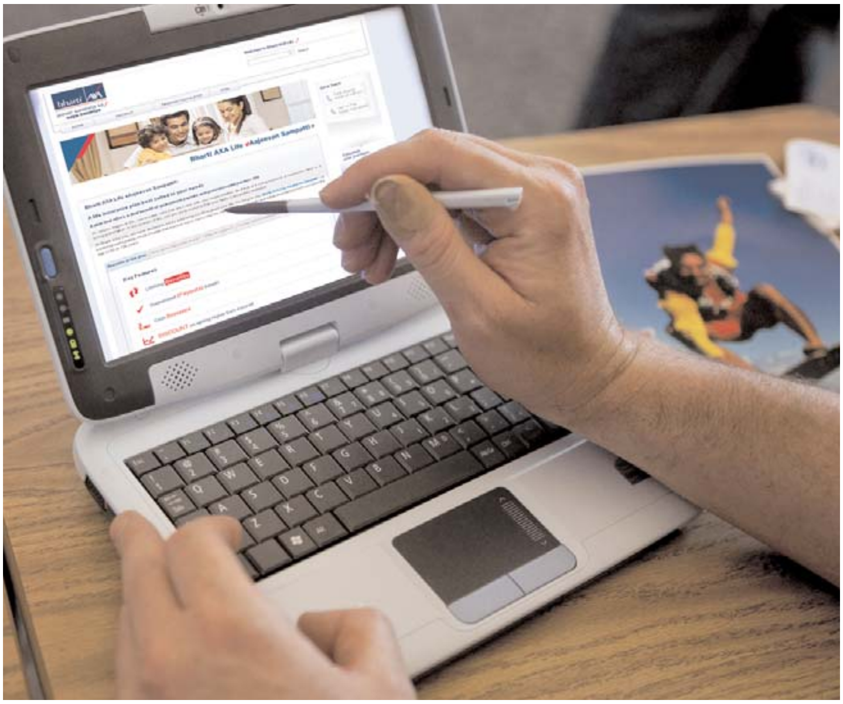
A response management system is about providing the consumer with instant delight

ASHISH DESAI
HEAD, INCLUSIVE BANKING AND DIGITAL BUSINESS, FIRSTRAND BANK

mobility to a company's salesforce, aiding closing of leads on the go. Sample this: ICICI Bank's account opening process until six months ago took three to five days. If you requested a home visit, a bank representative would show up at your doorstep with an i-kit. The kit included account details, personal identification numbers, debit card etc. He would collect the know-your-customer (KYC) documents and put them in for a second verification. The account would be activated in a few hours of processing the documents. The entire process would typically take about three days.

The same timeline is now down to a few hours, thanks to the use of handheld devices like tablets. "We call it tab banking," says Rajiv Sabharwal, executive director, ICICI Bank. "Our salesforce carries a tablet to the customer's. The form can be filled on the tablet. Documents are photographed and the pictures function as scanned copies of the KYC documents. The pictures immediately move to the back-end, kickstarting the verification process. The bank account is ready to be used in a matter of hours," Sabharwal lays out the process.

The bank started giving out tablets about six months ago and are available with the bank's sales teams in 29 cities. While the tablets are being used mostly for facilitating opening of new accounts, over the last month or so the bank has been looking to use them during sales of asset products like home loans as well. "The tablet can come handy in collecting information and giving away primary decisions. For example, it



helps us to quickly understand whether a particular construction is approved by us for loans or not," says Sabharwal.

Not just about speed

Being the quickest to respond does not mean the deal is yours to sign. At best it is the first step to meeting the customer's expectations. Here Desai of FirstRand brings in, what he calls, the 'voice personality' of the caller on behalf of the company/brand. Mind you, this 'voice personality' is not about the caller putting on a foreign accent but more about matching the nature of the product being sold. When voice is the only connect you have with the company—and especially considering the call would at some point involve some discussion about the money a customer needs to commit—one needs a voice that inspires confidence. Also a caller dealing with high net worth clients should not ideally be the one speaking with first-time investors.

This brings us to the next issue: indefinite call transfers and therefore endless waits for the customers even after he receives some sort of response from the company. Shah of Aegon Religare suggests a way out: call funneling. When the customer dials in, he automatically gets directed to a handler who is equipped to deal with the geographical location, answer all questions pertaining to the specific scheme/offer he would have called in for and be comfortable with the local language.

BFSI must open up their data warehouses at least once If they want to marry it with social data

ARINDAM MUKHERJEE
MANAGER, REGIONAL SALES, BFSI, CISCO INDIA & SAARC

How does this work? Simple, really. When a campaign is run in a particular region, there is a number given that a prospective consumer needs to dial to gather more information. This is a regular toll free number. But the geography of the campaign is defined and one knows the area from which the calls would come in. Once you factor in this information, it is easy to determine the specific location of calls so that they get directed to a certain team well versed with the campaign, the regional language, the geography of the caller's location.

Call location of the lead is considered important by companies to determine the best course of response as well as in ascertaining the team member best suited to handle it. It is not enough for the relationship managers to know their products like the back of their hand. They also need to be able to build rapport with their customer. A south Mumbai resident being serviced by a south Mumbai-based relationship manager is not often only about matching locations. It is about similar socio-economic environment, and possibly better trigger points for an extended relationship. "When a lead comes through, we try to do a demographic match between our relationship managers and leads. The process is partly manual, partly led by technology. That said, we are not in the position yet to map a lead to a certain handler depending on the profile of customers he handles, interests, locations etc as one sees internationally," says Vineet Patni, chief distribution officer, Bharti AXA Life Insurance. But it is surely a sound step towards converting a lead into a sale.

Analytics, not just for internal application but also for external use, could be a game changer. Arindam Mukherjee, manager, regional sales, BFSI, Cisco India & SAARC, describes the process as "scoping leads better using socially-mined data". Basically, the contact centre (outbound call centre) crawls through the web for the database a company has generated. The two sets of data are matched for a better, closer understanding of the customer, resulting in better targeting and a personalised response mechanism. The usage of big data in a nutshell. The only problem Mukherjee sees here is that financial institutions are wary of opening up their data banks. "What they have right now is a data warehouse, data generated internally. If they want to marry this data with social data, they must agree to opening up their data warehouses at least once." Until they do so, big data shall continue to be a shiny object to be admired, not played with for the BFSI sec-

GO BEYOND THE TRADITIONAL

Retail and service players are redefining the contours of traditional distribution touch-points by exploring the unconventional

ILLUSTRATION: AJAY MOHANTY

MASOOM GUPTE

Purchase a term-insurance policy or holiday off-the-shelf at a supermarket. Book a pre-packaged holiday as you visit a recovering friend at the hospital. Shop at a virtual store while you sip coffee at your neighbourhood store. If you think these are some way off, you may not be looking around you carefully. Aegon Religare, SOTC, Thomas Cook and Yebhi.com are among a clutch of brands working hard to convince customers that unconventional can sometimes be more efficient.

Indeed, multi-channel marketing is no longer a buzzword for the retail and services sector. It has become de rigueur. The spoilt-for-choice, on-the-go consumer wants a shopping experience that moves seamlessly between the online and offline worlds. So brick and mortar-focused retailers are adding to their distribution repertoire an online arm and conversely, the pure e-commerce players are dabbling in an offline presence via a range of options like pop-up shops and multi-level marketing. Now retailers and services providers seem ready to take the next step and expand the horizon of retail touch-points.

The reasons for expanding into "non-traditional" distributions points are obvious — from exploring innovative and impactful opportunities in the distribution space to moving away from an

DERIVING VALUE FROM TOUCH-POINTS

In a paper titled "The Future of Retail Touchpoints: extending your reach in the consumer shopping journey", author Edward Westenberg and contributors, Joanne Bethlahmy, Lisa Fretwell and Clive Grinyer chart out the path for testing new retail touch-points. Here is a four step follow-through:

- Rediscover the shopping journey: Start listening to the conversation on social media. Learn about the data available on the internet. A service such as "Observed Media" could be an easy start for gaining insights about listening and metrics. It provides the top 10 influential bloggers and tweeters in a category. It crawls many online sources and targets specific issues, such as the launch of a new product line for a particular brand.

- Offer a service or mashup application: Start an experiment with location-aware tools. One such application available in the market is Placecast. Learn about using context-aware, personalised mobile marketing as a service.

  The location-aware tools enable brands to deliver relevant messages in context (tied to place and time) to their customers, based on opt-in programme.

- Invite your customers to interact: Encourage customers to share their store experiences. Create a few "hothouse" stores to run a pilot. Evaluate the results and test again in a different location. Educate staff and consumers throughout the pilot. Anticipate results and be prepared to take action. (Such as how do you respond when several hundred customers suddenly start sending you tweets requiring action?)

- Interpret the data avalanche: Experiment with solutions like Aggregate Knowledge for automated behavioural recommendations or find out how those like ThinkAnalytics can redefine customer relationship management system.

  The pilots should be used as part of an overall consumer strategy. Early experience with new touch-points will enable you to respond quickly whenever the time is right, or when a trend goes mainstream. Consumers will view them positively.

increasingly saturated marketplace cluttered by a maze of owned stores, franchisee outlets or the traditional agent network. Mind you, it is no longer a luxury. If brands are to excel in distribution they need to look at it not as a cost centre but as a profit centre and lynchpin of success. By developing distribution-centric strategies that coordinate channels, brands in high-clutter categories can drive differentiation and growth.

What has changed

Harshal Shah, director, marketing, Aegon Religare Life Insurance, speaks about creating a product not offered by any other distribution channel: the AR Easy Protect. The product's premise is simple: groceries for 10 years. Here's how it works: A consumer who purchases the plan, pays a premium of ₹3,000-5,000 (linked to the age of the buyer) every year for a period of 10 years in total. In the event of his death, his chosen beneficiary will be paid ₹10,000 a month for a period of 10 years. The idea: one doesn't have to worry about how one's family manages the monthly grocery bill in the event of the primary bread winner's death. A thought Shah feels, might strike the consumer as she walks down the aisle of a supermarket, ticking items off his monthly grocery shopping list.

Aegon Religare is not the only one or even the first one to explore a new channel. Around 2008-09 Future Generali (a JV between Future Group and the Generali Group of Italy) introduced mallassurance to sell insurance through shopping malls, which is modelled on its successful mallassurance operation in the Philippines with the SM Group. Similarly, India is not the only country where insurance brands are experimenting with retail channels. In South Korea, ING sells insurance through Tesco's hypermarkets allowing consumers to sort out their personal insurance needs while picking up their monthly grocery.

A similar off-the-shelf product innovation has been introduced by travel company, SOTC, under the brand SOTC box holidays. As the name suggests, these are holiday packages that come in a box, with specific inclusions in terms of stay, travel and itinerary. What led to the launch? "Based on our consumer insight studies, we saw a retail rush in India. Shopping malls are mushrooming and multiple categories of products are being sold under one roof. Hence we thought of introducing Box Holidays, a pre-packed holiday similar to a readymade garment or any other organised retail product. This innovation also overcomes the holiday consumption barriers like time and effort required to plan the holiday logistics," explains Vishal Suri, CEO, tour operator Kuoni India.

For Yebhi.com's virtual store, the inspiration came from a Seoul (South Korea) subway where commuters place their grocery orders at a Tesco virtual store. The entire product range is projected in a virtual format, the shopping experience similar to browsing the web. Consumers must use technologies like near field communication (NFC) and quick response codes to place orders from their handheld devices like tablets and smartphones. On the choice of location for placing these virtual stores, namely the Cafe Coffee Day (CCD) outlets, Nikhil Rungta, chief business officer, Yebhi.com, says, "We wanted to catch people in a relaxed environment. A cafe is a perfect setting for that. In mall activations, one sees a high level of attention but the clutter is just as high."

The results of the exercise has corroborated the research findings: Yebhi noticed an uptick in the average order value (AOV) at the virtual store. While on the website, it clocks an AOV of ₹1,500, at the virtual stores, it went up to ₹1,800.

Shopping in a cafe setting seems a likely fit but booking a holiday in a hospital does not. Still, that's the option holiday planner Thomas Cook is exploring — by setting up a travel desk at the Jaslok Hospital in Mumbai. "Our Jaslok Hospital travel desk is significant in its intent to cater to around 500 doctors and the medical staff at Jaslok Hospital & Research Centre, as well as open up a retail presence in the lucrative Peddar Road area to enable discerning holiday seekers to step in and book a holiday," says Jatinder Paul Singh, senior VP and head, leisure travel (outbound), sales and distribution, Thomas Cook. He adds, "It strategically taps into the various travel needs of the international patients, including their forex, flight booking, hotel and transfer requirements." If you consider India's growing reputation as a medical tourism destination, Thomas Cook's Jaslok Hospital travel desk seems as natural as a virtual store in a cafe.

What needs to change

Venturing into unchartered territories can either usher in a new age or make matters spin out of control just as easily. So, a plethora of challenges and limitations must be battled along the way. Such as finding out whether the Indian consumer is up to the challenge or the new battleground tech-ready. Rungta of Yebhi.com points at the Indian consumer's predilection for being served than do it themselves to explain the need for placing company representatives at the virtual stores to handhold interested consumers through the process. Another learning which the website picked up along the way is that while the NFC technology sounds exciting, a lot of smartphones in India are not equipped with these chips yet, negating the positives of using this technology.

Yebhi's virtual stores ran across 30 CCDs in Delhi and Bangalore over a period of 40 days last year. The company has no immediate plans of reviving the stores. Rungta says that the company has gathered a pool of learnings from the experience but would like to consolidate its online operations before spreading itself further.

Of course, there are the financial aspects to consider too. Currently, such virtual stores operate on a lease contract. CCD or any other real estate partner, would simply rent out the premises for a flat fee (about ₹1 lakh per outlet per month, though it could vary depending on factors such as area rented, location, manpower cost and so on). A more profitable proposition would be a revenue share model.

That said, virtual stores are very doable and can be just as profitable, maintains Rungta. He works out some basic numbers. Say your marketing spend per day is about ₹2,500 per outlet. Assuming one clocks a minimum of ₹10,000 in sales every day (translating into around six-seven transactions at an AOV of ₹1,500), the return is still three times the spend.

Looking at these numbers, it can be concluded that a higher ticket item would naturally thrive in such a set-up, as fewer transactions are needed to recover the cost. So, even one holiday sold can mean cost recovered for a Thomas Cook. But the challenge for categories such as holidays and insurance is that these are hardly spur of the moment purchase decisions. A Thomas Cook may therefore clinch a deal with a doctor or patient far more easily than a visitor who may collect the literature and walk away.

Similarly, a shopper may take details of Aegon's insurance product but go back and realise that the product doesn't excite him. The key challenge therefore is to draw the consumer back and close a transaction. SOTC is trying to get around the problem of consumer indecision by positioning the box holiday as a gifting option. Suri says the concept is getting popular among corporates, with some of them using it to incentivise staff and business partners. As for the cost, he says, "As the product is pre-packaged, box holidays save on the selling cost as they don't require any sales personnel. We work with certain hotels on an exclusive contract, which helps us save on operational costs."

For heavily regulated categories like insurance, a more pressing problem is the payment mechanism. The insurance sector regulator, Insurance Regulatory and Development Authority, mandates that collection agents must be registered with the body. That is, if an Aegon Religare wants to sell its products in supermarkets, the retail chain must be registered as a corporate agent along with the cashiers. The high employee turnover can be a formidable challenge, necessitating the company to keep its own registered collection agents at the supermarket.

Further, if a holiday or insurance plan must be put on a retail shelf, it must follow retail pricing rules. If a customer goes to a shop to buy a garment, she doesn't pay different prices for different sizes of the same design. Similarly, an insurance player might be bound by rules to charge different premiums depending on the age of the buyer, and that complicates the purchase decision. As Shah admits, an age-banded premium might be an option (a specific premium for those in an age bracket of 20-25, 30-35 and so on vis-a-vis a different premium for 20, 21, 22 etc varying by a few rupees), but the ideal scenario is beyond reach at least for now.

So there you have it, implemented correctly, a new independent distribution channel can be a powerful sales driver for your company. Remember opening up new distribution avenues is only the first step. It will translate into bottom line benefits only when it goes from exciting-to-have to a must-have. And that seems some way off.

LICENCE TO GROW

Brand licensing in India takes off as marketers begin to invest in developing indigenous properties

ABHILASHA OJHA

Consider the following:

■ The worldwide market for licensed products stood at $186 billion in 2012; at $125 million, India accounts for only a tiny fraction of worldwide sales.

■ More than 40 per cent of retail sales of licensed merchandise in Asia is based on indigenous properties. US/Canadian properties dominate close to 60 per cent; indigenous product sales is 35 per cent in Europe and 11 per cent in Latin America.

■ Fashion brands lead retail sales of licensed merchandise worldwide with 23 per cent of the market. But the picture changes dramatically country-to-country, with entertainment/character accounting for bulk of the sales in India.

All of these trends spell opportunity — but the road to licensing success can be bumpy. First, Indian brand owners are just beginning to learn the ropes. Second, there seem to be more misses than hits so far. But the good thing is the groundwork has been laid. Growing consumer acceptance of licensed properties and the willingness among brand managers to experiment with newer sources of revenue are the obvious triggers.

The biggest impetus, however, comes from the rapid growth in organised retail in India, say experts. "The missing link for the growth of brand licensing has been the organised retail," says Jiggy George, founder and chief executive of Dream Theatre, a brand licensing agency, which represents Angry Birds, Power Rangers and Warner Brothers' consumer products In India. "Though organised retail is still 10 per cent of the overall retail business, the opening up of the sector to FDI will ease the way for international retail into India, which in turn will help this business grow," says George. Little wonder, a whole range of professional agencies like Bradford, Wild East Group and Dream Theatre already thrown their hats into the ring.

A lot is brewing already. The forthcoming Bollywood film Krrish 3, which chronicles the adventures of the eponymous superhero, is already expected to generate ₹18-20 crore via sales of branded merchandise, licensed online games etc. Plus four animation films will be released on Cartoon Network to generate buzz. Then there will be apparel, stationery, toys and other products to capture the young children, the film's target audience. While Dream Theatre has the licence to introduce the merchandise in India, Carving Dreams, the talent management agency that manages Roshan's endorsements and deals, has tied up with licensing agency Wild East Group to bring out a range of Hot Wheels toys for boys in the 5-10 age group in association with global toy maker Mattel to coincide with the film's release.

Though Ra.One reportedly spent upwards of ₹50 lakh for merchandised products alone, trade analysts say that Krissh 3 is the biggest brand licensing deal so far in the Indian film industry.

It's not just Bollywood; take a look at the shop windows on your next trip to the neighbourhood mall and you will find them all around you. Angry Birds footwear at popular shoe store Bata, Tom & Jerry bed sheets at Shoppers Stop, Dora hair accessories at Mom&Me, Superman tees elsewhere... the list is endless. According to Chitra Johri, VP, Bradford License India, the brand licensing story began to unfold a couple of years ago when brands began to see it as a new source of revenue.

The issue is to this day the whole idea of licensing in India seems to be stuck in a narrow groove. The bulk of the licensed products comes from well-known international brands and most of the indigenous activity is tactical in nature — a ZooZoo here or a Jadoo there — and limited to products aimed at children. Indeed, many feel brand licensing, especially in the kids' space, works better than bringing on board a brand ambassador who will cost more and won't always promise commensurate returns.

Of course, there are examples of long-term relationships from other markets — take Knoll (the US-based home and office furniture manufacturer) and Godrej; Arvind Brands, which represents Wrangler, Arrow, Nautica, Jansport and Kipling in India; or the Murjani Group, licensee for FCUK and Tommy Hilfiger — but they are few and far between and overshadowed by the hullabaloo in the kids' toys and accessories segment.

So getting into this market should be like shooting fish in a barrel, right? Not really — first, because it's a long haul, and second, it is, after all, a partnership and therefore not an easy thing to crack.

What works, what doesn't

Before you dive headlong into the business, it is crucial to understand just how the business of brand licensing works. At its most basic, licensing is a contractual relationship between a brand (technically, the owner of the property), known as the licensor, and a licensee, usually a manufacturer or retailer who develops and distributes a product or service under the brand name. Typically, it works on the 'licensee' promising to give the 'licensor' a minimum guarantee on sales along with a royalty that can range anywhere between 10 and 30 per cent. A large chunk of the deals are struck for three to five years largely as tactical tools to create buzz around a certain product or franchise (anything less than that should be avoided as far as possible, say experts; else the lincensee may be stranded with unsold inventory). But the bigger and the more lucrative ones can be stretched over a couple of decades.

Sid Shah, founder, Wild East Group, which began its operations in India almost three years ago, and looks after brand merchandising of Kolkata Knight Riders, Hrithik Roshan, Yash Raj Films (the agency launched greeting cards for NRI consumers in 10 international markets based on popular music, dialogues and stills of YRF films) explains why managers need to take a long view. He says getting even one client on board takes about a year's worth of preparation. A year's investments to sustain the company is vital. Ideally, getting three to four clients on board is considered necessary in the first year and the agency needs to do consumer research, gather information and educate the brands to understand the business of licensing and brand extension, explains Shah. "Even after one gets the clients on board, it takes 12-18 months to actually get products rolling into the market," he adds.

Managers also need to prepare dedicated

Source: License! Global

'style guides' (explaining brand extension), thus, laying out the roadmap. "The first thing to remember while extending a brand — whether through licensing or otherwise — is fit," says Johri of Bradford that is licensing Diamond Comics' popular Indian characters Chacha Chowdhary and Saboo. Angry Birds, for instance, already has 700 products — from shows to toys to mobile accessories — at retail. To be sure, 30 per cent of the overall revenues for Angry Birds come from merchandised products. The retail points are a mix of e-commerce sites and traditional brick-and-mortar retail stores in tier-II and tier-III cities besides the metros.

George of Dream Theatre says that for licensing to take off it is important to get out of the comfort zones. Instead of concentrating just on 'character' licensing, managers should look for opportunities in categories like sports, fashion, celebrity etc. Celebrity licensing is a big deal globally. Take Coty Inc, one of the world's leading makers of beauty products based in France. 80 per cent of Coty's perfumes fall under licensing agreements and now account for around 10 per cent of net revenues.

It will be a while before Indian brands get there but that's the only way to grow. The reason: film-related tie-ups in brand licensing have a shorter shelf life. "A short-term approach is not bad. While film-related deals allow visibility, the business upside is limited by the risk of licensees getting stuck with unmoving stock," says Gaurav Marya, region head, India, Licensing International Manufacturers' Association. India's biggest indigenous licensing success story, in his view, belongs to Chhota Bheem.

Rajan Amba, global marketing head, Titan Industries, says that a successful brand licensing programme is one that benefits everyone in the value chain — the brand, the distributor, the manufacturer, the retailer and, of course, the end consumer. When Titan tied up with Marvel's super hero Iron Man (to coincide with the release of Iron Man III) to bring out a range of watches under its Zoop brand, it was aimed to build new imagery around the brand and allow it to mature. Till then Zoop had a 'kiddy' brand image. The company wanted to extend its appeal to a more mature 22-24 age group. The tie-up not only helped in revitalising the brand, it increased footfalls in the Titan watch outlets. While Zoop will continue rolling out Iron Man watches for the next couple of years, for Turner International, which has a host of licensed brands through its Cartoon Network and Pogo channels, brand licensing is a major revenue driver. Says Gaurav Brar, director, Cartoon Network Enterprises, South Asia Turner International India: "We are monetising because we continued growing our brand licensing programmes." Ben 10, the channel's popular cartoon character, has started ticketed live events now, six years after its merchandise hit the retail shelves.

Coming back to where we started: why aren't locally-developed properties taking off? "(The lack of) brand awareness has prevented Indian characters from doing as well as their Western counterparts," says Sridhar Samu, assistant professor of marketing, Indian School of Business. "Indian characters and brands are limited to the Indians living outside. There has been no penetration outside these segments."

That is where we will see most of the activity in phase two, say experts.

DIFFERENT TIME, DIFFERENT PLACE

Consumers are deferring live television and zapping ads. This is changing the broadcaster-advertiser-content producer equation

ROHIT NAUTIYAL

In 2010, when Amitabh Bachchan asked viewers "Nau baj gaye kya?" to promote Kaun Banega Crorepati that was making its debut on a new channel, Sony, at the revamped 9-10 pm slot, it was a cue for viewers like 25-year-old Mansi Shinde to plan their evenings accordingly. While her love for the iconic game show and its larger-than-life host has remained steadfast over 13 years, she no longer plans her evenings around the septuagenarian actor-turned-television host's appearance on her TV screen. Today, Shinde, now a mother of two who works part-time as a Zumba instructor, watches the entire week's episodes back to back on Sundays, thanks to her IPTV connection, which records shows for up to seven days. Her viewing experience is also much better — as soon as one of the innumerable ad breaks starts, she hits the fast forward button.

Like Shinde, a growing section of TV viewers are manipulating screen time with the help of new technology. Deferred viewing is on the rise thanks to busy lifestyles, and appointment viewing — on which the fundamentals of buying and selling TV time was based — is being consigned to history.

This is a global phenomenon. So pronounced is the shift that for the first time, research agency Nielsen is trying to measure the viewership of recorded programmes beyond seven days and up to 29 days in the US, the reference market for tracking consumer technology, to offer agencies data on which they can rework their ROI calculations. Part of this set of data available with The Strategist shows that while sports genre dominates live viewing, primetime dramas and sitcoms dominate the beyond-seven days category. As per industry figures, about half of the TV households in the US have access to digital video recorders (DVR) and other time-shift technologies. About 13 per cent of the content is currently viewed at a different time. Within this, 80 per cent of time-shift viewing is happening within 24 hours of the recording. Though this data pertains to the US market, it may very well show the shape of things to come in India.

But first, where do we stand today?

Largely, TV advertising decisions in India are based on viewership data collated by Television Audience Measurement (TAM). At the moment, leading providers of direct-to-home (DTH) and internet protocol television (IPTV) are not sharing any data on time-shift viewing. So there is no TAM-validated data available yet. In fact, DTH/IPTV players may never evince interest in gathering this data as advertisers are likely to use it to renegotiate ad rates to their disadvantage. Nielsen India's communication team says there's no India perspective in their report.

But some back-of-the-envelope calculation might help shed light. Industry estimates peg the number of digital cable and satellite and DTH connections in India at 60 million. Less than 1 per cent households have DTH connections with DVR. That is, less than 600,000 have the technology to record. While this doesn't necessary mean they defer viewing or zap ads, this gives a sense of the numbers that have already acquired the capability. That said, there are no clear numbers available on IPTV, which records all channels up to a week.

It's important for brands to put their best foot forward by creating engaging content across media

HOMI BATTIWALLA

SENIOR DIRECTOR, MARKETING (COLAS, JUICES AND HYDRATION), PEPSICO

Shashi Arora, CEO, DTH/Media, Bharti Airtel, says, "Like with any other new technology product, HD DVR too will take a few years to witness ready acceptance in Indian homes. Apart from lack of awareness, one reason for low adoption is its price. As digitisation spreads, we foresee a much faster adoption by the middle-class viewer who currently cannot afford the HD DVR set-top box but aspires to the technology that will help her watch TV at her preferred time." In a developed market like the US, an HD DVR is second to the cellphone as the most essential household technology product. But this category is yet to take off in India as the HD DVR is viewed as a premium product. For instance, a new Airtel digital TV HD-DVR connection is priced at ₹5,740.

In a data dark market, the best way to go ahead is to look at global trends. And global trends show that television programmes are increasingly being viewed as standalone videos rather than... well, television programmes. And they are being viewed on the go — on the mobile, on the tablet or laptop. The viewer has the choice of watching it on the broadcaster's website or on YouTube.

The broadcaster, too, has a wide variety of options to reach the viewer. This also means the media planner/buyer's life is getting more complicated.

Viewership is changing

What makes the media guys' task even more difficult is the fact that the way we consume television is also changing rapidly. Five years ago, most Indian households had single screens and prime time was strictly for family viewing, a forte of leading general entertainment channels (GECs) like Star Plus, Zee TV and Sony TV. With the number of screens per households increasing — we are not just talking about the second TV set, but of mobile and internet TV too — new genres like lifestyle and English movie channels are gaining traction. The viewership for such youth channels is driven by people in the age group of 15-35 years. Time-shift viewing is an appealing proposition for this target group.

"Over the years, media planners and research providers have understood the importance of live GRPs and time-shifted GRPs and how both provide value for the advertiser," adds Ravi Kiran, who has spent 20 years in the media industry and is now associated with Friends of Ambition, a growth advisory company he co-founded.

Until a few years ago, the average media plan of a big advertiser focused on TV, print, outdoor and, if the budget permitted, some in-shop advertising. Digital spends have picked up in recent years with FMCG and automobile players taking the lead. The advantage for advertisers who plan to up spends on digital is the ability to track wastage. Concepts like cost per click, cost per thousand, to advanced tracking codes for measuring reach have come to the aid of the advertisers.

Broadcasters have more than just changing viewership to grapple with. They are dealing with the mammoth task of selling ad spots on TV channels, facilitating in-show placements and brand integrations and monetising content on YouTube channels. All three are crucial to a sound media plan. In fact, broadcasters are collaborating with Google to build their presence online. For instance, while Google blocks pirated content (for example, episodes of soaps) posted by users to safeguard the interest of broadcasters, a revenue sharing model is followed for distribution of ad revenue between the two parties.

Indeed, Google's free video warehousing platform YouTube, with more than 125 million videos in India, is the best example of how advertisers now have a platform where they can fine-tune their social media strategy with minimal spillage. Let us look at what an advertiser can do on YouTube.

Pre-roll allows an advertiser to place his commercial before a video chosen by the user is played. The user gets five seconds to skip the ad. If this happens, the advertiser does not pay for the impression. On the other hand, if the ad runs for six seconds or more it is considered as viewed. In this case, an advertiser pays on the basis of the duration for which the ad ran. A YouTube spokesperson says, "We do not charge advertisers for ads that are skipped and thus encourage them to develop more entertaining and likeable creatives that users want to watch. Advertisers can view metrics such as number of impressions, conversions and viewer demographics via their YouTube Insights accounts. This gives them total control of their spends and helps to measure their campaigns effectively."

Clients are savvy like never before in terms of ROI on their digital spends...With Sony LIV our main objective is to establish a global advertising model

NITESH KRIPALANI

SENIOR VP, NEW MEDIA, BUSINESS DEVELOPMENT AND DIGITAL SYNDICATION, MSM

Atul Hegde, CEO of internet marketing agency Ignitee, says, "The number of users skipping the ads on YouTube is very low and so advertisers from across the categories are willing to invest in pre-roll." Interestingly, YouTube also offers a carpet bombing option titled First Watch in

pre-rolls in which an advertiser's ad is played before every video for a day. Besides opting for text ads on videos, a brand can take sponsorship of a channel which provides ample scope for branding. Soaps, Bollywood and cricket are the three most viewed contents on YouTube. Currently, 5-8 per cent of the overall digital spends is going to YouTube.

Indeed, broadcasters don't want to lose out on any opportunity that might come their way. Last month, MSM launched Sony LIV, a portal that will offer its TV content online. Targeted at urban users in the 15-34 age bracket, the channel is also available on iOS and Android platforms. The likes of Star Plus and NDTV too have taken up similar initiatives in the past.

Nitesh Kripalani, senior vice-president, new media, business development and digital syndication, MSM, says, "Clients are savvy like never before in terms of ROI on their digital spends. Interestingly, within two weeks of launch we realised that while 60 per cent of the overall viewership comes from abroad, only 40 per cent of content is seen by Indian viewers. With Sony LIV, we want to establish a global advertising model."

Onus on creativity

So who should worry? First, the advertiser. Second, the media buyer/planner.

A large chunk of the media buying/planning community is not in sync with emerging technology, says an agency insider. A view echoed by Kiran of Friends of Ambition as well. "Most of them are reeling under the pressure of 'here and how', a legacy of traditional media planning focused on TV and print. Since content is now a video, media planning for TV will soon be recognised as video planning across devices," says Kiran.

Why should the advertiser worry? Because plain vanilla advertising will no longer work. According to PepsiCo's senior director, marketing (colas, juices and hydration), Homi Battiwalla, brands have to put their best foot forward by creating engaging content across media. Manisha Lath Gupta, CMO, Axis Bank, says, "A brand should come on YouTube if it can entertain, educate or inspire. In reality this ends up as an afterthought. Many mainstream agencies still do not have separate strategy for YouTube. Playing commercials is passé, and this has given birth to another challenge for advertisers — what works on a YouTube channel?" Battiwalla adds, "YouTube is crucial for our brand. It can be a big rival of national channels. We will allocate a significant portion of our niche media budget to YouTube and also experiment with the content on our YouTube channel."

According to KV Sridhar, national creative director, Leo Burnett, brands and agencies will have to seemlessly work with content creators. "Brand integration will become a necessity. We already have some great examples like Coke Studio, Thums Up Khatro Ke Khiladi and Amul Master Chef," he adds.

All of this might, after all, turn out to be a fantastic deal for the advertising industry. When viewers have the power to dodge ads served by brands, the onus will be on cutting edge creative to provide the all-important eyeballs.

Get the drift?

DIFFERENT TIME, NEW AND IMPROVED

From pure marketplaces to managed marketplaces. New e-commerce players are tweaking the signature models of the last phase in search of profitability

ANKITA RAI

When embarking on a new business, it's a good idea to follow conventional wisdom and learn the rules before flinging yourself in at the deep end. However, there will be moments when you wouldn't know whether to follow precedent or venture off the beaten track. In those moments, it's good to remember that breakthrough ideas and disruptive business models are often traced to leaders who were ready to plough a lonely furrow.

If you take the difficult path instead of looking at received wisdom for inspiration at every stage, you may just hit upon the next ₹100-crore idea. A hundred crore is not big in the grand scheme of things, but it certainly is if you're trying to earn it in a small market with limited possibilities. The e-commerce market in India is just such. Pegged at ₹2,500 crore (in 2012, according to Franchise India), it has at least 400 players vying for the consumer's attention and money. Most of them, however, are negative on gross margin (to be positive they should sell products for more than the sum of the cost of the unit plus the discount on it, payment gateway costs, expenses incurred in carrying inventory and delivery, and returns costs, if any).

Since there is so little leeway to make big mistakes, most of the players in the fray are taking the signature models of the last phase and tweaking them, to give them a new direction and journey. Take Mumbai-based e-retailer of home, furniture and lifestyle goods Pepperfry.com for instance. It isn't the first big e-commerce site, but its executive director Ambareesh Murty has added twists and features the others did not grasp. While analysts continue to argue that the Indian e-commerce industry was able to generate volumes when it graduated from a marketplace model to the one where the e-commerce player takes upon itself the task of running inventory and logistics — Flipkart being the poster boy of this model — Pepperfry has adopted the mostly unchartered managed marketplace model, done away with warehouse management and has outsourced logistics.

Indeed, a new twist to an old idea can still be a ₹100-crore idea. Some authors will go as far to say that tweaking an old business model is one of the biggest parts of innovation. Pepperfry.com (owned by Trendsutra Platform Services), which started operations in January 2012, crossed ₹100 crore in turnover in January 2013. From 10,000 products on sale in January 2012, the company has widened its catalogue to include about a lakh items (80 per cent its sales are from home and jewellery sections and 20 per cent from apparels). Murty says the fact that Pepperfry has outsourced logistics and has zero carrying cost gives it a distinct cost advantage. "Lower costs ensure better margins in our business," he says. "Our business runs on 25 per cent margin on an average. In categories like furniture, it is higher, at 30 per cent, while in jewellery it is around 15 per cent. Our competitive advantage comes from being the largest players in home and health and beauty categories," he adds.

SWOT ANALYSIS: MARKETPLACE V/S OWN-INVENTORY MODEL

Marketplace model

Strength	Weakness
Cross selling platform	Longer delivery time
Merchandise differentiation achievable	Complex supply chain
Diverse product portfolio at low risk	Higher delivery expenses
Less inventory investment	Less control on pricing & discount
Ease in horizontal expansion	Growth depends upon other retailers
Margins about 10% higher	Building customer experience is difficult

Opportunity	Threat
Bring small and local manufacturers on board	Sub-standard quality of products
Highly scalable business model	Counterfeit goods may be shipped
Higher traffic monetisation	Brand performance affects the marketplace eretailer

Own-inventory model

Strength	Weakness
Leveraging existing brands Leveraging existing customer base for higher sales	Dependence on brand performance Change of consumer perception about brands
Lesser delivery time	Bearing the inventory expenses and management cost
Original products assurance	Needs more promotion costs
Control on product pricing/discount	Highly capital intensive
Control on product portfolio	Lower monetisation from web traffic

Opportunity	Threat
International growth through brand building	Low stock turnover loss
Vertical growth aligned can bring category leadership	Competition: Other players are selling products on heavy discounts
Online-offline affinity: Growth can be extended to stores	

Analysis by Gaurav Marya, chairman, Franchise India

How to be profitable

As the e-commerce space becomes cluttered, top-notch customer service, easy buy and return policies, and last mile connectivity are becoming the key differentiators. The biggest, however, seems to be the ability to keep one's nose above water. This entails cutting the inefficiencies that have found their way into the system. According to a study by Zinnov Management Consulting, for an average selling point of ₹1,200, the average loss a firm incurs is ₹1,290. The break-down shows, warehousing and shipping amount to ₹150, packaging ₹25, payment gateway/COD around ₹35 and discounts up to ₹300. Net profits remain elusive and scale is imperative.

But given that most of the players in the space are just a year or two old in busi-

E-COMMERCE IS GROWING RAPIDLY

TOP TRENDS

1 Huge existing opportunity
Estimated revenues of $125-160 bn by 2025

2 E-tailing to outpace e-travel
Expected CAGR of e-tailing 4x that of online travel

3 Consolidation unavoidable
VCs getting cautious of investing; expect consolidation

4 Focus on profitability driving new business models
Scale to drive profitability; companies entering multi-category retailing and launching self-owned brands

5 Managed logistics to prevail
E-commerce specific logistic services emerging

6 Wide range of marketing channels used; mobile yet to be leveraged
Mass-media advertising being deployed for brand building; social media effective in driving traffic

Source: Sequoia Capital, Zinnov Primary Research

AS OBSTACLES TO E-RETAILING ADOPTION ARE ADDRESSED

Online Travel vs E-tailing

Online travel, unlike e-tailing
- required minimal infrastructure investment
- had a commoditised service offering, helping it take a lead over the latter
- zero lag time in order fulfilment built trust

WHY E-TAILING WILL CATCH UP?

Building trust
- Trust built by extensive marketing
- Offering fraud-proof options, such as COD[1] and easy returns

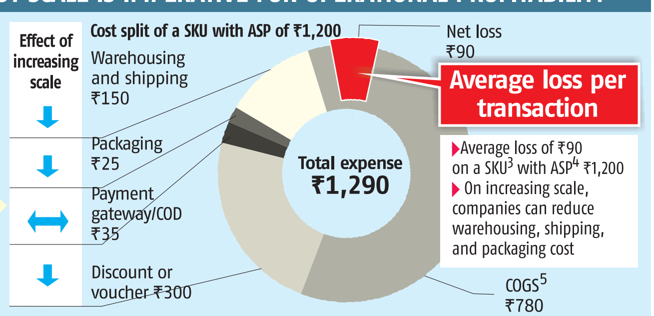
Discount
- Discounts driving adoption
- 25% – average product discount offered[2]

Strategic products
- Product categories, such as books and electronics, which don't require extensive touch and feel, driving growth

Logistics infrastructure
- Key investments in logistics/ supply chain
- Well supported by 3rd party companies for pan-India coverage

Note: **1** cash on delivery; **2** according to Sequoia Capital

BUT SCALE IS IMPERATIVE FOR OPERATIONAL PROFITABILITY



- Average loss of ₹90 on a SKU[3] with ASP[4] ₹1,200
- On increasing scale, companies can reduce warehousing, shipping, and packaging cost

Figures in %	Selling price	Cost of item	Discount	Packaging	Free shipping	COD cost	Ware-housing	Man-power	Inventory	Gross margin
Books	100	60	30	1	10	8	1	10	4	-24
Mobile	100	88	10	1	2	2	1	5	4	-13
Apparel	100	65	15	1	10	4	1	10	2	-8

3 stock keeping unit, **4** average selling point, **5** cost of goods sold

ness, ramping up in a jiffy is not an option. Enter managed business models. According to Praveen Bhadada, director, market expansion, Zinnov Management Consulting, "Companies spend about 10-12 per cent of their revenues on delivery, warehousing and inventory write-offs. If managed business models can optimise a portion of this, say 50 per cent, it could have a positive impact on the margins."

This brings us to the key elements of the managed marketplace model. The first is outsourcing logistics. This is like the reseller/distribution model in the IT industry. The second is limiting inventory. The first one is the easier. There is an entire ecosystem that has developed around e-commerce companies. "We have companies like Delhivery, Chhotu.in (now even DTDC has a separate arm to cater to e-commerce websites) that provide managed logistics for a host of e-commerce companies," says Bhadada. "This model can help in expanding reach without huge bottom line implications."

For the second, one should identify suppliers who won't insist on upfront sales and upfront payment — which means one has to invest in warehousing — and putting more emphasis on demand forecasting, with incentives like minimum pick-up guarantee.

How to be different

Pepperfry's isn't a new business model. It's an evolution nonetheless. In the first flush, e-commerce ventures saw themselves as facilitators who brought the buyers and sellers on the same platform and made no pretensions about managing the conversations between them. Think eBay. In the second wave, when the Flipkarts of the world dominated the show, e-commerce ventures saw themselves as organised retailers and took up the task of managing logistics and inventory in a manner that a brick-and-mortar retailer would do in, well, the brick-and-mortar world.

The Pepperfry generation wants to develop a network of small and medium businesses. Murty, a former eBay India hand, says, "We did not want to build a retail business. eBay is in my DNA and eBay is a marketplace. A marketplace enables small businesses and entrepreneurs to showcase their products to customers across the world."

At Pepperfry, empanelled merchants list their products on the site. When an order is received, the intimation is sent to the merchant, who then ships the item to Pepperfry's fulfilment centres. Once there, the products go through quality checks, after which they are packaged and shipped through third-party courier partners.

Fast moving categories are delivered in three-four days while categories like furniture and jewellery may require up to 14 days if the vendors don't have the ished item in stock.

The managed marketplace model may look simple, but it requires planning and forecasting. The key challenge in a managed marketplace model is the availability of items with the merchants, Murty says. "A merchant can expect to achieve incremental business of ₹15-25 lakh in a year by selling on Pepperfry," he adds.

According to Mudit Khosla, CEO, Tradus.in, an online marketplace, the biggest advantage of the marketplace model is that it is scalable due to the cost advantages it affords. However, he says, the onus to educate the new breed of sellers/vendors, who want to use online marketplace, lies with the e-commerce brands. After all, they are the ones that interact with the consumers.

The other view

Some, however, continue to bet their shirts on the own-warehouse-and-logistics model. Just recently, Sachin Bansal, CEO, Flipkart, told The Strategist that the company's winning strategy was to build in-house logistics, own warehouses and a very large network support team. Jabong.com, which is a big player in the fashion and lifestyle space, also operates on the own-inventory model. According to Praveen Sinha, co-founder, Jabong.com, customer experience is very important. Owning inventory leads to better control on services. "If you know the product is high selling, why not stock it?" he asks. Second, the vendor/supplier infrastructure is not mature yet, which means you can't really depend on them to deliver things on time.

Manmohan Agarwal, CEO, owner, Yebhi.com and former CEO of Vishal Retail, has an interesting take. In a successful e-commerce model, he says, one doesn't have to do away with inventory but build efficiencies around it. "Our learning at Vishal Retail has come quite handy. We built systems, technology and controls around inventory from Day 1, knowing that when the business scales, the challenges would be very different. We addressed inventory and warehousing issues early on. Our suppliers finance our inventory. We have a 1 lakh sq-foot fulfilment centre, which is enough to cater all over India," he explains.

Agarwal says that Yebhi.com has started dabbling in the controlled marketplace format also, where instead of keeping the inventory in its own warehouse the company asks vendors to keep the inventory at their warehouses. "We have our own logistics team. Whenever the sale happens, within 24 hours, we bring it back to our warehouse. We then process it from there to the consumer. It is a blended format because I want to control the consumer experience," adds Agarwal.

The e-commerce space is evolving fast and there will be more experiments. As we continue to hunt for the perfect model, as a business leader, knowing when to go by the book and when to throw it out of the window, can mean the difference between success and that niggling I-blew-it feeling.

THE SUCCESSFUL FOLLOW-UP

Are you missing out on the after-sales opportunity? Here's how you can use it to create repeat customers

ROHIT NAUTIYAL

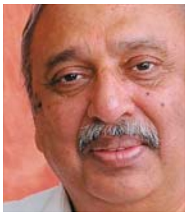
Household appliance maker Eureka Forbes, which rules the ₹3,200 crore water purifier market with 52 per cent share (brand: Aquaguard), attributes a large part of its success to relentless customer support. It works like this: Currently, over 6,000 engineers make 40,000 kitchen visits every day on behalf of the company. While Eureka Forbes works with franchisees for servicing, it monitors the entire process through a centralised call centre. As part of Aquaguard's annual maintenance contract (AMC), which begins once the product is out of warranty period, Eureka Forbes sends its service engineers two to three times a year to service a water purifier, whether there is a customer call or not. The company's service engineer just walks in, services the machines and exits.

What if such regular interactions between a customer and a company representative are converted into opportunities to inform the customers about product upgrades or to make a fresh sales pitch?

When The Strategist posed this question to servicing and marketing heads at a whole range of companies, an overwhelming majority found the suggestion impractical. Some went as far as to say it was "totally obnoxious". Trust us, that's the beginning of the problem. Globally, companies such as Haier, the Chinese multinational, and Japanese automaker Toyota have proactively used after-sales visits by company representatives as an opportunity to build a relation with their prospects. Through the course of a few calls and personal visits they try to know the customer and her potential desires and hesitations. The underlying belief is simple: having that information is the key to making the next sale.

That is because one-time purchases, as important as they are, don't always net you a repeat customer. Research shows that on average, it takes seven attempts to make contact with a prospect, after which you move into the sales process. All too often, sales professionals stop at two-three attempts assuming that their earlier attempts are a complete waste. To make successful attempts at converting a first-time buyer into a patron or a brand advocate you ought to learn the art of follow up. The best part about an after-sale interaction is you don't have to begin the sales process from scratch, which may significantly increase your success rate. When you know what your potential customer needs and which points of your offering are unclear/unnecessary for her, you are able to prepare a customised offer, one that would address her needs .

This is not to say Indian companies don't realise the importance of an after-sales interaction. Some, like Eureka Forbes, have started taking baby steps in this direction. Since last year, the company has been selling a portable fire extinguisher, Fire Guard, through the leads forwarded by its service engineers. Mind you, we are not talking about a cheap product here. The fire extinguisher, which could be used at home, is priced around ₹5,000. Yes, it is too early to talk about conversion rates and sales numbers, but the company is hopeful. Says Shashank Sinha, general manager and head of marketing, direct selling, Eureka Forbes, "I believe if one is able to satisfy the product and service expectations of existing customers, there is no reason why they would not trust the company for advice on new offerings."



Sales pitches during a service visit may not be appreciated by the customer

MAHESH GUPTA
CHAIRMAN
KENT RO SYSTEMS

Easier said...

Take another brand from the same category, Kent RO Systems. Where proactive after service is concerned, the brand wins the day hands down, say marketers. Consumers in Delhi and its suburbs have the best deal: they get their products serviced the same day. But the company doesn't look at after-sales visits as a sales opportunity. Mahesh Gupta, chairman, Kent RO Systems, says sales pitches during a service visit may not be appreciated by the customer. Other than a machine breakdown, he says, an RO unit needs cleaning from time to time. It is not necessary that the decision maker will be available during such routine visits. "It will not be fruitful to make a sales pitch to the housemaid, aged parents or children in a household," he adds on a lighter note.

Strangely, the company doesn't even insist on AMCs with customers. "We understand that the purifier market in the country is largely unorganised; so we do not believe in cajoling customers to sign up for our AMCs." Sad, because unlike competitor Eureka Forbes, Kent has an interesting product portfolio with air purifiers, fruits and vegetable purifier and water softners. Since all these products have a common proposition — safety — it might have been an idea to pitch them to existing consumers of its the bread and butter offering, the RO system. Currently, the company has 350 service franchisees and sells more ROs through the retail channel than through direct selling.

Indeed, it is not just about making the next sale. After-service can be make or

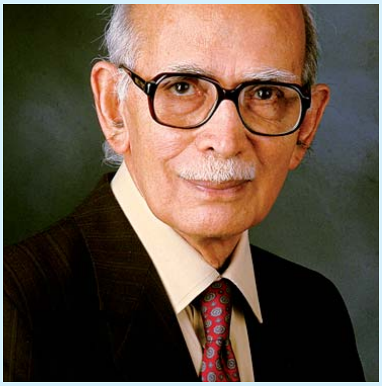
EXPERT TAKE

Mind the KPIs

If the product 'upgrades' call for replacing one plug-and-play equipment with another — as in the case of most white goods — it is, by all means, a sales function and one can use available data base to plan appropriate timing for making a targeted pitch for selling new upgraded products.

For selling add-on jobs to 'upgrade' the existing product and/or system, highly engaged, knowledge empowered service engineers are certainly a better choice. This is so because they enjoy much more credibility with the customers as compared to sales engineers. There is, however, one important caveat that must apply. Let us see what is it and why is it so important.

The needs of equipment users fall broadly under two distinct tiers and in each case they seek competent response as speedily as the situation demands.



GOPAL K GUREJA
AUTHOR, ORGANISATIONAL SCHIZOPHRENIA

Tier I: Optimum availability

Whenever a breakdown occurs time is at a premium. To deliver a positive customer experience it requires a high degree of responsiveness, optimum logistical support and technical competence.

Tier II: Optimum effectiveness

Sales of product or system upgrades call for a higher level of knowledge about the product as well as the process. However, unlike tier 1 needs, in this case there is no desperate pressure of deadline.

If service engineers are exclusively assigned to meet performance targets relating to either Tier-I or Tier-II tasks, the system can work fine. However, as usually is the case, if a an individual is assigned the task of meeting Tier-I and Tier-II needs, priorities can get distorted in favour of selling upgrades rather than attending to breakdown calls. This is because in service engineer's perception, his self-interest is served better by performing those tasks which help him meet his quantitative performance targets. Tier-1 jobs are sure to get lesser attention ending up in customer dissatisfaction.

break for companies with shrinking lifecycles for products across categories. For instance, if the lifecycle of consumer durable items earlier coincided with the life span of its buyer, now it is down to seven, or, at the most, 10 years. For smartphones, it is one year or less.

Marketers say the concept of unique selling proposition is also under duress, thanks to rapid technological advances, burgeoning product categories and ever-changing consumer needs.

In this scenario, customer retention is the biggest challenge faced by big and small manufacturers alike.

Consider the example of BlackBerry to understand how service limitations can really undermine a brand's prospects in a market. While the company has been criticised for its lack of innovation, its long customer complaint resolution time also played a part in its undoing in India. That is because in India RIM ships BB handsets to Bangalore to fix problems of a certain nature. The company failed to realise that no smartphone user will part with her mobile handset for a period of three days or more. Says the ex-CEO of a consumer durables company, "Today a good service engineer-customer rapport works far better than any high decibel brand campaign. Good customer service will be a solid stepping stone to any big or small sales pitch."

...but doable

Now see how some companies are trying to get a handle on this issue. For companies eying customers in their service database for fresh sales pitch, selling low value products could be a starting point. Whirlpool sells accessories like scaling powder and plastic covers for its washing machines through word of mouth by service engineers. Says Shantanu Dasgupta, the politically correct vice-president of corporate affairs and strategy at Whirlpool of India, "We do not push these products. They are part of our differentiated offering to customers who have invested in our appliances." The company has a parallel sales set-up within the service infrastructure that sells water purification products.

It is a part of our differentiated offering to customers who have invested in our appliances

SHANTANU DASGUPTA

VP, CORPORATE AFFAIRS & STRATEGY WHIRLPOOL OF INDIA

To standardise its service delivery, Godrej Appliances has been investing consistently in training its army of 4,000 service technicians. The company has established training centres at each of its 22 service centres across India. AMC adoption level among Godrej's customers post the warranty period is 10 per cent of the overall products sold in a given year. On an average, the cost of an AMC to the customer comes to 8 to 9 per cent of the cost of the product. In fact, over the last five years, Godrej has worked hard encouraging customers who own the company's ACs to buy the AMC before the warranty period expires. The company claims to convert 70 per cent of its AC customers every year into AMC buyers post the warranty period.

Four years ago, when the company decided to push its water purifiers and UPS systems through the direct selling channel, it chose to rely on the marketing savvy on-ground service team. Kick-starting this initiative in Maharashtra and Karnataka, the service team was asked to make sales pitches for Godrej's UV purifiers during customer visits. Since the task at hand was to first resolve an existing problem, the team was asked to give its best shot and observe the customers' satisfaction levels first. For instance, even after resolving the problem regarding an appliance, the service representative may have to be patient and hear out an irate customer's outburst because the turnaround time for the complaint was long. In this scenario, the servicing guy left gracefully. However, if the customer was in good spirits after the service, the service representative was encouraged to make a fresh sales pitch. Says Ravi Bhat, national head, service, Godrej Appliances, "The idea was to pitch our products to happy customers. Today across major metros, Godrej's turnaround time for customer complaints is 24 hours."

To sum up, carefully preparing for your follow-up visits, learning about your customers' needs and modifying your offering to fit those specific needs is what makes the follow-up such a successful sales tool. Having all that additional information simply makes better sense than making a number of blind calls.

PHOTOS: DALIP KUMAR

SHIFTING INTO TOP GEAR

In a dull market, Maruti has tweaked its vehicle service strategy to cut time and cover more customers

ROHIT NAUTIYAL

Consider these numbers. Research shows that car customers do not depend on the authorised service network for vehicles over seven years of age, but patronise local garages. Given the huge vehicle population in the country, it is evident that automotive servicing in India is still largely unorganised. That apart, JD Power's latest Vehicle Dependability Study reveals that the routine servicing and maintenance at authorised service centres has been declining during the past two years. Only 69 per cent of owners have taken their vehicle to an authorised dealer/service centre four or more times, down from 91 per cent in 2011. Besides, there has been a drop in the number of customers opting for extended warranty programmes that help prolong the brand-customer relationship in the post-warranty period. In short, a huge market lost for vehicle manufacturers.

Not one to let an opportunity pass it by, Maruti Suzuki, India's leading car manufacturer, is looking at propping up its revenue figures of its service network with a smart after-sales strategy. The new plan rests on two planks: first, expand the coverage area with innovative outreach programmes and second, step up technology inputs at the service centre level to cut down on the time taken to process one vehicle so that the same centre can process more service requests any given day. Pankaj Narula, executive director (service), Maruti Suzuki, says, "It is simple math. If you sell less, you will end up servicing less. For us, after first three free services, a vehicle requires servicing at least three times in a year. In current scenario, effective servicing can be a game changer for original equipment manufacturers (OEMs)," he says.

What will work in the company's favour, hopes Maruti Suzuki, is its already vast service network. Currently it has a network of 2,971 service centres comprising 1,460 dealer workshops and 1,511 Maruti authorised service stations. Over and above that, it has more than 300 mobile workshops (converted Eeco) servicing Maruti vehicles in markets where state-of-the-art workshops might just be out of reach — both in terms of distance and affordability.

Technology is the facilitator

Due to slowdown in the auto sector, most manufacturers are looking to boost numbers through vehicle service and, in turn, earn customer loyalty with the right after sales experience. Expanding service networks would have been the ideal strategy to stay on top of the game. This is difficult since servicing is largely an outsourced function. The bigger servicing network one has, the harder it is to maintain standards.

To get around the problem, Maruti has divided its servicing network into five zones, with a few regions coming under each zone. For instance, Hyderabad and Cochin come under the south zone. Again, each region is further divided into areas. This makes communication between various centres easier — something that is crucial if the company were to avoid stock-out of parts.

Next comes the daunting task of making dealer workshops time efficient. "Our long-term objective is to deliver better numbers from the existing facilities without compromising on the service quality," says Narula. "The last three years have been very exciting as our dealers incorporated various changes to drive efficiencies at workshops," he adds.

Over the years, Maruti has been sharing technological know-how with dealer workshops to offer cues on servicing faster. The company-owned Maruti Service Masters outfits in Delhi (four of them are currently operational) work as an innovation lab to pilot new technology for dealer workshops. New technology and ideas are then introduced to Maruti's dealer network.

Over the last year or so Maruti has introduced a series of small steps that have gone a long way in cutting down the overall cycle time. If we were to break down the job into a series of steps this is how it works now.

Earlier, when a customer brought her car to the service station, she had to first fill up a job card in the reception area. At this stage, a service advisor came into the picture who interacted with the customer and examined the car to understand the requirements. After this step, the service advisor dug out the vehicle history from a central server and added the new information. All this while, the vehicle owner was a mute observer who was required to hang around just in case there was some missing information to fill in. Now look at how the company has turned the whole thing around.

Maruti asked dealers to give tablets to their advisors to ease the process of opening a job card. Now the advisor can access the service history of a vehicle by punching its registration number in the tablet. All this while he is inspecting the vehicle and advising the customer. Net gain: While it used to take a minimum of 15 minutes to get through this stage earlier, it now takes all of three minutes. At this stage the service advisor clicks pictures of the car so that there are records of the car at the handover stage. Roughly 275 Maruti

workshops have switched to tablet job cards already.

Step 2, the car enters the service bay. This stage is the most crucial from the servicing viewpoint and the time saved here can contribute significantly towards wrapping up the whole process faster. A regular service bay earlier had one technician who took around two hours to service one car. The activities conducted here include oiling the engine, and gear and break cleaning. The main problem in the bay area was that the job description was not clearly defined for the technician. The technician ended up wasting valuable time doing petty jobs like fetching different types of oils etc. This mad rush mostly resulted in oil spillage.

The new express service bays ensure better utilisation of time. Each bay has separate tool trolleys and the new oil management system allows technicians to choose the right pipe and fill the engine instantly. These pipes are connected to a variety of engine oil drums. Errand boys can be employed to supply spare part kits. Another advantage of the new service bay is that two people can work on the same car simultaneously.

At first sight this new set-up appears capital and labour intensive. Indeed, the cost of setting up one of these service bays can be as high as ₹2.5 lakh. But then the volume of cars serviced at an express bay — it would be more than double the current number — can nullify the effects of new investments over a period of time. As of now 1,318 express bays across 877 Maruti workshops are handling 11,862 vehicles per day. Service time taken for each vehicle at this stage has come down to 90 minutes only from two hours earlier. Since labour is still not very expensive in India, dealers can afford to hire more errand boys. While a regular bay services only three vehicles in a day, the express bay can deliver up to eight.

REVISED SERVICE GUIDE

Step1 After interacting with the customer, service advisor opens the job card on a tablet

Step 2 The vehicle moves to the express bay. Each bay has separate tool trolleys and the new oil management system. Here two people can work on the same car simultaneously

Step 3 After final inspection, the vehicle moves to car washing bay. The new automatic car washers can clean one car in five minutes

To provide output, some workshops have increased their working hours significantly by adding night shifts. Currently 17 workshops are working night timings. There are innovations on the car wash front as well. The newly installed automatic car washers (investment required: ₹7 lakh) can clean one car in just five minutes. The average manual washing time is between 10 and 12 minutes. The company has also started pushing its dry-wash system in water scarce service locations. This has resulted in a 15 per cent reduction in labour time as cleaning can be done at the service bay itself. A new vehicle tracking system ensures little time is wasted while moving a vehicle through the different service stages.

Such technological inputs call for high investments; so Maruti has left it to individual dealers to work out the time line for upgradation. That said, equipment standardisation is enforced strictly.

People are the movers

People with appropriate skills are hard to come by in every industry and vehicle servicing is no different. The current attrition rate for technicians at Maruti's dealer network is between 10 and 15 per cent. The company has been hiring technicians from Industrial Training Institutes (ITI). In Narula's opinion, today ITIs are not equipped to provide the right training in the latest technology due to the lack of adequate infrastructure.

Given that, earlier, when Maruti hired a technician from one of the ITIs, it took the new recruit at least two years before he made a measurable difference. Now, Maruti has joined hands with several ITIs to bring technology to the class rooms. Additionally, the company has built close to 17 training centres across its five zones. After coming on board, the technicians undergo further trained on basic, advance and diagnostic certifications.

In the year 2012-13, Maruti Suzuki's service network grew 5 per cent over the previous fiscal and it serviced 17 million cars (including accidental repairs). The service volume is expected to increase 8 per cent this fiscal and over 20 per cent in the next three years. Clearly, the investments are beginning to pay back.

LAST MILE ADVANTAGE

Same-day delivery is where the giants of e-commerce in India will collide

ANKITA RAI

Here's a small quiz on online versus brick and mortar retailers:

■ Which platform offers you the benefit of touch and feel? Brick and mortar, of course.
■ Where do you get a better selection of products? Online.
■ Where would you go if you wish to pick up what you want today? Brick and mmm... wait...

Think about it. For an average consumer, the choice between an offline and an online retailer was a matter of trade-offs. Till now. Even as we write this article many online retailers are moving in to occupy the space that was seen as the exclusive preserve for brick and mortar.

The fact is, e-retailers like Jabong, Myntra and Yebhi have been offering same-day delivery in their home locations for quite some time now. But none of these e-retailers offer a guarantee on such service. So when Amazon shook up the market with its 'One-Day Delivery' guarantee for a small additional cost of ₹99 per order in December 2013, followed by Flipkart's 'In-a-Day Guarantee' at ₹90 per item, it became clear that the e-commerce battle has moved to last-mile delivery. Just recently, Snapdeal threw its hat into the ring with its 'Same-Day Express Delivery' at select locations with Tradus in tow in Delhi/NCR. While Snapdeal offers the service for free, Tradus charges anything between ₹5 and ₹25 depending on the distance between the buyer and seller. (For the record, under same-day delivery the product is delivered on the same date. One-day or 24-hour delivery means getting it the next business day.)

Evidently, with increasing competition in e-commerce space, delivery has become an essential factor after price and assortment. That said, charging for services like express delivery, while prevalent in many mature markets, is new in the Indian context. The fact that Amazon and Flipkart are putting a price tag to their delivery promise shows they are confident the service will find takers.

Admittedly, 24-hour-delivery is easier said than done. "The whole promise of e-commerce is convenience and a big part of convenience is fast and reliable delivery," says Amit Agarwal, vice-president and country manager, **Amazon India**. "The challenge is to provide fast delivery across wide range of stock keeping units across country, not just in select locations," he adds. Here the problem is, to quote Agarwal again, "an e-retailer cannot simply stock all the products as it can lead to redundancy of inventory."

But more of that later; first the disclaimer: In-a-day guarantee on delivery is currently restricted to select products, to the home-locations of the e-tailers and, in most cases, only on products delivered by their in-house logistics arms. The good news is, all these players are working to expand the service with a wide variety of products and by covering as many pin-codes as possible.

Sounds ambitious and begs a few questions: How should an e-tailer plan inventory and move it across the pipeline so that it is delivered

5 STEPS TO SAME-DAY DELIVERY

To execute same-day-delivery e-retailers need to take a cross-functional approach that involves thoughtful planning, IT investments and close ties with transportation partners.

DAVID ABIKZIR
CHAIRMAN,
NYMEX CONSULTING

HERE ARE SOME KEY STEPS:

- *Enhance real-time inventory management*: Inventory systems must provide transparency into where every SKU is located.
- *Optimise fulfilment systems*: Fulfilment systems should be able to immediately determine which distribution centre can satisfy an order. It requires balancing factors such as proximity to the customer, current inventory levels and staff capacity for selecting the ordered items and packing them.
- *Create a flexible workforce*: Staff needs training to use the retailers' order-taking technology and must learn how to locate, pack and label items for shipment.
- *Develop robust logistics partnerships*: Select a transportation partner capable of doing the delivery the same-day.
- *Send a strong marketing message*: A large-scale marketing campaign is important in helping e-retailers spread the word about the same-day delivery offering and in articulating the benefits of ordering online.

to the customer within 24 hours of the order being placed? What are the typical bottlenecks in the process? And last but not the least, can smaller online players afford that sort of investment?

Working backwards

To begin with, there are three key stakeholders in the e-commerce ecosystem: the merchants/vendors, the fulfilment centres/warehouses, and finally the logistics/shipment. E-retailers need to fully integrate each of these elements to keep the delivery promise. Now understand that the first two elements — the merchants/vendors and the fulfilment centres/warehouses — are inextricably linked. How you manage one determines your relationship with the other.

To cut the fulfilment time, e-tailers need to have their inventory close to the customer location. Given that a majority of the e-retailers are moving towards an inventory-less model, this is a tough call. So what Amazon, Flipkart or Snapdeal are doing is shipping products from company-fulfilled sellers. A company-fulfilled seller is a merchant who keeps his products in the e-retailer's warehouse and takes advantage of the latter's fulfilment services such as quality checks, packaging and logistics services. But that also means someone in the chain is holding the inventory, which adds to the cost. According to various estimates, warehousing and inventory can add about 20 per cent to the e-retailer's supply chain.

Again, inventory ageing is a critical issue e-tailers have to grapple with. Many e-commerce companies try to reduce their inventory exposure by opting for the sales-on-return or SOR method. Under SOR, an e-commerce company buys an item from a supplier with the understanding that if the product is not sold within a stipulated time, the supplier will take the item back. "To enable express delivery, e-retailers are exploring the opportunity to work on an SOR basis. This is the essence of a just-in-time production strategy that strives to improve a business' return on investment by reducing in-process inventory and carrying costs," explains Priyesh Jain, founder, Shopuli.com, a Mumbai-based multi-retail online store.

To minimise inventory holdings, but at the same time retain control of shipment of products, some e-retailers are also stocking products in the vendors' warehouses. However, most retailers that follow the inventory-led model buy stock in advance. While this ensures higher margins it can also push the e-tailer into the unsold inventory trap — one reason why many e-tailers have moved to the marketplace model over time.

The whole promise of e-commerce is convenience and a big part of convenience is fast and reliable delivery

AMIT AGARWAL
VICE-PRESIDENT & COUNTRY MANAGER, AMAZON INDIA

Remote handheld devices and advanced queuing algorithms have led to 50 per cent reduction in fulfilment time

GANESH SUBRAMANIAN
CHIEF OPERATING OFFICER, MYNTRA

Moving forward

Whatever the business model—be it a managed marketplace, an inventory-led model, or a mix of both—the fulfilment centre has to be structured in such a way that the product is handled to the courier partners with a few hours of the order.

Flipkart, which moved to marketplace last year, mapped the supply-chain extensively to help the delivery partners and sellers pin down the exact location from where a product is shipped and the amount of time it takes for each item to move from one stage of the order process to the next. "We have worked with merchants, vendors and courier partners on optimisation of these processes to reduce timelines, keeping in mind the reliability and overall lead times," says Ravi Vora, senior vice-president, marketing, Flipkart.

Snapdeal, a managed marketplace, is able to offer same-day delivery in Delhi/NCR by training its merchants on the importance of keeping the right stock. "We have to cut significant time at the merchant and the courier level," says Saurabh Goyal, vice-president, supply chain operations, Snapdeal. "Currently we are able to ship 90 per cent of the products in 24 hours, but that 24 hours had to be cut down to fulfilling orders in two hours to enable same-day delivery. Courier boys also need four hours to deliver. That means cutting 50 per cent time at the courier and merchant partner."

"Fast shipping service in a marketplace requires merchants with deep SKUs, which means tying-up with merchant who stock similar products in large quantities," says Sanjay Sethi, co-founder and CEO of Gurgaon-based online marketplace ShopClues, which currently delivers 10 per cent of the order volume the same day in Delhi and NCR.

Gurgaon-based Jabong, which started same-day delivery in July 2012, is able to deliver the product at its home location the same day if order is placed before noon. For cities like Mumbai and Bangalore the cut-off time is 5:00 pm to get the delivery the next day. The service is only for products serviced by JaVas, its logistics arm, which also services other e-commerce companies. Jabong, which operates two models — marketplace and own-inventory — does not provide express shipping for products sold through its marketplace. "We mention on each product if it is provided by a partner or by Jabong. Though Jabong doesn't gurantee, 70 per cent of the orders are delivered the same day," says Praveen Sinha, co-founder and managing director, Jabong.

Sinha says the biggest pain point for Jabong was the customer verification process. "We realised it was the most time consuming. It was important to arrest fraudulent transactions. So we worked on a system to enable faster telephone and credit card verification. We are able to do it in 10 minutes of the order placement," he adds.

Tradus, on the other hand, leverages the ready stock at traditional offline retailers to offer same-day delivery. Says Mudit Khosla, CEO, Tradus, "To launch our express service, we went on a drive to enroll real world sellers/retailers who have ready stock. Hundreds of such sellers have been trained to deliver nearly a lakh different products the same day." Orders received by sellers from select markets in New Delhi like Chandni Chowk, Nehru Place etc are picked up by delivery teams by afternoon and delivered to buyers the same day. Tradus has also invested in technology to ascertain the location of the buyer and calculate the distance between each buyer and the seller to arrive at an accurate delivery fee and time required for delivery.

Bangalore-based e-retailer Myntra, which has two warehouses in Bangalore and Delhi, delivers half of its shipment within 24 hours in these cities. To enable this, Myntra uses advanced queuing algorithms, which reduces the time an order comes and the time it goes to the shipment company. It has also invested in remote handheld devices at the warehouse level. "Nobody moves around with papers to pick up goods these days," says Ganesh Subramanian, chief operating officer, Myntra. "Everybody in the warehouse receives orders on their remote handheld devices, which automatically tells the location and the availability of the product in the warehouse. On an average, there is a 50 per cent reduction in fulfilment time at the warehouse and in shipment. So we can process an order in two hours against the average of four hours," he adds.

Many e-commerce-focused logistics players are also offering inventory management and warehousing solutions to enable express shipping. For instance, some merchants and marketplace players use the warehouses of delivery company Delhivery to stock products. The logistics company currently has three ful-

filment centres in Delhi, Bangalore and Mumbai. "Delhivery provides a unique solution to clients to enable 24-hour delivery," says Nikhil Agarwal, vice-president, fulfilment at Delhivery. "There is full integration with the seller — the product is already in our warehouse before the customer buys it. We use tablets and mobile apps to help quick pick-up if the stock is not in our warehouses. For cash on delivery we are able to return the cash to the client (the e-tailer) within 24 hours."

Outbound traffic

Inbound and outbound logistics alone can add 40-50 per cent to the e-tailer's total supply chain cost. So getting it right figures high on their agenda. Most e-retailers offering in-a-day or same-day delivery service — such as, Amazon, Flipkart, Jabong and Myntra — do it through their in-house logistics arms, while some others like Snapdeal and ShopClues have roped in third-party courier partners (3PLs).

Everyone agrees the easiest way to handle this is to have your own logistic arm. Jabong's same-day deliveries are handled by its logistics arm JaVas. Myntra uses its own logistics arm Vector E-commerce to handle two-thirds of its product shipping. Amazon says it is able to cover slightly less than 50 per cent of the customer demand under its 'One-Day Delivery' guarantee because it has been able to replicate its global logistics solutions in India. Marketplace major Snapdeal uses services of 3PLs for all its deliveries, including the same-day ones.

While routine shipments are typically done on a first-in-first-out basis, in the case of urgent shipments e-retailers often have to press additional resources into service. "This additional cost should be seen as a customer acquisition cost," says Devangshu Dutta, CEO, Third Eyesight. "Till year before last, crores of rupees were spent on advertising; if you look at the last six months e-commerce firms haven't spent very much. Some of that cost is getting shifted to alternative means of customer acquisition like in-a-day delivery," Dutta adds.

Map the supply-chain to help delivery partners and sellers pin down the location from where a product is shipped

RAVI VORA
SENIOR VICE-PRESIDENT, MARKETING, FLIPKART

As you can see, the advantages are blurring between online and offline retail. Same-day delivery is certainly the Holy Grail, though it involves an awful lot of homework and investments.

To make it a sustainable business strategy and put down the costs, the key point is to invest in robotics and technology. Take the Amazon's model in the US. In March 2012 Amazon purchased Kiva Systems, a specialised maker of robots that services warehouses. We can already imagine Amazon's warehouses: robots going from bin to bin picking out and picking up products to the shipping department. This process should bring down Amazon's cost of shipping in a noticeable way and speed it up as well. By using automation at the e-retailers' fulfilment centers, you can improve how you pick, pack and stow.

Analysts also say, it is still not viable for the smaller online retailers who probably can't compete with the big dogs on speed. What should they do? Work on their overall value proposition perhaps and look out for services that can add to the shipping experience. Not easy, but must-do.

BACK IN THE RACE

Renault, Panasonic and Haier have managed to bounce back after a series of crucial mistakes. Here's what they learnt from their early set-backs

ABHILASHA OJHA

Planning a go-to-market strategy is a balancing act. Take too much time in the planning process and your organisation is likely to miss new opportunities and cede ground to nimble-footed competition. On the other hand, aggressively moving into a new territory without a complete understanding of the market or a sharply focused plan can be far more costly than a protracted planning process. However, if you accept that you will probably need to make a number of iterations for each of your decisions before they actually work on the ground, you have scope to learn from your failures and build them into your future decisions.

So if one were to really put one's finger on it, how do companies that flounder early on in a new market spring back into reckoning? They try and find answers not to "what should we do?" but to "what hinders us?", says Don Sull, professor of management practice at the London Business School and global expert on managing in turbulent markets, in his book, Why Good Companies Go Bad.

That's exactly what a handful of global brands that we will study here have done. Car maker Renault and durables marketers Haier and Panasonic made some crucial mistakes after setting foot in India but learnt from them and have had a second coming of sorts as potential winners and brands to watch out for.

Before we proceed, why did we choose these three companies? Simply on the basis of the spectacular growth each of them has posted in recent months and the kind of products they have rolled out. Consider Panasonic and Haier that have managed to establish a strong foothold in the ₹52,000-crore Indian consumer durables market (growing at 15-20 per cent annually and contributing roughly 5-6 per cent to the country's GDP). Though the two still have a long way to go before they hope to take a position among the top 5, their market share growth in recent months and investments by their respective parent companies have come as a pleasant surprise given the overall economic slowdown. Haier today has roughly 5 per cent share of the Indian durables market.

It aims to touch 10 per cent in the next three-four years and to be counted among the top 5. Ditto for Panasonic. The company's Indian subsidiary, which hopes to

touch ₹10,000 crore in turnover this fiscal, is well on its way to becoming its second largest in Asia Pacific after China with an annual revenue of $10 billion (over ₹50,000 crore) by 2018.

Now look at where the established players in the category are going. According to estimates, Samsung and LG together have a dominant combined share of 34 per cent in ACs, 45 per cent in refrigerators and an equal combined share in washing machines (semi-automatic category). However, while Samsung's market share of AC fell from 19 per cent in 2011 to 11 per cent in February 2013, LG too shed some share in both AC and washing machines categories late last year (from roughly 26 per cent in 2011 to 17 per cent now). In contrast, the share of Panasonic and Haier in both these categories grew 30-40 per cent (albeit on a small base).

Focus on Renault next. It has shut up its detractors with the launch of the Duster, viewed by experts as the game-changer in the SUV category. It hopes to take its 2.5 per cent share of the auto market to 10 per cent in two years.

Before understanding what they did right, it's important to understand the mistakes they committed, especially given that the errors almost threatened their very existence. The issues ranged from a lack of visibility to too few product offerings compared to what competitors offered, from a patchy dealership network to scant attention to design and technological innovation. And for Renault, the pain of dealing with a failed joint venture. Given their experiences, the three have drawn up their comeback strategies on three different pillars. For Panasonic, the gameplan was to improve its products range to be able to slug it out at the retail end; Haier focused on design to woo the Indian homemaker; and Renault's comeback strategy rested on the good old-fashioned tactic of coming up with a bang-for-the-bucks product.

It was critical to come solo with a strong product and a strong distribution back-up

MARC NASSIF
MANAGING DIRECTOR, RENAULT INDIA

Early mistakes

According to Harminder Sahni, founder, Wazir Advisors, the most common mistake that multinational brands entering India make is that they believe that Indian market is starved of good products; so anything marginally better than what India already has will sell very well. "Brands miss the point that the Indian consumers' aspirations are not any lower than their peers in developed world. Hence offering from the last season or not-so-up-to-date models is the biggest mistake international companies make," says Sahni. He adds, "It is surprising that most of them don't learn from the same mistake made by other companies and still choose to make their own mistakes and learn. It is illogical but that's how it has been and still is."

Renault's first mistake was probably walking into India holding a potential rival's hand (Mahindra Renault was a joint venture formed in 2007 between India's largest utility vehicle manufacturer Mahindra & Mahindra and Renault S.A. of France with 51 per cent and 49 per cent holdings respectively; the JV ended in 2010). According to Marc Nassif, managing director, Renault India, the joint venture with Mahindra & Mahindra, though important for understanding the local market, issues and environment, was a mistake because it entailed losses for both the sides and, more importantly, ended up confusing the consumer. "We realised that it was critical to come solo with a strong product and have a strong distribution back-up to encourage trust among our potential consumers," adds Nassif.

Renault's fortunes in India turned around, so to speak, with the launch of the Duster in July 2012. It was not just a rebadged version of the Dacia Duster, available in Europe from 2010; it was tweaked substantially to meet the demands of the Indian market. Things like high ground clearance made it suitable for both city rides and on uneven terrain. It was made available in 10 different variants — eight are diesel and two petrol. The clincher was its price: at ₹7.2 lakh, the Duster is one of the cheapest SUVs in the world.

Indians use the vegetable box more often than the freezer. So we 'inverted' the refrigerator

ERIC BRAGANZA
PRESIDENT, HAIER APPLIANCES INDIA

Nassif clarifies that the pricing strategy was based on "value", and not on being "cheap".

It's a trick that analysts feel worked in favour of the company. "Middle-class customers are the folks who care most about value," says Abdul Majeed, head of the automotive sector for India at PricewaterhouseCoopers in Chennai. If automakers offer an SUV for ₹5-7 lakh, "suddenly people are able to realise the value the model offers", he adds.

The Duster, for the records, accounts for 80 per cent of the sales for Renault. Interestingly, while last month alone Renault sold 6,300 units of the Duster, erstwhile partner Mahindra's Scorpio (the market leader) sold just 4,700 units.

Renault, incidentally, has a cross-shareholding agreement with Nissan since 1999 operative on a global basis. But while that helps synergise product development, it leaves both the brands to pursue their front-end strategy — read dealership development, marketing and advertising — independently. So at the retail level, the partners already have their own networks to ensure separate brand identities.

Speaking of brand identities, Panasonic, which "re-entered" the Indian market in 2008 after being here since the mid-90s, realised it needed to permanently jettison its "mom-and-pop-store brand" image to compete on equal terms with the existing players in the segment. In 2009, for the first time ever, Panasonic decided to enlist as many as four celebrities, including names like Ranbir Kapoor, Katrina Kaif, Dia Mirza and Jacqueline Fernandes, to endorse its various product categories (in most other global markets, brand ambassadors represent just the parent brand Panasonic). “In the Indian market, brand endorsements — especially by film and sports celebrities — is important to allow trade to have confidence and consumers to know that this brand is here to stay. It was our branding (with our durable, quality products) that allowed us to shift from being perceived as a mom-and-pop store brand, as was the case earlier,” says Manish Sharma, managing director, Panasonic India. Over the next three years, the brand will invest ₹1,500 crore in advertising and marketing.

Brand endorsements by celebrities and localised R&D helped us regain market share

MANISH SHARMA

MANAGING DIRECTOR, PANASONIC INDIA

Another major issue with the brand was the failure in bringing out new products quickly. This also affected its ability to localise products, which in turn affected its ability to cut prices over time.

Things changed in 2008. “It was like a re-entry into the market with a more solid understanding after our early mistakes,” admits Sharma. He says the parent company understood that India was a crucial market, one that couldn’t be ignored if it wished to grow its business globally. Big-ticket investments were therefore unavoidable. A big chunk of Panasonic’s investment since then has gone into R&D, so that products aimed specifically for the Indian consumer (something that didn’t happen earlier) could be developed faster.

“Technology is our strength; but before 2008, the technology was coming at a cost to the consumer. There wasn’t value for money then. Now we have leveraged our technological prowess to develop products based on value engineering and cost efficiencies,” Sharma adds. This also allowed the company to be in line with the global strategy.

Panasonic has a two-pronged approach to the Indian market now — local innovations to drive volumes and bringing in international ranges to drive the aspirational image of the brand,

say experts.

In LCD televisions, Panasonic rolled out its first India-specific innovation in 2010 dubbed the Sound of India, which “places huge emphasis on bass as Indians love it”. Air conditioners, too, saw local innovations. “We didn’t have window ACs, but for the Indian market our R&D centre developed a split AC almost at the cost of a window AC,” says Sharma. Panasonic launched the first India-specific AC, the Cube AC, around the same time. At ₹16,900, it was only about ₹1,500 higher than a window AC.

What’s more, the brand realised that it not only needed to expand product categories, it also had to introduce more models within categories. Localised R&D centres and factories allowed the company to speed to market, and from 16 AC models four years ago, today Panasonic has 65 models in ACs.

If the first interaction doesn’t go off too well, it is good to set yourself up for a good follow-up interaction

Haier, on its part, has increased its market share steadily riding on innovative design and technology. Its water heaters, for instance, have USB ports to plug in music players, and even built-in radios, given the Indian consumers’ fondness for music.

Consider also its Bottom Mount Refrigerator series. These fridges have the vegetable holder at a level where the the consumer doesn’t have to bend to draw it out. The accompanying campaign, Jhukna Mat, went a long way in reiterating the brand’s positioning as a leading player in the larger refrigerator segment. “As part of our survey, we found that in India, 80 per cent consumers used the freezer compartment much less and the vegetable compartment and others sections more often; so we ‘inverted’ the entire product,” explains Eric Braganza, president, Haier Appliances India.

He adds the company is looking at a growth of 40 per cent over the next few years and hopes to be counted among the country’s top 5 consumer durable brands in five years.

Haier has also spent considerable time and money on sprucing up its retail plan. Braganza says, “Among other things, with a limited dealer network, getting noticed in multi-brand outlets was a challenge.” Haier has not only widened its dealer footprint, it has also given equal importance to training the handling staff to deal with consumer queries efficiently. It also took up corner slots in multi-brand outlets to offer consumers an undisturbed view of the range and the quality of its products.

The company also developed experiential zones (155 all over the country) that display Haier products only. This turned out to be a big hit with consumers and helped build stickiness. “The reality of the Indian market is that the dealer still plays a big role. If the dealer is confident, he can sell the product to the consumer,”

says Braganza.

Analysts reckon that it is this strategy that has given it a distinct identity — while quintessentially Chinese, it is not cheap and offers great quality. This is a far cry from even a couple of years ago when most consumers didn’t know the name of the brand, or if they did, dismissed it as an also-ran.

So there you have it: First impressions are not necessarily last impressions for brands and brand owners. After having corrected their mistakes and also calibrated marketing efforts with the Indian consumers’ mindset, all these brands have gained significant market share. It is good to remember that it is important to catch emerging trends as it is easier than creating new trends. Apple may create a trend, but Samsung has shown how to catch it without batting an eyelid. Tata Safari created the trend and Scorpio caught it. Panasonic has caught on the economy and environment trends in its campaigns at the right time. Renault has captured the luxury-looking-but-affordable-and-fuel-efficient-vehicles trends pretty well. In other words, if the first interaction doesn’t go off too well, it is a smart thing to set yourself up for a good follow-up interaction.

JOINING THE DIGITAL DOTS

Using responsive design, create a seamless, unified viewing experience across gadgets

MASOOM GUPTE

A few years ago conversations for brands revolved around the necessity of a digital and mobile strategy. Today, given the popularity of handheld devices, both these mediums have moved from good-to-have to must-have. They are an indispensable part of any brand strategy, whether from an advertising and consumer engagement standpoint or a transactional, commerce one. As marketers and consumers mature with regard to their usage and engagement on the digital and mobile platforms, it is time to move the conversation to the next level: how best can the content be delivered to the consumer is an area that now needs serious consideration.

Currently, the approach adopted by most brands is to either create specific mobile URLs (web addresses) or native applications that can be downloaded from the app stores. There are certain shortcomings with both these approaches. One, the sheer variety of devices, with different physical aspects like screen sizes, resolution etc can lead to a variation in the viewing experience, even for the same URL. Customising the experience using a native app may be a good idea, but the number of users that can be targeted is limited. Popular app stores such as the ones accessed by iOS and Android devices will let you reach out to only a certain demographic. What about the rest? It may also be impractical to create a different app for every app store out there in terms of the time and money invested.

The solution then rests in what the web designing industry is beginning to refer to as 'responsive design.' The term was first attributed to a designer, named Ethan Marcotte. It simply stands for an approach to web design that adjusts to the user, from varying browser sizes to changes in device, retaining a uniform viewing experience across devices.

Responsive design should not necessarily be looked at as a 'cost saving' initiative. What you may save by not having to design multiple versions of the same app, you may spend on strategising and planning that overarching design. That is because the responsive design approach may require an overhaul of your existing digital architecture and not exactly build on it. The benefits may start pouring in after some time and in some unexpected quarters like search optimisation. Sample this: responsive design websites are recommended by search engines like Google as they avoid duplicate content issues. This can mean improved ranking performance for your websites.

The term responsive design may be used interchangeably with another, namely 'adaptive design.' There isn't much difference in what the two approaches achieve. They vary instead in the more technical aspects like the codes used for creating and designing the website. In this article though, we won't go into the coding aspect but focus on the end result of the new design ideas gaining ground and how and why, if at all, it works.

Sudhindra V, creative director and experience design lead, SapientNitro India, an interactive marketing, and technology services agency, explains the 'how' part of responsive design: "Responsive design must be looked at from the perspective of creating an entire architecture and not just as a method to adopt your website to different screen sizes. There needs to be a great degree of strategic planning keeping in mind trends that could impact the web viewing experience over the next few years. For instance, one needs to define breakpoints or the range of device categories that must be considered. The current ones being the big browser versions (for desktops and laptops), tablets and hand phones (mobile phones)." He says that in technology the need to watch out for new devices is exacerbated by sudden game changing introductions in the landscape. For instance, before the iPad, tablet as a category was virtually non-existent. "Web designers must therefore work in sync with expected product introductions to anticipate the changes to the way the internet would be consumed in future," he adds.

The scope

Responsive design exerts its influence beyond the realm of regular web design. It gains critical importance when the consumer's only engagement point with the brand is a handheld device, like say in the case of email marketing messages. Naveen Bachwani, head, marketing services, Experian India, explains, "Most people access their emails on their smartphones today. If they face any problems while opening the email, they will simply abandon the effort. There is very little possibility that they will go back to their inboxes via say a desktop to access a particular promotional email. The message must therefore recognise the device and render itself accordingly to ensure good click-through rates."

Before we proceed, who benefits the most? The marketer or the consumer?

The advantages are for all to see, but as a marketer don't lull yourself into the belief that you absolutely need it. At least, not before you analyse whether you truly need it. Consider this. When Ethan Marcotte was asked to put together a list of 20 best responsive websites by Creative Bloq in 2011, one of the websites he picked belonged to an architecture firm, Andersson-Wise Architects.

When Marcotte asked the website's designer Chris Malven why they adopted a responsive approach, the latter reportedly said that the diversity of their audience was key. Malven elaborated, "There are many different situations in which someone could be looking at the Andersson-Wise website. It could be a prospective home-builder casually browsing on her iPad, or a university president researching firms on her office computer. Or, for that matter, an architecture student browsing on the phone during her daily commute. We wanted everyone to feel like the site was designed specifically for the way they were viewing it, regardless of device, screen size, or connection speed. With a responsive approach you get one of the best qualities of

WHICH SOLUTION IS BETTER FOR YOUR MOBILE SITE?

Design considerations

	SEPARATE MOBILE SITE	RESPONSIVE DESIGN
Lower cost, effort and complexity	GOOD	FAIR
Scalable and seamless adaptation across devices and screen sizes	FAIR	BEST
Consistent experience across digital touchpoints and devices	FAIR	GOOD
Suited for e-commerce, transactional and highly interactive sites	BEST	FAIR
Optimised for content driven and marketing sites	FAIR	BEST
Higher search engine optimisation	FAIR	GOOD
Low performance risks	GOOD	FAIR
Easier site maintenance and future release management	FAIR	BEST
Availability of existing design patterns, frameworks and platforms	GOOD	FAIR
Skill and knowledge level required	GOOD	POOR

KEY POOR FAIR GOOD BEST

Source: SapientNitro

10 Considerations for responsive design execution

DAN ISRAEL

STRATEGY LEAD, MOBILE CENTER OF EXCELLENCE, ATLANTA, SAPIENTNITRO

1 Identify all viewports and breakpoints and select a progressive (mobile first) versus downward (desktop first) approach

2 Define the navigation approach, and decide what the overall navigation structure should be for the different breakpoints, which are typically driven by functional and content relevance

3 Define the approach for content choreography — what content will be hidden or displayed on mobile, tablets and PCs

4 Set guidelines and standards for media queries

5 Use fluid grids — think proportions instead of pixels

6 Come up with an image and video handling strategy

7 Account for display and banner ads

8 The design should be optimised for both cursor-based (desktops) and touchscreen usage (mobile, tablets)

9 Define a creative and performance testing strategy

10 Validate search engine optimisation

print: a design perfectly suited to its format. But you also get the best of the web: content that adapts to every viewing situation."

Malven's explanation is key to what responsive design helps you achieve but it also highlights one point that can be counter intuitive, that of the diversity in the usage of a website, depending on the device picked. Consider the example of booking air tickets. It is an extensive, time consuming process — not so much due to the actual act of booking the tickets but more because of the research that goes into it. One would naturally be more comfortable using a laptop or a desktop for such extensive browsing. But consider that you are en route for airport. You forgot to do your web check-in. An app on the mobile web would be your go-to option.

The point is that every digital touchpoint may be serving a different need of the consumer, rendering the responsive design approach useless and thus demanding a more defined one instead. Sudhindra of SapientNitro gives the example of auto company Chrysler. "Car purchases are big family decisions, which require a lot of research, accompanied by high image and video consumption. This is not possible on handheld devices. The obvious approach here was to keep the big browser and mobile website versions separate. Specific content like dealer details and locations were included in the mobile version from the handset perspective."

Not a yes-or-no decision

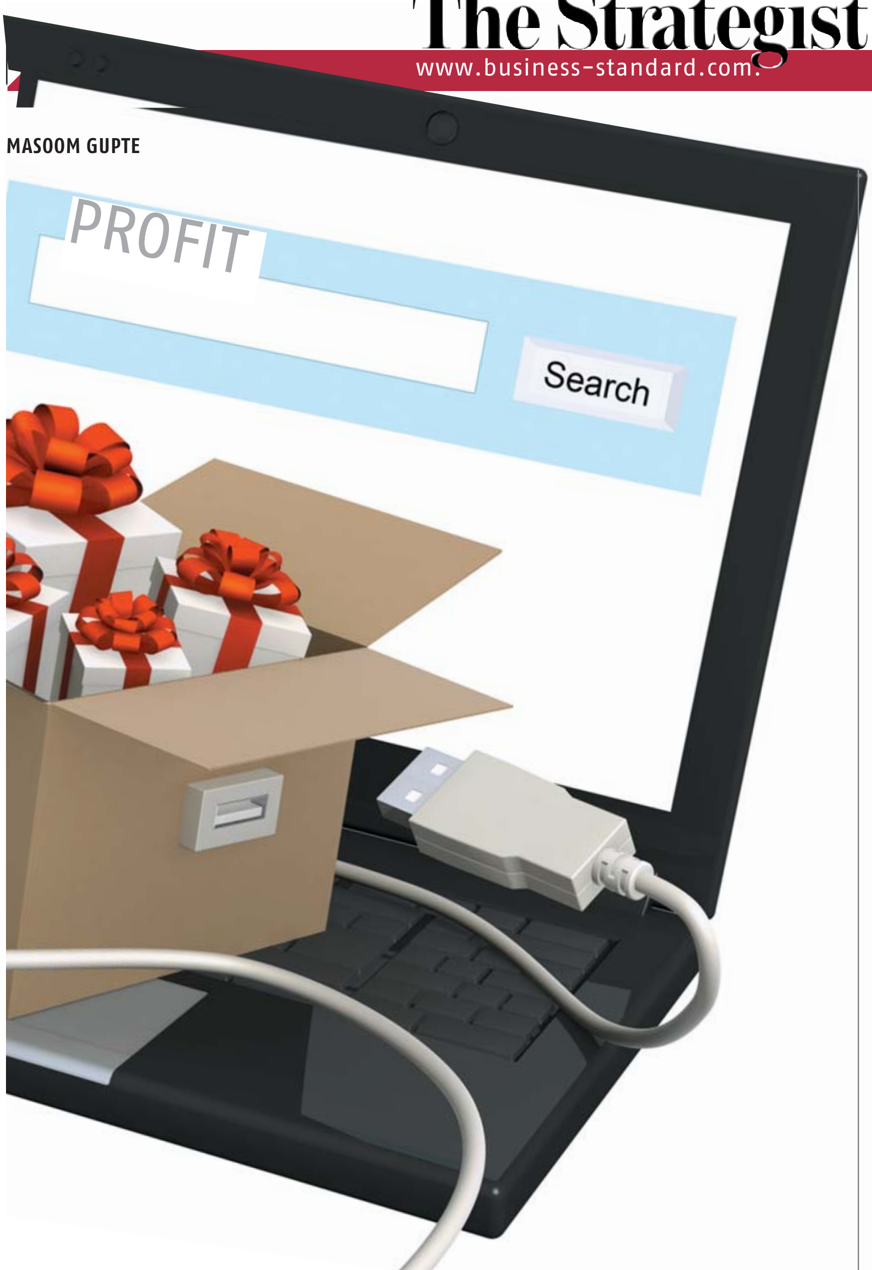
If you have gone through the arguments we have presented above, you will realise the decision to adopt responsive design cannot be a simple yes or no choice. Even social networking giant Facebook famously retracted its responsive design journey partly with CEO Mark Zuckerberg admitting to have laid too much emphasis on HTML5 (the language used for responsive design primarily) vis-a-vis native apps at Techcrunch's Disrupt Conference last year. This, despite the fact that Facebook gets a lot of walk-ins from mobile web. The reason: the requisite 'quality' wasn't coming through on the back of HTML5.

The need of the hour may be to look for innovative ways out, depending on your needs. There are certain obvious 'edge cases' like mobile commerce. The solution for two companies in the same space may vary greatly depending on how your customers like to shop — via a native app or mobile web. May be certain apps are throwing up the numbers but others are sinking. A mixed app-cum-mobile-web approach may be in order then.

At times, responsive design may be required to serve just a subset of the content available on your full browser versions. Take the case of television channels. Most of them host a player on their websites for viewers to consume content already aired. Try accessing one of these "players" from a handheld device and chances are it will be pixellated. A host of channels such as Disney UTV, NDTV, Maa TV and Comedy Time have found the solution in a tie up with a Silicon Valley-based mobile video and media company Vuclip. According to Nickhil Jakatdar, CEO, Vuclip, the channels share their content with Vuclip, which in turn hosts it on its players, making it available in consistent quality across devices. If you still want to take the responsive path, remember that the idea doesn't boil down to fitting your site on a mobile screen. It is also about making sure that all the functions are available on mobile. This is what we mean. Say the consumer is on her way to your restaurant. Your responsive site should be able to hook her to the maps for easy access to directions. This means that the user interface are touch-friendly, taking into consideration the vast number of handheld devices.

Whether your decision is in favour of or against responsive web design, remember that it must be taken from a strategic standp-oint and not a tactical one. It is almost like choosing your future store locations—it is really that far reaching.

MASOOM GUPTE



IN SEARCH OF PROFITABILITY

E-commerce players are trying new tricks to make their businesses self-sustaining

E-commerce ventures in India face common problems today: acquisition costs are high, repeats are low and basket sizes for most e-commerce companies are small. Driven by demanding investors and unforgiving consumers, they have two choices: make profits or move tracks.

The first choice is the more difficult of the two. While overheads are lower than brick-and-mortar businesses, e-commerce is capital intensive due to the inventory and infrastructure requirements, and, therefore, overall profitability can only come with scale. If historical data from other geographies is anything to go by, experts say e-companies may take up to five years to show major profits. Little wonder, to reach profitability, many e-businesses have returned to long-standing tenets of expense control and margin growth. They are meeting these challenges with interesting solutions, ranging from offloading shipment to suppliers to offering subscription services to launching own label products. Mind you, these are simple only on paper. We look at three new trends witnessed in recent times and examine how efficient these solutions are likely to be in the long term.

Offloading shipment to suppliers

The poster child of Indian e-commerce, Flipkart, may have transitioned from an inventory-based model to a marketplace but it still intends to manage the forward logistics. The fact that it owns the forward logistics channel could be one reason that drove its decision. Snapdeal, another marketplace player, too continues to hold the delivery reins. But a handful of players are looking to get out of the delivery end of the business altogether.

Shipment and warehousing costs typically constitute 10-15 per cent of the selling price, say analysts, and can bring down the overall margins. So players like Tradus are simply connecting the seller and the buyer via their platform. However, the reverse logistics — handling of returns, if any — is still managed by the website. "Marketplace players mostly chase electronic payments whereas inventory-based guys focus on the cash-on-delivery model. The magnitude of returns is therefore much smaller for

Subscription services make sure you earn a steady revenue over a period of time

PRASHANT TANDON

MD & CO-FOUNDER, HEALTHKART.COM

them (marketplace players)," says Rajiv Prakash, founder at Next In Advisory Partners, which specialises in advisory services for e-commerce firms.

Offloading last-mile delivery may be gaining currency, but there are several problems in the model, especially for the marketplace players. Often merchants refuse to accept the returns and the website is stranded with unsold inventory. The only option left to them is to dispose of the products by offering deep discounts.

Most e-commerce players say designing interesting deals and discounts is the least of their problems. They are more concerned about the overall customer experience, determined to a large extent by the last-mile delivery that many small-time traders may not have the wherewithal to handle. That is one reason many still prefer to retain a handle on the delivery function. It also means they need not build elaborate mechanisms for tracking deliveries.

If there are lapses in delivery on the part of the supplier, the rap often falls on the website. What's more, with a marketplace model you are already vulnerable to inventory blocking as the same product may be listed on multiple websites. How do you ensure that the supplier will cater to your consumer first and not another portal's when orders coincide? The option of offloading shipment to suppliers may help to keep a check on costs in the short term but there are questions about its ability to boost profitability substantially over time.

Launching private labels

In these tough times, consumers are demanding greater value, which often translates into greater pressure on pricing and profit margins. Offline retailers such as the Pantaloon and Big Bazaar have taken matters into their own hands, building private labels that compete with well-known brands. They are leveraging their unique customer relationships and insights to drive innovation and differentiation.

Many e-commerce players too have thrown their hats into the ring. Lifestyle products e-tailer Myntra.com has started hawking its own label Dresserbery. The trend is still restricted to apparel, though you can see some players looking to establish a toehold in low-entry-barrier segments like accessories and toys. This is one trend that has found approval among experts and investors. Alok Mittal, MD, Canaan Partners India, a VC firm, says on a like-to-like pricing, private labels provide better margins and help recover the investments made in customer acquisition quicker.

A little back-of-the-envelope calculation will make things easy. Say, the average selling price (ASP) for a private label is around ₹800. With shipment in the range of ₹200-250, the margin can be as high as ₹300- 350. With low ticket price, customer acquisition is easier than in case of some established retail brands; better still, the customer acquisition cost in this case can be recovered with three to four repeat transactions from the customer. In case of an 'outsider' brand, the margin would be lower, at ₹100-200 (considering the discounts you need to offer to lure consumers), with other costs approximately at similar levels. The customer acquisition cost in this case will be recovered only after a minimum of five transactions.

As ASP rises, the number of transactions needed per customer to achieve break-even grows and the gap in margin between private labels and external brands increases.

Of course, there are some challenges that have to be tackled before this model can deliver on its promise. The foremost is generating awareness (and thus demand) and driving repeat sales. This is not easy given that one is battling against established names with an offline experience in place to drive sales and customer loyalty. Most consumers are aware of how a Tommy Hilfiger shirt or a Levi's jeans fits; they go online for convenience and better deals. That level of comfort will be missing with private labels at least in the early phase — till the consumer gets used to the new brand and the options it offers. Some experts even say the possibility of returns is higher in the case of private labels.

What will work in this case is the ability of the retailer to leverage the insights he generates from consumer traffic and buying behaviour online, and his ability

Private labels provide better margins as well as help recover the investments made in customer acquisition faster

ALOK MITTAL

MD, CANAAN PARTNERS INDIA

to react quickly to their feedback. This is one area where an online retailer has an advantage over the offline one — he is actually sitting on a pile of consumer data.

Subscription services

The model pioneered by magazines and newspapers across the world is now hot property in the world of e-commerce. Craft a compelling offer and tie-up consumers for a length of time. Health-related and personal care products portal, Healthkart.com, for instance, is offering subscription services to make purchases easy for the customer and to lock in sales over a prolonged period.

The service works in a fairly straightforward manner. Customers can select products (that are listed under the subscription option of course) that they purchase repeatedly, say, on a monthly basis, and set the frequency of delivery, say, every three or six months. In other words, you pay the entire amount upfront and expect the products at your doorstep at the decided intervals. The retailer is assured of a steady source of revenue.

The service was launched about four months ago and is popular with categories such as adult diapers, certain grooming products, diabetic strips etc. These are early days yet but this is a proven model offline. Prashant Tandon, MD and co-founder, Healthkart.com, is cautious nonetheless. "We have received a couple of hundred subscriptions so far. At the moment we don't see it as a big part of the business, but then we have put only a restricted number of products under the service currently," says Tandon.

Adding more products for subscription is only part of the solution. First, Tandon and his team must contend with two challenges. One, to popularise the subscription services model, and two, improve payments and inventory management.

"Unlike in the West, we can't keep a card on file in India. The entire amount must be prepaid. Consumers are still not very comfortable with the option," says Tandon.

Keeping a card on file allows the portal to store your credit/debit card details and each time there is a transaction, charge it to the card. The option is not viable in India, say market players, given the largely cash-based nature of transactions. Plus, people are weary of handling over their financial details to a merchant, least of all, an online player.

Problem No. 2 is the erratic nature of supplies and ensuring that sufficient inventory is held to match demand. While reserve stock is held for subscriptions, it may not be feasible if and when the volume of subscriptions goes up. That would demand better coordination with the suppliers, inventory management and considerable forecasting skills.

Tandon doesn't see the landscape changing drastically but hopes that once the consumer sees the benefits, things will change. The good news is that the subscription service has elicited interest from a large number of brands, particularly in categories like personal and beauty care and nutrition supplements.

If you really think about it, some of these new trends are common-sensical. The basic criteria for online success are the same as offline: designing a compelling product/proposition, selling it, collecting the money and fulfilling the orders without a hitch.

POINT OF REFERENCE

If your corporation is not getting close to 30 per cent of its hires from employee referrals, it may be time to restructure the recruiting function

ANKITA RAI

If you are currently looking to restructure your recruiting function to keep costs under check, you may want to focus your time and money on processes that yield results the quickest, entail the lowest cost and have the lowest risk of failure. All the recent data on the subject indicates that one option stands and shoulders above the rest. And that is putting in place or upgrading your employee referral programmes to take advantage of the spread of social networks. If your human resources team has still not looked at employee referrals seriously you might be squandering a huge chunk of your work-force budget.

Consider these figures: 50 to 60 per cent of most companies' operating expenses are work-force related costs. And about 50 per cent of that goes into hiring, training and equipping new recruits. Now if you consider referrals as a sourcing option, it will offer the best application-to-hire time — 29 days for referrals compared with 39 days for job boards and 45 days for career sites — and the best retention rate. Referrals are at No 1 with 46 per cent in retention after the first year compared to 33 per cent from career sites and 22 per cent from job boards (source: Jobvite index 2012). And it is not difficult to imagine that roping in headhunters or trolling through job sites could hurt your wallet harder than offering quick incentives to the employee who refers a potential recruit. Just imagine the kind of branding value you would derive when hundreds of your own employees talk about the company and its products to their friends, family and their extended social networks!

The search and recruitment market in India is already huge — according to an EY Human Resources Solution Industry study, it is estimated between ₹2,800-₹3,100 crore and is expected to touch ₹6,200 crore in the next three years. The two dominant ways corporations use to identify people are in-house HR departments and by roping in the services of head-hunting firms when the hiring concerns the top echelons. While whom you know has always counted in hiring, The Strategist research shows a huge chunk of India Inc has already warmed up to the potential of referrals. Experts say they account for 35 per cent of candidates recruited in India already and may be poised to touch the magic 50 per cent mark in the next two years.

If the benefits are so many, why hasn't referral hiring grown even bigger in prominence, you may ask. The flaw lies in the design of some of the referral programmes.

It is like this: Imagine you are at a restaurant with a group of colleagues, just finishing your meal. As you pay for your meal, the manager says, "I hope you liked our service and will encourage your friends and family to come check us out. If they do, we will give you a coupon for a free appetiser." This is mostly how many companies execute their employee referral programmes. They encourage employees to recruit friends and family members to work for the organisation offering a token referral bonus. It should come as no surprise that this approach to employee referrals produces few-to-no results.

The second is experience. You first need to make sure you are giving your employees something to brag about. Says Denis Cauvier, author, and expert on 'finding, engaging and retaining exceptional staff', "The following slogan applies to both the world of customer service and to an organisation that employees will be proud to share with others: 'People will go where they are invited, will stay when they are appreciated, and will tell others when encouraged to do so.' To turn your workforce into a team of recruiters, you need to take an honest look at the work experience you deliver."

By asking questions about the work experience you deliver to your employees, you will be able to design the kind of experience that employees would want to tell

LOW-COST HIGH-IMPACT RECRUITING IDEAS

Source	Benefits	Limitation	Cost as percentage of annual salary
Internal job postings & referrals	■ Individual is known, adapts quickly to new job ■ Costs less to reach, time taken to recruit is less	■ Limited choice ■ No "new blood" from outside of company ■ Job post exposure is limited	Less than 1
Former staff (that you would like to rehire)	■ Individual is known and has company's knowledge	■ Limited choice ■ Potential challenges with former employee & team mates	Less than 1
Community newspaper ads/Banners	■ Quick method of reaching wide audience ■ Boosts brand's image	■ Shot-gun approach, lacks focus ■ Success depends on visibility ■ Limited shelf life	1–2
Job/career-fairs	■ Access to large pools of qualified candidates ■ Can capture passive job seekers' attention ■ Can conduct on-site interviews	■ Require pre-planning ■ Difficult for small players ■ Requires marketing ■ Too many fairs can lose job seekers' attention	1–5
Radio or TV	■ Easy to reach wide audience ■ Brand visibility ■ Attracts passive seeker	■ Expensive ■ Requires lots of pre-planning ■ Shot-gun approach, lacks focus	3–10
Internet (company webpage, recruitment sites)	■ Low cost & wider reach ■ Instant communication ■ Access to global market ■ Ease of updating/editing job postings	■ Volume of databases can be overwhelming ■ Computer literacy must ■ Choosing best site out of thousands of online portals	Less than 1
Third party recruiters (employment agencies, recruitment companies)	■ Delegate task to a full-time HR practitioner ■ Huge data base ■ Applicants are pre-screened	■ Expensive professional fees ■ Outdated list of candidates ■ Pressure on client for quick "fit" ■ May not understand industry	7.5–30
Educational institution	■ People with specific qualifications ■ Seasonal needs ■ Develop face-to-face relationship	■ Little previous relevant work experience ■ Difficult for small players to compete with "major players"	1–3
Foreign workers	■ Tap into skills in low supply in your market ■ Adds diverse cultural mix to team	■ Work permit needs to be renewed annually ■ Cultural integration challenges ■ Many employer obligations (accommodations, medical etc)	5–30
Walk-ins (plant, facility, retail etc)	■ Bulk recruitment & instant hiring ■ Opportunity for 'first impression'	■ Many may not be ideal candidates ■ Spur-of-moment / impulsive application	Less than 1

Source: Courtesy Denis Cauvier, author, and expert on finding, engaging and retaining exceptional staff

others about. Not only does creating such a satisfying, motivating and inspiring work experience turn your workforce into a band of head-hunters, it also improves overall morale, productivity, engagement and customer service quality.

So don't treat a referral programme as a nice-to-do-if-we-had-the-time project; do this to ensure your company's financial viability. Also, make sure to always reward when the candidate is referred, not hired, which often happens weeks or months after the employee originally referred a great candidate.

How companies are doing it

Research shows there is a positive correlation between highly engaged employees and the number of referrals they provide. And that the programme works best in niche and hot skill areas because this is a very close-knit community. Such employees network very well and move in packs. "The influencing ability of such individuals is also very strong," says Naveen Narayanan, global head, talent acquisition, HCL Technologies.

So, how can you do it well? It is important to design a referral programme that is fair and visible to all the employees. Also, the programme must be reviewed from time to time and changes must be made as and when necessary. "At Accenture we offer various incentives to employees. The referral amount may not be monetary benefit, instead, it could even be a promotion or other incentivised perks. It differs from each business unit to another and also depends on the candidature," says Manoj Biswas, lead, human resources, Accenture India, which fills a substantial chunk of its positions through referrals any given year.

"To encourage more women workforce, we offer bigger benefits to the employee for referring women candidates. Referral programme is critical for niche skills and executive positions," Biswas adds.

At Infosys employee referrals is one of the key channels for lateral hiring. "We encourage use of technology for the employee referral process. There is a portal where employees can view requirements and directly submit the profiles of candidates. They can track the status of their referral in real time. We have monetary rewards defined for different job levels," says Richard Lobo, AVP & head, employee relations, Infosys.

Why is employee referral such a big deal at one of the most respected IT firms in India? Simply because it operates in an industry known for high employee turnover. "The biggest advantage of the employee referral system is that the employee acts as a brand ambassador for Infosys right from the day the candidate expresses her interest in joining the organisation. It leads to reduction in cycle time spent by the recruitment team in addressing the softer aspect of queries from the candidates as the referring employee will be addressing the same," he adds.

However, Lobo warns that there is a danger that employee referral programmes will end up stripping an organisation of its diversity and lead to nepotism. The selection decision in case of a referral should be by an independent panel and the company should have processes to ensure that only a candidate who meets the norms is selected. "An employee referral programme is just a sourcing strategy and should be backed up by a strict evaluation and hiring process," he adds."

To ensure that the recruitment process is transparent, HCL Technologies ensures that the referred candidate is not hired in the same department or project as that of the referrer.

HCL's Narayanan says, "A strong policy to process referrals is a must to ensure the right candidate is sourced at the right time. The person referring should not be part of the selection processes and there should be checks and balances in place to ensure credibility of the process."

HCL also has an internal networking platform, which works just like any other social networking platform and 85 per cent of the workforce actively uses it. This ensures employees are constantly connected to like-minded and like-skilled people, which makes the job of making recommendations so much easier.

At auto major Maruti Suzuki India, the recruitment process is divided into two categories: campus recruitment and lateral recruitment. For lateral recruitments the job of sourcing is done with the help of internal job postings and employee referrals, besides using the reach of the corporate website and job portals, and the good offices of placement consultants. "The first preference for lateral recruitment is given to employee referrals and internal job postings, which together comprise 40 per cent of the lateral recruitments, says SY Siddiqui, chief operating officer (administration), Maruti Suzuki India.

"This also helps in better connect with company's ethos, a stronger employee bonding and better retention, " adds Siddiqui.

Likewise at Ernst Young, employee referral contributes to 55 per cent of the total hiring which a benchmark in this space. Says Sandeep Kohli, national director, HR, Ernst Young, "Referral hiring lowers the cost of overall hiring by approx 50-75 per cent across levels."

Cutting hiring cost in the organised

EXPERT TAKE

Employee referral programmes fail for a variety of reasons. But most of them fail because they are not engaging and are unable to get employee attention. Here are 10 things to keep in mind while designing a referral programme:

- To find the right motivation tools for your employee referral programme, start by considering why your employees stick with you in the first place
- The reward for a referral has to be reasonably attractive. Add interesting variable rewards, not just cash
- Understand the hierarchy; people at lower rungs of management prefer money, mid-management needs recognition and top management wants it to reflect in their KRAs
- Don't ignore employees whose referrals don't end up hired. Issuing the reward to the one whose referral works out may alienate others and discourage them from submitting referrals again
- It is important to create interest in the job description. The process used to advertise new post should reflect the company's culture
- Incorporate social media platforms such as YouTube and Facebook to highlight the best practices at the company and any best-place-to-work-type awards that the firm has won
- Make the process of referring a potential candidate simple; most people get put off if the process is cumbersome
- A referral programme should have an active feedback process in place. If the hiring process takes time, employees who make recommendations need to be kept in the loop
- Right now most of the referral programmes are forced upon employees. They are not even asked what kind of referral policy they want. This doesn't work
- Companies need to revise the referral programme from time to time to keep up with changing industry trends

retail sector is a different ball-game altogether. Here the majority of the hiring happens at the store level because attrition levels are the highest there. GR Venkatesh, head, people office, Future Group, explains how it works in his sector: "Eighty per cent of our workforce is at the front-end and most of the recruitment happens through referrals or walk-ins. This particular category of staff is required to clear their school leaving examination. On the other hand, 60 per cent of the vacancies at the back office — zonal offices and the headquarters — get filled through employee referrals." "We also use recruitment consultants, but most of the time we know people from the industry. Networking always helps in this sector," he adds. However, the company prefers consultants for specialised positions, for which the company may be hiring for the first time. A consultant can charge from 5 per cent to 25 per cent of the potential recruit's salary, depending upon the position. That's a huge cost — something that can be cut down dramatically if it were to use referrals.

The referral bonus need not be in cash; it could even be a promotion or some other perks

MANOJ BISWAS

LEAD, HUMAN RESOURCES,
ACCENTURE INDIA

The facilitators

Looking at the potential, several start-ups and job sites are now offering unique platforms to facilitate the referral process. Naukri.com, for instance, has an interesting referral platform. "If you look at the top 100 companies in India, they all have their own referral platforms," says V Suresh, executive vice-president. "However, SMEs and non- IT companies don't know how to execute an internal referral," he adds. This is the segment Naukri is tapping with its Hot Vacancies platform that will cost a company between ₹75,000 and ₹1 lakh annually. The platform enables recruiters to design their own internal referral campaign and upload the email addresses of their employees. Employees can then broadcast this to their social media groups and alumni networks. Once a candidate applies back, the platform is able to tag it to the person who referred it. Among its other offerings, the portal has a shortlisting tool and the Naukri recruiter, which is free. By using the shortlisting tool, a recruiter can shortlist five resumes from at many as 2,000 responses in five minutes flat. "The Naukri recruiter scan saves a company 40-50 per cent of its recruiting cost," Suresh claims.

Some start-ups are also doing interesting work here. Round One, founded in 2011, has a unique model that incentivises employees in companies to interact with job seekers. If found suitable, employees can refer suitable candidates for jobs. Ashish Aggarwal, vice-president, Round One, says, "At times, employees are unable to find the right candidate to refer from their own social circle. By providing an alternate network of suitable and qualified candidates, Round One helps employees refer the right candidates and help their organisations increase efficiency."

Round One charges a membership fee from job seekers, but the sum is small—₹50—for lifetime access to request referrals from any employee at any company. When a potential job-seeker is accepted by a potential referrer for an interaction for a particular job, it charges a fee of ₹500, ₹700 or, ₹800 depending on the seniority of the candidate. This ensures that only job seekers interested in that job speak with the referrer. Round One has 7 lakh registered users.

Then there is Whistletalk, a Bangalore-based startup, which has a social hiring application that enables employees and hiring managers to find the best talent at the earliest. It sells a monthly subscription-based service to corporates and the charges are calculated on the basis of the number of employees the company has and the job openings at the company. "If a company recruits a person of an annual salary of ₹10 lakh through a recruitment agency, it pays the agency ₹75,000 to ₹1 lakh. If the same person is hired through via referral, the company pays ₹25,000 as bonus. You can see the kind of savings right away."

A referral programme is a sourcing strategy. It should be followed by a strict hiring process

RICHARD LOBO

AVP & HEAD,
EMPLOYEE RELATIONS, INFOSYS

A huge social network like LinkedIn can also be explored as a sourcing base. "LinkedIn can be leveraged for attracting passive candidates. It is a tool where jobs find candidates. It is also an important platform for employer branding and given the large data base, it is kind of a referral platform where companies can use employees' social networks," says Irfan Abdullah, director talent solutions, LinkedIn India.

That said, while employee-referral programmes can be advantageous for both the employer and the referring employee, unless a company has a strong HR foundation, it becomes difficult to manage employee referrals. Also, there is no substitute for good old-fashioned planning to stay proactive and keep hiring costs under control. "The best way to do this is to start treating HR as a profit centre," sums up recruitment expert Cauvier.

ILLUSTRATION: AJAY MOHANTY

BETTING ON THE CROWD

An avalanche of companies is heading to the internet to engage customers. Here's how to make it work for your brand

RAJIV RAO

It is not exactly new nor guaranteed to succeed. But at a time when brands are tightening their budgets in the face of a protracted slowdown, it has become a buzzword for brands and enterprises trying to solve problems, become more efficient, innovate and grow.

In the last two years at least 60 Indian companies have relied on crowdsourcing to generate new logo, redesign a package or shopfloor or even provide inputs at the product development phase. They've been galvanised partly by the realisation that in a world where the cog-wheels of ideas and innovation keep you ahead of the pack, those cog-wheels may be the very people you're attempting to serve — your customer. They are also discovering that apart from creating marketing buzz, crowdsourcing may turn out to be the most efficient process to discover fresh ideas from a hidden talent pool at a cut-rate price.

The fact is, the economics of the business is hard to beat. Arun Mehra, CEO of Talenthouse, an online platform that connects brands and talent by listing competitions on their site, says that brands get more than 10 times the number of ideas and renditions of a logo or a jingle through these online campaigns than they otherwise would at their advertising agencies. Their fees to Talenthouse: ₹15 lakh, versus the ₹50 lakh on average that they would normally fork out to said agencies. "There are 3,00,000 college graduates from places like the National Film Institute or NIIT looking for a career and on the other hand, brands are willing to take a leap of faith," says Mehra.

"It's a win-win."

Conceptually speaking, crowdsourcing has been around for ages. The Oxford Dictionary, for instance, was compiled by harnessing the talents of dozens of amateur philologists as volunteers in the 1800s. Still, it's caught on fire today simply because of its promise of decentralised problem solving that leverages the collective grey cells of digital communities — or the 'crowd' — in a bottom-up process, with a central platform or authority as mediator.

When corporates go crowdsourcing

FOR ALL the novel ways in which ideas are generated today, some wonder how would they materially impact a company's fortunes? "Social media can do a lot of good, but how much value is it adding to a company's top and bottom line?" asks Dinesh Goel, founder of Innovative Ideators, a crowdsourcing solutions company. The answer may lie in an exercise Britannia conducted when it needed to figure out a venture in the food space that could give it 'exponential revenue growth and justifiable profit margins in five years,' according to the company's brief.

VINITA BALI
MD, BRITANNIA INDUSTRIES

Commissioned by Britannia to solve this problem, Goel's company went about canvassing 122 business schools and 3,495 MBA candidates who generated 320 solutions to this question. Britannia found three of them convincing enough to warrant development into full-fledged businesses across the snacks, healthfoods and dairy lines. "It's not about asking a question and getting an answer," said Vinita Bali, MD, Britannia, in an interview posted on Youtube around that time. "It's about getting a diversity of views."

SRINIVASAN JANAKIRAMAN
PRESIDENT & CTO MINDTREE

IT services company Mindtree had a similar quest. "We wanted to look at a new boost in growth," says Srinivasan Janakiraman, president and chief technology officer, Mindtree. "IT services as a business is tied to linear growth. We wanted to capture value and bring some non-linearity into it," he adds.

Unlike Britannia, the company decided to dig deep into its own ranks and create a business plan competition where the objective would be to cull winning entries that showed promise. The target: build businesses that generate $50 million in five years.

Entries would be judged not just on the merit of the idea, but on the execution capabilities of the team as well. So far, the process has coughed up 100 concepts and two companies of which one — a cloud management and security software called VMUnify — has signed up eight customers and generated a small revenue stream. "This company should have been cash neutral by now. However, its hockey stick-like growth trajectory is probably around a year away," says Janakiraman. Another company that came through Mindtree's ranks, but not out of its crowdsourcing competition, is a digital surveillance and analytics company that is on track to doing ₹5 core in business this year.

These efforts are still very much in their infancy. What is more important is that the company has become serious about incubating from within using a crowdsourcing platform. Its current business plan competition closes on September 30 and a January 2014 board meeting of the company will formally approve the winning business plans. Prominent entrepreneurs are brought in to talk about their experiences and to expose newbies to the world of transforming ideas into companies. A small strategy cell helps budding intrapreneurs with their business plans.

"These efforts are no longer a luxury but a business imperative," says Janakiraman. "Today Cisco and Microsoft can do what we do for them so why come to us? Today, we're in business because they don't want fixed costs. We can't take that for granted," he adds.

Wooing your customer

Take, for instance, Lee, the US denim jeans brand, which recently took to the internet to hold a competition around sustainability which the brand considers an important aspect of its identity. Here, the objective was clear. "With a competition like this, we're engaging youth in a different manner," says Chakor Jain, business head, Lee. "We cannot, any longer, rely on entreaties to go out and buy something," he adds.

Lee's campaign asked people to deposit their castaway denims to fashion new products out of them. The first stage involved getting people to drop their old pairs off at Shoppers Stop in exchange for discounts at the retail chain. After around 5,000 pairs were collected, they were deposited with 100 Hands, an NGO that works with village-based artisans. Meanwhile, a competition for the most innovative designs using denim was thrown open to the public, the lure being a brand new Vespa Scooter. The winning designs would then be fashioned into products by the artisans.

The response, says Jain, was overwhelming. In poured a torrent of ideas that ranged from the predictable, such as dresses and jackets to the quixotic, such as eyeglass frames and pagdis. The firm eventually hopes to make products based on the winning entries and market them. But it's not so much the products that are critical to Lee as is the process of engagement with the masses. "There are so many intangibles about your brand that you are now able to communicate at a different level," says Jain.

While Lee's senior management will most definitely not be wringing their hands if their design competition doesn't throw up bankable products — the initiative seems more a marketing effort than a product innovation drive — there are firms that are dead serious about using crowdsourcing for some of their critical needs. When Micromax decided it was time to come up with a new logo in 2012, it wasn't an ad agency that it headed to, but Talenthouse, which is a 50:50 joint venture between Reliance Entertainment and California-based Talenthouse. The winning entry — a 'punch,' intended to convey youth and aggression — was one among 2,500 sent in, and that too from North America.

Even a more exacting discipline such as product design has begun to gravitate to the net for ideas. When chewing gum brand Happydent decided to come up with a new packaging for its flip-top box, it too opted for a campaign on Talenthouse. The winner, a 24-year-old Mumbai-based illustrator, Sebin Samuel, had stumbled upon the competition while surfing the Net. It took him two-three days to sketch out and send in his entries. His reward: a brand new iMac. However, for a struggling artist trying to establish himself in an ocean of big fish, the exposure through the competition was the real prize. "People started to recognise me. My contacts grew and now people have begun to approach me rather than the other way around," says Samuel.

Today, seemingly every brand that is a force in the consumer space across industries and products — Volkswagon, Nerolac, Fox Traveller, Anurag Kashyap, Tata Nano, Hyundai, Hero and Unilever are just a few — have recently been or are currently in the hunt for new designs, jingles or photographers. The real marketing revolution, however, is yet to come says Mehra. India is populated by thousands of small-medium enterprises that are neither able to engage the more established advertising firms nor reach out to talent. With platforms like Talenthouse, they may have a shot at reaching an audience they never imagined it was possible to connect with.

Reality check

It is worth asking if the odes sung to crowdsourcing are hyperboles or not. Yes, firms looking to experiment with low-cost models for creative work makes sense as there's very little downside. Also, with an increasing proliferation of brands and declining customer loyalty the need to connect with consumers is all the more urgent. Using crowdsourcing to influence top of mind recall is therefore logical. But how well does it work?

"Often, it can be nothing more than a public relations stunt," says Roopak Saluja, founder & chief executive officer, **The 120 Media Collective.** "But when it works, it is a great engagement tool. The ultimate objective should be to develop communities and get them to understand your brand's ecosystem," adds Saluja. Yet, very few brands do that.

120 Media's digital agency, Jack in the Box, was a pioneer in this space in India when it launched Puma's Pimp Your Sole campaign in 2010 — one that invited artists to design five new designs for Puma's popular flip-flops. Part of the effort involved cruising around in an Ambassador and inviting graffiti artists to spray paint it — many of whom also competed to get their imprints on those soles. A related event was then staged inside a large Puma outlet. All of these efforts were filmed and then uploaded onto the net.

Jack in the Box's strategy was to keep the brand in conversation beyond just the talent hunt — you could even argue that the hunt was incidental to the brand's overall goal of engaging and building a community. By synergising a variety of events, some digital, some not and creating content out of it, the Pimp Your Sole website attracted 8 million impressions and 50,000 fans in just 14 days. By stopping at just a talent hunt, brands may be missing the whole point of the exercise.

Disrupting business

While crowdsourcing may appear to liberate us from the tyranny of the middle man, in reality, it may be doing little more than creating some short-lived buzz and empowering a handful of individuals. Plus, the danger with a fad is the clutter it brings along with it and the lack of differentiation among ideas. The more significant outcomes, say industry observers, are business models that leverage the crowd to disrupt the world in which they operate.

For example, Australia-based **Design Crowd** is one of the hottest companies in the design space that allows designers to respond to briefs that companies post on the site for things like logos or website designs. Most of the jobs are not quite the big-ticket items you would hope for — in the $400 range. However, physical location becomes largely irrelevant. And it could become big business for those who can suddenly leverage their professional talents in ways they never imagined before. Designcrowd reported a few months ago that Kolkata-based designer Arun Bhattacharya made $10,000 over the course of four weeks using their service.

Other disruptive models seem to be gaining traction. Uber, a California-based start-up that connects taxi-seekers with underutilised luxury cars and drivers through a smartphone app, has opened offices in Bangalore. **CrowdANALYTIX**, a software solutions company also based out of Bangalore, parcels out a client's problems into various pieces and then creates a contest that poses a modelling challenge for each of those components. The winning solution for the last contest, which tackled 'predicting the quality of red and white wines' for a client, was apparently '400 per cent more optimised than the client's expectations,' according to Information Week.

The future

The world is not going to see major corporations shift their ad campaigns from an agency to a crowdsourcing model overnight. But things are changing rapidly. For instance, a recent study says that 68 per cent of mobile access happens in your own home — just showing how much a part of one's existence devices have become. This year will also signal a quantum leap in digital ad spends — from around 5-6 per cent of total spends last year to around 15-20 per cent. This means that a digital strategy has become core to everything a company does and it is a discipline that agencies need to spend time understanding.

The Government of India understood this by crowdsourcing the new symbol for the rupee. If you are among the fence-sitters, this may be the time to seize the trend and make it an integral part of your brand's life. Just remember to do it right. ♞

LATE-MOVER ADVANTAGE

As the online shopper becomes wiser, new entrants in the e-commerce space realise the only way to stay in the game is to adapt fast and strive for efficiency

IMAGING: AJAY MOHANTY

ROHIT NAUTIYAL

If vending of commoditised products such as books, audio and video CDs and travel is seen as something of a first wave of e-commerce, urging consumers to go in for high-touch or big-ticket products online — such as electronics, jewellery, fitted garments and custom-made furniture — could well represent the second wave of e-commerce. But for companies involved in this second wave of e-commerce, the going ahead or falling back will be determined not so much by the old formula of price, convenience and range of products. The new players face significant consumer purchase barriers that have to do with product education, look and feel, try-on — things that need to be identified and addressed through sustained technological innovation and unrelenting customer support service, if these players are to convince customers to favour them over the high street.

The Strategist has consistently brought some of the best practices in this space to its readers. As the news wave establishes root, we see a large chunk of players veering towards a hybrid model — a mix of inventory-led and marketplace models or a cross between online and offline models. Niche categories like jewellery and furniture — that are low on volume but high on value — have emerged trying to marry the best of both worlds. What is common is the premise on which these businesses are being build — namely, get into high-margin low-clutter categories, offer a limited product portfolio but the best customer experience to consumers who appear willing to wait a tad longer to get their hands on unique or customised offerings.

Clutter-free is hassle-free

Try to think of three big online retailers across the world that sell jewellery. Difficult? Okay think of one. A goose egg still?

EXPERT TAKE

4 WAYS TO BUILD AN ONLINE PRESENCE

Focus on communities and geographies

An online brand must start by understanding the community it is reaching out through its products and services. See how the targeted community is reacting to your messages on various social media platforms. Facebook can provide information about age, gender and geography of your customers. Since niche shopping portals are largely catering to customers across top five metros, Facebook's data on metros and Tier-II cities will be handy in creating city-specific deals. On the other hand, Twitter is harder to segment and should only be used for broadcasting.

YU YU DIN

HEAD, DIGITAL STRATEGIST, GENESIS BURSON-MARSTELLER

Talk to the influencers

Today every business is watched closely by bloggers, industry experts and celebrities who have a huge following across various social media platforms. Niche players must reach out to this set and turn them into brand advocates. Klout Score's (an app that uses social media analytics to rank users according to online social influence) rankings can be used while taking this call. A Klout score between 60 and 80 is good enough for building reach. Use a combination of Klout score, follower count and their conversation patterns while choosing your brand advocate.

Keep talking sense

Research has established that engagement levels on Facebook and Twitter dropped dramatically when brands only used the platforms to push their offerings. It is all the more important for an online brand to speak to its online communities through relevant stories. For instance, a furniture brand can speak to the parents on how to pick the right furniture for the newly-weds. Or they can engage existing and prospective customers by providing tips on furniture maintenance. Similarly a jewellery brand can organise an online chat with a jewellery designer.

Be prepared for contingencies

Word of mouth can be overwhelming and at times can work against a brand. Niche players may go out of stock because of high demand which can affect their credibility. Take ownership when the chips are down. Twitter set a great example recently when Buffer, its social media tool was hacked. The company's CEO came forward and spoke to clients through blog posts and emails keeping everyone in the loop.

Don't feel sorry for yourself. Even today all the major online retailers around the world including Amazon hardly sell any jewellery. In fact, Chinese portal Zbird and US-based Blue Nile figured as the only points of reference when we started researching this category. That's one fact — that the sector was relatively untapped in India (founded in 2007, Chennai-based Caratline which clocks an annual revenue of ₹100 crore is BlueStone's closest competitor) — that convinced Gaurav Singh Kushwaha, founder of online jewellery store BlueStone, that this was where he wanted to be. Kushwaha saw that in India brand shops of market leaders like Geetanjali and Tanishq were the biggest sales channels in jewellery. In late 2011, when leading players, including Flipkart were toying with the idea of migrating to a hybrid model (skewed towards managed marketplace), Kushwaha decided to throw his hat into the ring. He says, "In jewellery, the supply chain demands a completely different value addition. You cannot possibly stock high value gold and diamond jewellery in a warehouse."

After receiving seed funding of $5 million from venture capitalists Accel Partners, Saama Capital and TutorVista's Ganesh Krishnan and Meena Ganesh, Kushwaha set up a manufacturing unit in Mumbai. That bit was probably easy compared to his problems thereon.

Picture this. Bluestone has 600 designs in gold and diamond rings. If the company were to stock all these designs in 20 sizes in 14, 18 and 22 carat gold, a sizeable portion of the seed money would have been used up just in building that inventory. So he had to think differently. Now BlueStone starts putting together a piece of jewellery only after receiving an order on its website. Around 60 workers have been employed at the manufacturing unit; it takes three days to manufacture one piece of jewellery, add another three days for shipment (the company covers 50 cities currently).

Unlike other hybrid models in which quality checks (QC) happen once the consignment arrives at the fulfilment centre, at BlueStone a seven-step QC has been put in place for different stages of manufacturing. Currently, while the company spends 2 per cent of its annual revenue (₹35 crore, 2012-13) on logistics, its margins hover between 25 and 30 per cent.

The portal also incorporated customer feedback faster. Initially the customers complained of discrepancy in what they saw on the portal and what they received. BlueStone improved its display and used models to showcase its collections.

Time is a window of opportunity

As bizarre as it may sound, the online shopper is now willing to wait longer for deliveries of customised products, provided the product satisfies her expectations. At least that's what founders of furniture portal Urban Ladder discovered early on in their careers. Says co-founder and COO Rajiv Srivatsa, "A sub-segment of the upper-middle class wants a certain degree of design precision and that's what we set out to provide."

The desire to ship pan India right from the day of launch is an addiction hard to kick and the founders of Urban Ladder gave in for some time. When customer delight went for a toss in search of reach, in August last year, the company decided to pull back all deliveries overnight from warehouses in different cities. Since then the portal has focused on catering to Delhi, Mumbai, Pune, Bangalore and Chennai through its six supplier hubs.

Similar to BlueStone's model, a large part of furniture in Urban Ladder's portfolio is made to order. Urban Ladder's in-house design team supports its vendors by sharing expertise from time to time. The inventory arrives at the company's warehouse and is later shipped on the customer's address after QC. Its current shipment window is 15 to 20 days.

As things stand, sofas account for 25 per cent of the portal's overall sales.

The portal has kept its catalogue limited to 25 categories and a sharp focus has gone into creating a clutter-free interface. One may argue that buying furniture online is unrealistic, but that's the paradox, say experts. Pragya Singh, associate director, Technopak, explains, "A model like this will work in the long run. This is because their delivery time is not very different from time window of 10 days — average time taken by a brick and mortar store to deliver customised furniture."

So far, almost every player operating in inventory-led model is forced to give heavy discounts to get rid of distress inventory. Urban Ladder has decided to stay out of the discount game by keeping its inventory under check. In fact, the company has a special discount for customers who pay upfront and for delayed deliveries. With 100 orders to process daily, the company is now directing its attention towards streamlining logistics and bringing new subcategories in furniture.

Mixing click with brick is fine

If you really think about it, lifestyle brand American Swan is one of the rare examples of a pure inventory-led model. Started early this year with a seed fund of ₹40 crore from Four Cross Media, a global digital media conglomerate, the company began its journey by venturing into online and offline channels simultaneously. Director and CEO Anurag Rajpal says American Swan's hybrid business model was designed to cater to today's brand-conscious online shopper while de-risking the business to some extent by building presence across both online and brick and mortar stores. For American Swan the trick lies in keeping the turnaround time for new styles really short. It's in the lifestyle business remember?

In the 11 months of its operations, the brand has introduced new collections of men's and women's wear and other lifestyle products around eight times across the two channels. The brand is also available on other multi-brand shopping portals. Offline, the brand is present in 130 multi-brand outlets across 15 states. The company claims that the ratio of its online and offline business is 50:50. Says Rajpal, "It is necessary for businesses to move towards more positive transactions. Quality and pricing will continue to be the key differentiators."

All the companies discussed above have one thing in common: they sell all the products (manufactured or sourced) under their own label. This means that American Swan, Urban Ladder and BlueStone had to focus on building their respective brands from Day 1. Another common factor is at play here: none of them has made the expensive jump onto TV to advertise their offering. These players realised early on that a high-spillage mass-media burst will not take them far in an industry with the rare profitable company. Says Rajpal, "To build an aspirational, affordable and accessible brand we focused on a strong digital and social media strategy right in the beginning of our journey." American Swan went big on display marketing. The company has already spent around ₹6 crore on various digital campaigns this year. Besides, as part of its Young Achiever's campaign, the company roped in actor Shruti Hassan and cricketer Unmukt Chand.

For Urban Ladder, marketing cost is static. "Television is impossible to measure and leads to an unnecessary burnout of resources," says Srivatsa. "So far, we have focused on our social media presence to keep our customers updated on latest offerings," he adds.

BlueStone has found an interesting way of building its brand through word of mouth. The company is incentivising customers who are spreading information about the brand on social media. For instance, if a customer writes a testimonial on BlueStone's brand page, she will receive a discount of the next purchase.

Evidently, while most of the obvious e-commerce opportunities appear to have been seized in the first wave, there are many second wave opportunities still out there. And categories with a 'tailor-made' sticker certainly look like the proverbial Noah's Ark of retail during a slowdown. Just remember that in e-commerce, like in every other form of commerce, it is only those companies that have a strong consumer proposition that get a ticket to ride out the storm. Needless to say, those that don't will drown.

Perfecting the procurement process: 1. Raw material being picked up from the farm 2. It reaches the modern processing unit, where the raw material is packaged 3. The packaged raw material reaches the temperature-controlled regional distribution centre 4. The inventory is then transported to restaurants in refrigerated trucks

PARTNERING FOR GROWTH

By managing procurement partners efficiently, quick service restaurants in India have continued to expand in an uncertain market

RAJARSHI BHATTACHARJEE

Consider this. Yum! Brands, the owner of Pizza Hut, KFC and Taco Bell, saw same-store sales in India fall four per cent in the December 2013-ended quarter but wants to add 400 stores in Tier-II and Tier-III cities in the next two years. The company has already crossed 600 stores in India and has no plans to go slow. Ditto with Hardcastle Restaurants, franchisee of McDonald's in the south and west of India, which proposes to add 75 to 100 stores in the next two years at a time when its same-store sales also doesn't look exciting either.

Get the drift? Despite the protracted slowdown and falling same-store sales, quick service restaurant (QSR) chains are on an aggressive expansion mode in India. The reason is not far to seek: real estate has become cheaper and these players are optimistic about the long-term potential of the market. According to an October 2013 Technopak report, the QSR industry is anticipated to grow from $48 billion in 2013 to $92 billion by 2020, a CAGR of 10 per cent annually. Metros and major Indian cities form over 90 per cent of the QSR market. The same report says, with their promise of affordability and convenience, QSR chains expect growth in the range of 20 per cent-plus across India in the next five years.

What is driving their optimism in an otherwise sluggish market? Is it only cheap real estate? What about the cost of distribution in smaller cities? Will it not build margin pressure?

Look closely. The QSRs are depending heavily on smart procurement to stay competitive in a slow market. "The biggest challenge that procurement managers across the industry face today is the unprecedented inflation and volatility in commodity price," says a spokesperson of a McDonald's business partner that serves as distribution centres for its restaurants in Mumbai. "Managing the entire supply chain — right from materials management to physical distribution — is a big challenge which is complicated by the lack of infrastructure in the country," adds Manpreet Gulri, country head, Subway India. Which in effect means, organised restaurant chains in India today can't do with anything less than 100 per cent local sourcing.

Enter: local vendors, who can make or break a QSR chain's fortune, and not just fast-track its expansion plans.

It is not for nothing that one of the largest food service retailers in India, McDonald's, has developed a multi-layer supply chain network in the country with a strong integrated backend to reach out to local vendors for its procurement needs. The steps in procurement at McDonald's begin at the farm-end from where suppliers collect the produce, process and dispatch it to regional distribution centres in temperature-controlled trucks, from where the inventory reach the respective restaurants.

"Local sourcing is a significant contributor to optimising costs in India, primarily

EXPERT TAKE

NEGOTIATING COMMODITY PRICE VOLATILITY: FIVE TIPS FOR QSRs

TARUN JAIN
VICE-PRESIDENT,
FOOD SERVICES,
TECHNOPAK ADVISORS

The double-digit inflation rate during most of 2013 made it difficult for QSRs to maintain their food costs. At the same time, a low market sentiment and heavy tax burden put pressure on their top line, making balancing the revenues and costs a veritable tightrope walk. While increasing prices might sound like a natural response to high inflation, it is not the wisest tool; QSRs must look at achieving internal efficiencies before resorting to a price increase.

Here are some tips for keeping food costs in check in such volatile times:

- *Understand your product portfolio thoroughly through a Pareto analysis*: Identifying those 20 per cent of your products that contribute to 80 per cent of your revenues, and costs are important in order to understand which commodities can have a harder impact than others. For a chicken chain, chicken, oil, flour, and seasonings may be the key commodities, while for a pizza chain, they might be cheese, tomato sauce and flour. There is a need to have different strategies for different commodities, based on their importance within the system.
- *Re-examine your procurement strategy*: While a rise in a commodity price generally leads to an increase in procurement costs, there are other costs that also influence the price you pay. These include the cost of packaging, transportation, taxation (including octroi, customs duties etc), and the company's reputation and credit rating in the market. Such actions as changing the minimum ordering quantity, lowering supply frequency, taking larger pack sizes, accepting supplies in centralised stores and renegotiating credit terms are all levers, which can provide some respite in these tough times. Encouraging the use of convenience products can also provide savings in the short- to medium-term. Say, if the price of tomatoes goes up, the use of tomato puree can provide some insulation.
- *Source directly*: As far as possible, and if reach and volumes justify, a direct sourcing strategy is preferable. This will not only reduce the overheads arising from a long value chain, but will also reduce the risk of artificial inflation presented by wholesalers.
- *Opt for contract manufacturing*: It is necessary to look beyond established manufacturers and/or suppliers as they may have lower inclination to negotiate. Encouraging new manufacturers and/or suppliers and providing them start-up support can help negotiate a transparent, long-term deal on a cost-plus basis, and significantly reduce costs.
- *Realign the product portfolio*: An in-depth analysis of the menu can reveal the correlation between commodities and their impact on specific menu items. If certain commodities are expected to rise beyond reasonable limits, it may be time to rework the product portfolio and thereby minimise their impact. This can be done by developing substitute products and refocusing marketing efforts on these.
- *Keep a keen eye on the market*: Doing this can help Indian quick service restaurants forecast the movement of commodities. Both rising and falling ones are equally important and can help achieve a balance in terms of overall costs. For example, while the price of flour may be going up, that of coffee and tea might be going down, and, as a result a cappuccino and muffin combo can still continue to be lucrative.

by cutting down on transportation costs. With volatile exchange rates and steep duties on imports adding to the burden, it is imperative that we have a strong local sourcing model that enables us to fulfil our brand promise of value and affordability to the customer," says Amit Jatia, vice-chairman, Westlife Development & Hardcastle Restaurants.

While substantial investment in technology is not on the mind of QSR brands in India as yet, there is an evident rush for innovations — like developing new products with 100 per cent local ingredients. Most hot beverages in Costa Coffee stores are made with 100 per cent Indian ingredients and so is the Classic Coffee Cooler, a blended cold coffee. The lettuce farming in India and the indigenous McFry are innovations that drove in cost efficiency for McDonald's.

Apart from that, investment in standard technologies like ERP (enterprise resource planning) is keeping brand managers at KFC, Pizza Hut and Costa Coffee informed about their stock and inventory movement at every restaurant and warehouse. That said, good vendor management dictates that negotiations are completed in good faith. McDonald's also has in place processes of audit and controls at every stage of its supply chain network to build a risk-free procurement cycle. Subway has moved to the early stage of e-procurement system with electronic placement of orders for all franchisees and track inventory movement.

It's not competition; it's a journey

Ensuring procurement flexibility and managing multiple supply chain configurations are imperative for Indian QSRs. But every region and vendor is unique, and so are the alarms they raise. For most brands in this category, the typical challenges come from supply side of the vendors. At KFC, for instance, there are certain raw materials that vendors are unable to deliver or manage, particularly during sudden demand surges, say after the brand goes for a TV campaign or a rock music show near a KFC restaurant. The reason: the vendor doesn't have the capacity to supply additional inventory or it is unable to plan systematically.

Such instances are not uncommon. As a possible way out, Arjun Verma, executive director and CFO, Devyani International, the franchisee for Costa Coffee, and KFC and Pizza Hut restaurant chains in India, prescribes that before going to TV or launching an event, the franchisor and franchisee should make fair estimates about how the consumer is going to behave, the possible demand surge and based on that it/they should prepare the vendors. And still there can be hiccups — say, if the franchisor estimates a 15 per cent surge in demand during and immediately after a campaign, and it turns out to be 25 per cent. The solution: go for inter-restaurant or inter-region transfer of inventory.

For Radhakrishna Foodland, precision forecasting based on past history as well as contingency supply sources is the only way to manage and reduce the impact of any interruptions in supply. For Subway, the answer is building own supply infrastructure. To tackle the existing bottlenecks, Subway has in place a network of development agents who ensure smooth movement of inventory between the supplier and the franchisees in a region.

Strategic sourcing is equally important for Cocoberry, which operates in the frozen yogurt category, where uninterrupted availability of the raw material (the premix that is the core of the product) is critical. Choosing to discontinue the import of any raw materials, Cocoberry has, over the past few months, concentrated on building a local sourcing model. Apart from lower costs, the move has reportedly assisted the brand in better collaboration on product development and faster compliance on regulatory matters by its local partners.

"Though food inflation has been high last year (exacerbated by currency depreciation), we have been able to contain our input prices with cost efficiencies driven by our local procurements. As a result we did not have to increase our prices in the past one year," shares Rahul Deans, CEO, Cocoberry. "At the procurement end, working with lettuce farmers and training them on modern irrigation practices and emphasising on cold chain integrity from farm to fork has led to reduced waste," says Jatia of Hardcastle Restaurants.

It's not a contract; it's a relationship

Effective vendor management presupposes long-term relationships over short-term gains and marginal cost savings. Constantly changing vendors in order to save a penny will cost more money in the long run and will impact quality. Not surprisingly, long-term loyalty and predictable order flows form the cornerstone of business-to-business relationships. It would not be wrong to say the success of global QSR brands in India rests on their ability to leverage local vendors. To this end, McDonald's shares its long-term plans with vendors and engages with them for training on an ongoing basis. In return, McDonald's suppliers adopt a 'system first' attitude, giving the brand a priority customer status.

Costa Coffee, the coffee shop chain owned by the UK-based multinational company Whitbread, emphasises that such relationships thrive on clarity. "In dealing with suppliers we have introduced an open-book costing policy," shares Santosh Unni, CEO, Costa Coffee India. "Transparency is of paramount importance in our relationship," Unni elaborates. "For example, our largest vendors are the food vendors — airline catering companies like Lufthansa flight catering etc. Based on open-book costing, we agree on the margin or mark-up to offer the vendor and leave no space for ambiguities. If the cost of a sandwich is ₹50, we tell the vendor: let's consider the cost of raw material components of a sandwich, say it is ₹30. Then we offer the vendor, say, ₹15 mark-up over that. So everybody is clear about how the costing is done."

Take the case of Costa Coffee's take-away cups. The company probably uses up a few lakhs of cups in a year. So, even a small change, say ₹2 difference per cup translates to a big number. This is precisely the logic that drove the company to manufacture the red take-away cups of Costa Coffee in India. Four years ago, this product was imported from the UK. Two years ago Costa transferred the procurement source to China. And a year back, the company transferred it to the Indian suppliers. "So we pick and choose products that are big. Typically we use the principal of 80-20 — what is 20 per cent of your procurement which has 80 per cent value," says Unni.

To streamline franchisee-vendor transactions, restaurant chain Subway helps its franchisees set up IPCs (international purchasing cooperatives) in each region. Besides assuring steady supply and collaborations across regions, these cooperatives help to reduce supply chain costs and improve product quality. The regional supply chain advisory groups guide the IPC on local issues and develop regional specifications for all products to ensure that any requirements arising from local laws, customs or religions are addressed.

Yet in dealing with perishable commodities, short-term demand-supply fluctuations, seasonal rise and fall of prices may play havoc with any relationship. "Hedge long term but flexible contract with vendors," says Arjun Verma of Devyani International. Unni of Costa Coffee supports Verma adding that at Costa Coffee, contracts with ven dors last for three years and raw material price is revised every six months. This way the coffee chain claims to reduce risk involved in commodity price fluctuations. To ensure steady supply, Devyani International has tied up with two vendors for every significant food item like chicken, oil, cheese etc. "The idea is, you should not keep all your eggs in one basket — if one vendor fails to deliver or face problem at production end, you have another to fall back on," says Verma.

In sum, the return on the investment made in nurturing a positive vendor relationship cannot be measured directly against the company's bottom line. But as the brands discussed here have found, a well-managed vendor relationship can help in reducing costs and improving the quality of their offering to the customer.

HIGH-STAKES PROMOTIONS

Sales promotions are back in business. But how does a promotion plan cross the line from ho-hum to heaven-sent?

ROHIT NAUTIYAL

Marketing lore has it that back in the seventies when fast food giant McDonald's was looking to increase its appeal among kids it struck upon a new idea — it gave away a different toy every week with the meal that customers ordered under the promo 'Treat of the Week'. This was first tried out in Canada and in 1979 McDonald's introduced it in its other markets with new toys entering the rotation on a regular basis. While the company refuses to call it a 'promotion', the idea of a Happy Meal, toy included, has stood the test of time, and contributed 10 per cent to McDonald's $30 billion worldwide sales during the 2009 recession in the US (AdAge). More creative kinds of sales promotion are limited only by your imagination. But only few promotion offers can make the cut. Marketers anyway have a love-hate relationship with this tool. They don't like the attendant costs but go with them largely when the chips are down — either to liquidate unsold stocks or create some excitement around their offerings or when they want to stand out with a new launch in a highly competitive category.

In fact, consumer sales promotions have seen a renaissance of sorts in India as a sluggish economy cools down sales across categories. Analysts say that even until five years ago sales promotions contributed less than 10 per cent of a marketer's budget; now the figure is as high as 35-40 per cent in some categories.

While things may be shifting on the ground, management discourses in recent years are largely silent on how sales promotions can work in times of volatility or what sort of impact they have on long-term brand building. Understandably, managers have stuck to the trial and error method in devising their promo plans and the tools used to gauge their success. Typically, consumer sales promotions include discounts, contests, lucky draws, quantity gifts, financing at low interest rates, surprise gifts etc. Sometimes marketers have tried combinations of these activities to lure consumers into making instant purchase decisions. If you have been following the ads in print or those screaming down from hoardings, you will see how the global slowdown and a fast-changing retail landscape in India has forced many marketers to push the envelope even at the risk of lower profitability. So how does a promotion plan cross the line from ho-hum to heaven-sent, to be one that customers will champion? Indeed, should sales promotions be part of every marketer's playbook? What are the pleasures and perils of high-value promotions? Above all, where should marketers draw the line to ensure they don't lose more than they actually gain?

Know how much to stretch

Needless to say, sales promotions have a direct relation to the health of a market. Look at the country's automobile market, for instance. The demand for passenger vehicles has crashed over the last year and a half owing to high financing costs and fuel expenses. Leading players including Maruti Suzuki, Hyundai, Mahindra & Mahindra and Honda have all offered heavy discounts on their cars but have seen very little impact on sales volumes.

Now some of them have resorted to innovative sales promotions that are likely to boggle your mind.

For five days starting February 27 this year, Torque Auto, a Skoda dealer in Ahmedabad, became a talking point by promising a free Fabia hatchback to customers who bought a Rapid sedan. The catch: the customer will get the hatchback only after five years, in 2018. After five years, the buyer can either take Fabia or accept cash of ₹3.5 lakh. A spokesperson for the dealer claims Torque Auto logged 700 bookings during those five days. He adds that the promotion did what the dealer had set out to achieve without the company's involvement. If these claims are true, the dealer would have raked in ₹50 crore in sales in five days flat. No doubt, there is a method in this madness.

Today marketing budgets are much tighter, and programmes need to be more accountable in driving results, say experts.

Indeed, such high value programmes cannot be sustained for long. In fact, as the dealer stresses, the shorter the offer period the better. Not everyone is sold on this idea though. VG Ramakrishnan, senior director (automotive and transportation), South and West Asia, Frost and Sullivan, sees the Torque offer as 'a gimmick with zero sustainable value'. "Dealers should not go over the top while chasing consumers. Instead, while waiting for the upturn, one should work to build stickiness with consumer-centric activities," he adds. Like probably what Hyundai is doing.

Hyundai considers sales promotions as tactical activities undertaken to increase the footfalls and enquiry level at the dealership, especially in a down market. Says Nalin Kapoor, the company's senior general manager and group head, marketing, "For big-ticket purchases customers tend to go with tried and tested brands — especially during times of uncertainty. So high value gifts really don't make much sense. For premium cars, the idea has shifted to improving the value proposition to customers rather than just offering a discount." Things like extended warranty and maintenance schemes at a lower cost are ways to improve the perceived value of its brands. Besides, the company is also focusing on various sale staff incentive schemes (foreign trips, Galaxy note, etc) to keep them motivated. Indeed, such high value gifts are possible in categories where margins are higher. Like the real estate industry, which over the past few years, has spoilt the consumer with high value freebies like holiday packages, consumer durables, modular kitchens etc on booking new properties. Take the new projects at Noida Extension, a new township coming up near Delhi, next to the already developed Noida and Ghaziabad border. While opening bookings for their township, realty firms Gaursons and Saviour Builders decided to give away 60 Hyundai i10 cars as part of a lucky draw. To give a fair chance to those who make bookings, a draw is conducted at the end of every tenth booking. Started in April, the lucky draw gets over by June.

Since the venture is a 50:50 partnership, the promotion cost is being borne by both partners equally. Just like its media budget, the JV has a gifting budget of ₹ 2.5 crore. Says Sanjay Rastogi, director, Saviour Builders, "Such promotional activities are a big draw. Word of mouth from this initiative has helped us arouse curiosity in customers." Saviour claims that more than 400 bookings are done with 23 cars gifted to the customers so far.

Think strategy, not tactics

Promotions are a reality in today's marketplace because trade push is a premium commodity. A few years ago, companies with huge advertising budgets and vast distribution networks could use their marketing muscle to move products at the topmost retail shelves or at eye level, keeping the smaller players at the bottom. Today, however, retailers command terms and demand incentives from manufacturers for giving preference to their products.

Says Mayank Shah, group product manager at Parle Products, "Gone are the days when one could dominate as a leader. The proliferation of modern trade has proved to be an equaliser. Generating trials has become a huge challenge. In this scenario, we use sales promotions for engagement and to create excitement around our offerings." Unlike 10 years ago, today the sales promotion calendar is prepared right at the beginning of the fiscal. Regional festivals have gained prominence as Parle leverages these opportunities to hard sell.

Parle operates in a category where the ticket size of gifts is smaller but the frequency is higher. In January, for instance, the company conducted a pan India promotion for its Marie biscuits where a free glass bowl was given away on purchase of each pack. This led to a significant increase in sales volume. "Giving freebies over heavy discounts is more sustainable," he adds.

In sum, sales promotions may look like the first option to take when you need to perk up sales but research has proven it is a strategy fraught with danger. First, when you offer deals and discounts too often you may end up alienating the loyal customer. She will think there's something wrong with the brand. Worse, you may induce shoppers to wait for the next deal — bad news for your round-the-year business.

The bottom line is simple: Like so many other potentially addictive behaviours, sales promotions can be healthy only in moderation.

EXPERT TAKE

SAMEER MEHTA
Head, business & operations, TracyLocke India

PLAY BY THE BOOK

Dos & don'ts of sales promotions

- ☑ Set the sales objectives. What do you want to sell, who is your target market and what are the timescales involved
- ☑ Decide where your focus will lie — on a specific product or a client base and what needs to be changed
- Invest in customer management systems. Before starting any promotion, you should target customers who are likely to buy
- ☑ Once you have worked out what your market is and how it's broken down, decide which sales channels to use
- ☑ Encourage customers to buy greater quantities: make offers such as buy one and get 50% off on the second
- ☒ Don't mislead consumers with over-promises
- ☒ Do not stretch the activity beyond a couple of weeks. You don't want a situation where the buyers are queuing up but the product is missing from the shelves
- ☒ While stressing on the benefits, do not underplay the terms and conditions
- ☒ Don't set your promotional budget to achieve share-of-voice parity with competitors
- ☒ Don't skimp on selling the programme. Ensure the advertising material prepared by the company are distributed to the dealer for display purposes well in advance

LIKE THAT ONLY!

Things that make marketing in India different

ABHILASHA OJHA

- Did you know that global fast food chain McDonald's typically maintains a menu that is 70 per cent original and 30 per cent local in all markets except in India, where the ratio is, well, just the opposite (original: 30 per cent; local: 70)?
- Or that 90 per cent of all the shampoo units sold in India are single-serve — in that they are available in sachets — compared to the global average of 20 to 30 per cent?
- Does it surprise you that Indian celebrities endorse an average of 15 brands — sometimes more — in a given year compared to the average four brands that one celebrity endorses in a year in the West?
- Or that Indian brands have period- or occasion-based discounts (mostly off-season and around Diwali, Independence Day, Republic Day, etc) while most Western markets offer round-the-year sales to get rid of dated inventory?
- And that an average Indian shopper rakes up about 1,000-1,500 loyalty points a year compared to the average 35,000 that a US consumer does?

Positioning guru Jack Trout called India "The land of non-standard marketing" (*Differentiate or Die: Survival in Our Era of Killer Competition*; published 2000). For all the talk about the promise of the Indian market, it remains an extremely difficult challenge for companies that are mostly used to marketing strategies born in the West. Marketing strategy templates that serve global markets efficiently often need to be tweaked, modified or even prepared from scratch to serve the Indian consumers' needs. The scale- and volume-driven market influences the communication strategy, which in turn affects how marketers sell and market their products here.

We look at seven unique characteristics of marketing in India.

1 SMALL IS BIG BUSINESS

Harminder Sahni, founder and managing director, **Wazir Advisors**, a management consulting firm, says, "The Great Indian Marketing story is different because it is a volume-driven — not margin-driven — market. So, most companies, especially those in the FMCG business, sell their products in low-unit packs, which allows the consumer to connect with the brand and experience it too." According to Ficci estimates, to this day, as much as 40 per cent of the total FMCG market sales of ₹28,700 crore in India is driven by low unit packs. In the West, it's not more than 20 per cent even though companies like Unilever are experimenting with the strategy in developed markets. Even liquor brands are putting their brands in smaller, convenience packs to facilitate sampling. Bacardi Black, Royal Challenge and Teacher's Whiskey are among those pushing smaller bottles — 60ml and 90 ml — into the market. Abhishek Malhotra, partner with **Booz & Company (India)**, a management consultant firm, says the Indian market offers a wide swing — where both a ₹5 sachet of Garnier shampoo and ₹250 bottle of the same shampoo can be available at the same outlet. "Family packs may be more popular in the West but in India, the smaller sizes work better because a huge chunk of consumers purchases on a daily basis," he adds.

Agrees Samit Sinha, managing partner, **Alchemist Brand Consul-tants**. "In most global markets, consumers go out once or twice a month and bring back purchases in large packs. But the Indian consumer simply gets the local *kirana* store person to deliver as and when she wants." There are many reasons for this behaviour — say, even if you have a refrigerator, you may not have electricity 24x7 to keep food items fresh. Interestingly, a survey done last year by **Nielsen**, The 2011 Global Shopping and Saving Strategies, shows that compared to 60 per cent of North American consumers who made monthly trips to the grocery stores to stock up on items, only 18 per cent of consumers in Asia Pacific, including India, made stock-up trips, preferring frequent quick trips instead.

"Companies should understand that the SEC A consumer of Delhi and Chennai is different," says Abraham Koshy, professor of marketing, **Indian Institute of Management, Ahmedabad**. "India has several Indias within its fold with each consumer unique."

2

MISPLACED LOYALTY

Vijay Bobba, chief executive and managing director of **Payback**, one of the biggest players in the loyalty programme segment, says, "The Indian market with its several languages, cultures, and multifaceted consumers, is complex when compared to other developed markets." The reason why loyalty programmes are still trying to find a firm foothold, he says, is that the Indian marketers are thinking about scale, volumes, profit, in that order.

In most developed markets, loyalty programmes work because margins are fatter and so, the givebacks are higher. In India, margins are tight and competition intense. According to MS Ashok, COO, **Accentiv**, a loyalty programme provider, givebacks in the West range between 15-20 per cent, but in India, it's 5 per cent. So, the Indian consumer's potential value point earning is lower than her Western counterpart's. "When the margins are low, the givebacks are low and hence, the ability to earn points is low," says Ashok.

Loyalty points in the West have 'aspirational redemption' compared to the Indian market, where it is marketed on 'necessity redemption', he adds. While consumers in the West redeem points against air tickets and travel, India consumers use it for free parking, free fuel, or discounts on groceries and movie tickets at the most. The communication is challenging, says Bobba, adding that unlike Germany, where the strategy of 'point at every step' is the norm, in India, given the complexities, the strategy is structured on the premise of 'shopping is rewarding.'

3

REFERENCES AREN'T RESPONSIVE

When Delhi-based housewife Yogeshwari Singh, 27, bought her medical insurance policy from a financial services company, she was asked to refer five names to the company and thereby avail of a discount. The trade-off seemed fine (the discount of 15 per cent was to reflect in her next credit card statement) and she gave names of a few family members and friends. The next month she found she had got no discount because none of her "referrals" had bothered to apply for the insurance policy. Some refused, some didn't pick up the call from the company's employee, and one called her back, asking —rather firmly — not to share her 'personal details' with strangers.

"We find that referral programmes don't always work because unlike in the West, people in India don't understand 'how' to refer the right people. In fact, I had a case where, for an IT job, a person had referred a friend who had a background in sales. Clearly, this person wanted the bonus based on his referral but it backfired, not just for the friend who didn't get the job but on the employee himself," says the HR head of an online company. Another advertising professional, who has worked closely with a financial services company, says that in most global markets, consumers first "get their hands dirty to know the brand themselves". He adds, "The evolved consumer has tried out products, brands and only then refers her friend to the company's referral programme. It's done with serious thought because the consumer knows exactly what the product is all about."

4

MASS PRODUCTION OF CELEBRITIES

In 2010, 60 per cent of all brands advertised on TV used celebrities, according to **Ficci**, a marked increase from 20 per cent in 2001. Today, nearly 80 per cent of the top 40 brands in India have celebrity-endorsed advertising for television. Advertisers say that typically 40-50 per cent of the total annual marketing budget brand is kept aside for celebrity-led endorsements. And for every four brands that celebrities in the West endorse, the Indian counterparts (mostly sports stars and actors) endorse anywhere between 15-20 brands. David Beckham, the darling of endorsements, has roughly 8-10 brands. Compare this to Indian cricket team captain Mahendra Singh Dhoni who has 21 brands, ranging from cold drinks to watches to real estate.

According to Anirban Blah, MD, **Kwan**, a celebrity management firm, "In the more developed markets, consumers know the brands but in India, celebrities deliver credibility and trust of brands."

Philips, the multinational company in the business of lifestyle, lighting and healthcare solutions, has actors Kareena Kapoor and John Abraham as brand ambassadors in India. In most other global markets, the company doesn't have brand ambassadors. "The consumer in India still needs handholding and an emotional connect to see the value of a brand. Celebrities have an impact here," says Vivek Sharma, chief marketing officer, India and Indian subcontinent, **Philips**.

5 NEW 'SALES' PARADIGM

Unlike the West, where most lifestyle stores have bargain racks for apparel and accessories in particular, in India, branded retail stores don't have not more than two mega sales a year.

'Discount racks' as they are called, are excess inventory, a few seasons old, which the retailer liquidates so that it does not interfere with the operations in that part of the store that has the latest products, and do not lead to any misgivings in the consumers' mind.

In an earlier interview to *The Strategist*, a **Reebok** official had explained that in India if consumers come face to face with brands six times in a year, out of which three times the products are on discount, it will (a) erode brand equity, and (b) demolish brand credibility. Consumers will wonder whether something was wrong with the brand.

"Round-the-year sales work abroad because retailers want to get rid of old inventory," says Sinha of Alchemist. "Customers already know the brand, they trust the purchases. But in India, two seasonal discount sales work. If brands offer sales every quarter, it can backfire and 'brand dilution' can happen with the customer wondering just why the retailer is offering sales so often," says Sinha.

6 WHY DO IT OURSELVES?

"We are a non-'do-it-yourself' consumer market," says Sharma of Philips. Philips has roughly 80 light lounges as part of its lighting solutions in India, a concept alien to the more developed markets where the brand mostly sells online. There the consumer goes online, clicks, gets the product delivered and even installs it herself. "In India, my point of communication is also the intermediaries, including the electricians, interior designers, architects, basically those who will be responsible for installing the product," says Sharma.

Given this typically Indian "habit", marketers cannot encourage the self-service concept. "We couldn't offer a 100 per cent self-service concept when we went in for a revamp a few years ago," says K Ramakrishnan, president, marketing, **Café Coffee Day**. "Unlike the consumer in other markets, Indians want to be served," he adds. So, the concept of home deliveries and dine-ins work better than self-service outlets, unless they are part of malls or multiplexes (even these have started serving food inside the halls).

That explains the success of Domino's, which has 70 per cent share in the pizza home delivery segment in India (Euro Monitor report 2012). While the 30-minute- or-free-pizza concept was abandoned in markets like the US, in India, according to Ajay Kaul, CEO, **Jubilant FoodWorks**, the Indian franchisee of Domino's, it is used very effectively.

7 'COD' OF CONDUCT

Yes, we want to be served, right at our doorstep and we will pay only after we receive delivery. This is why cash on delivery is such a raging success. Sinha of Alchemist says, "One of the biggest reasons for the growth of e-commerce is the simple philosophy of getting everything home delivered and cash-on-delivery. These concepts work very well in India."

Cash-on-delivery is a foolproof method of establishing credit-worthiness, says Alok Kejriwal, managing director and co-founder, **Games2win**. So, once your name and home address is in the system, the seller quickly establishes if you have ever defaulted on your payment. Kejriwal says that e-commerce companies should now think of ways of exploiting this exercise. That's because cross-selling and delivering samples do not cost anything extra in deliveries; rather it can easily change the fortunes of e-commerce companies who often admit they lose money while executing cash-on-delivery.

Given the myriad goods e-commerce companies ship out, even a failed direct marketing student can build a simple 'ASL' or age–sex–location business model offering outside brands to ride on the e-commerce deliveries headed to consumers. For example, if a microwave is headed for Ms Sharma in Noida, the package can surely contain other goodies sponsored by other brands that would happily pay to reach their target audience directly.

Is anyone listening?

ILLUSTRATIONS:

A new engagement tool

When one of your employees decides to move on, use a carefully designed exit interview to involve him in defining the problems and generating solutions

ABHILASHA OJHA

Employee exits is one of the harshest realities for most companies; harsh, especially because there are costs involved, as human resource consultants will tell you, in hiring and training. In fact, in a survey done in North America in 2011 by Society of Human Resource Management and Globoforce, called the SHRM/Globoforce Employee Recognition Tracker Survey, 99 per cent of the HR leaders surveyed anticipated employee engagement to be a key challenge in the future. What's more, of the 85 per cent respondents who tracked employee engagement levels, 71 per cent did so via employee exit interviews. In other words, companies were learning about engagement issues when employees exited.

Exit interview should not be viewed as a means of determining why employees quit organisations; rather it should be used as a tool to identify consistent trends to reduce future turnover. Maclean Raphael, vice-president, HR, 3M India, a US-based multinational conglomerate, says, "Based on the trends and findings of these 'interviews', companies can make relevant policy changes, evolve better work culture, address critical issues and evolve best practices for the long-term benefit."

Experts say the trend of conducting scientific and structured exit interviews has picked up in India only in the last four-five years. "The data captured can give insights into how many of the emerging sectors, e-commerce, for instance, should move forward," says Pankaj Mittal, director, Archelons, an HR consultancy firm.

Essentially, there are three prime objectives for conducting exit interviews: one, creating a better work place; two, keeping check on HR policies; and three, retaining employees. Archelons' data suggests that Indian companies can easily control 10 per cent of the turnover every year if they conduct effective exit interviews and take corrective measures quickly.

In order to understand how companies can take positive learning from exit interviews, the interview needs to be carefully drafted. Then, again, for the blueprint to be perfect, HR managers need to understand just why employees might quit. Leigh Branham's immensely successful book, The 7 Hidden Reasons Employees Leave: How to Recognize the Subtle Signs and Act Before It's Too Late, based on the analysis of nearly 20,000 third-party exit interviews by the US-based Saratoga Institute, lists the top seven reasons why people quit: unmet expectations versus the reality of the workplace; job-person mismatches; the lack of coaching and feedback; perceived lack of career growth opportunity; feeling devalued and unrecognised; stress and burnout due to overwork and life/work imbalance; loss of trust and confidence in senior leaders.

Conduct a 'rewarding' interview

After speaking to HR managers across industries, HR consultants and practicing managers, The Strategist concludes that there are five ways in which managers can ensure exit interviews are fruitful and not merely token gestures. Assuring confidentiality of the employee, creating an exhaustive questionnaire, being a well-trained and sensitive listener, outsourcing the process and timing the interview correctly, can make the process productive for companies.

While one tool might suit one company, another company might need to tweak it to suit its organisational philosophy. However, most agree that when the candidate is genuinely giving invaluable inputs, and may want a confidentiality clause, those conducting the interview, should respect it in a bid to extract the maximum benefit from the interaction.

Timing-wise, while many companies

5 THINGS TO CONSIDER BEFORE DESIGNING THE EXIT INTERVIEW

BY LEIGH BRANHAM, FOUNDING PRINCIPAL, KEEPING THE PEOPLE, INC

Use trained, independent interviewers

Many departing employees do not feel comfortable opening up with internal company interviewers. This is why many companies elect to use trained independent third-party consultants to conduct the interviews by phone, in-person, or though secure Web sites

Offer on a post-exit basis

Many employers contact the employee during the evening at home a few days or weeks after exiting (or send a web survey link). This allows the employee time to gain perspective and respond with the benefit of time for reflection

Offer the option of anonymity

Some departing employees need to be assured that they can provide frank and candid feedback without fear of receiving a poor reference from their former manager. That said, many departing employees are perfectly willing to be identified

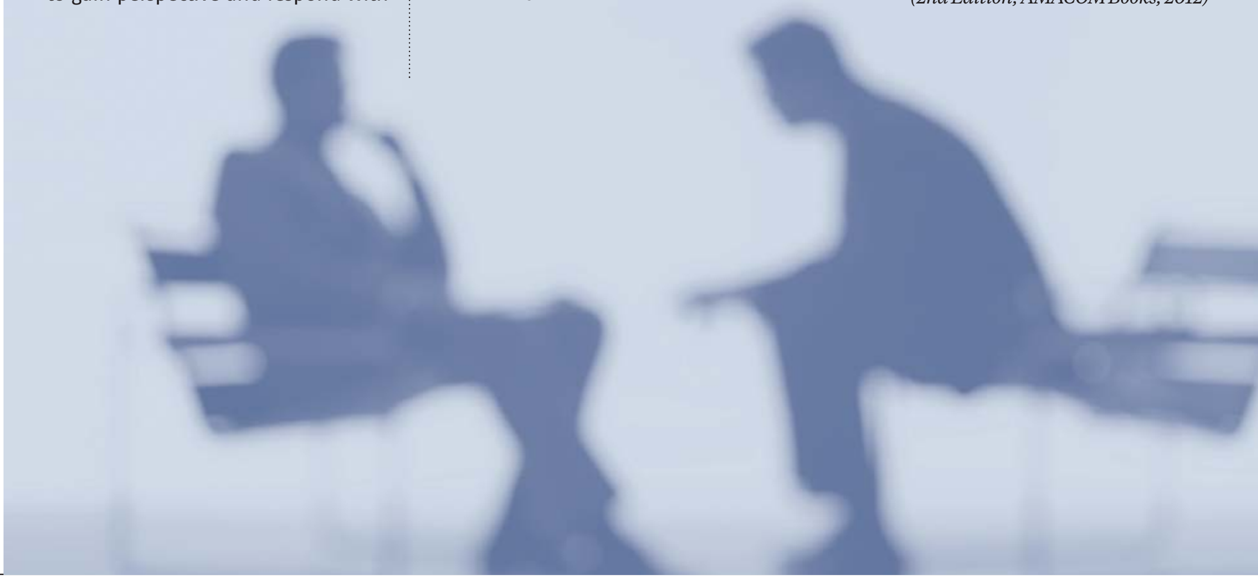
Combine exit findings with other data

Exit survey data by itself can be quite revealing, but to ensure a more rounded view of organisational issues and trends, it is best if they are reviewed in combination with data from other employee surveys and organisational trend data

Leaders and managers commit to take action based on findings

Research conducted by the Saratoga Institute reveals that 95 per cent of companies conduct exit interviews, but only 30 per cent report that they ever take corrective action based on that. Why? Because many senior leaders never even see the findings! There we have one more reason why most companies are not employers of choice. Smart leaders insist on seeing the findings so they may take corrective action and hold their direct reports accountable for making appropriate corrective changes

Adapted from 'The 7 Hidden Reasons Employees Leave: How to Recognize the Subtle Signs and Act Before It's Too Late' (2nd Edition, AMACOM Books, 2012)



in the West interview ex-employees even three to six months after they have quit, in India, the trend still is to hold the exit interview when the person puts in his papers and is serving out his notice.

A single interaction may not be enough at times. Mukesh Kumar, head, HR, HDFC Ergo, says, "We like fresh and relevant 'impressions' that the exiting employee has of the company. So, we have an interview, just a few days before the employee's last day in office. However, ensuring that the relevance of the exit interview is not lost, we follow up even a month or two after she has quit."

At Emkay Global Financial Services, where the exit interview is always a one-on-one exercise, the company's HR head Ruth Singh, says that it is 'a layered process' consisting of telephone conversation, face-to-face interaction, online conversation, besides the conventional pen-and-paper format done at different times. "Given the high replacement costs, our first objective is to retain the employee. If she has made up her mind, our next line of conversation is based on what can be done to make the company better so that others don't leave," says Singh. At Emkay Global, the final round of exit interviews happen 48 hours before the outgoing employee's last day.

"We tried conducting exit interviews, months after employees quit but found it wasn't beneficial given that the ex-member of the organisation had already moved into the new role and wasn't too willing to spend too much time," she says.

Many companies in the West also engage third-party specialists of repute for exit interviews, given that they are more likely to possess critical skills for the exercise. According to Subeer Bakshi, director, Talent & Rewards, Towers Watson, though it is prohibitive to conduct exit interviews by third-party specialists, especially in dynamic times witnessing high attrition, using professional interviewers, and technology, with structured questionnaire on the lines of engagement surveys to capture sentiments of ex-employees, can be beneficial.

That explains why 3M, for instance, outsources the exercise to allow employees to open up and speak freely with the interviewer. In some instances, trained psychologists are also part of the interview process who find out independently if the organisation has heard out the employees, managed to give them a growth trajectory...

Some others are trying to hone the skill in-house. At HCL Technologies, people within the HR team are coached to administer exit interviews. According to Prithvi Shergill, chief HR manger, HCL Technologies, "Given the critical and sensitive nature of exit interviews, we conduct it by people who understand the organisational context, especially given that the goal is to gather meaningful information for the betterment of our practices and understand if specific drivers could have led the employee to make a different decision."

Given that exits — and conversations around the subject — are difficult, a good exercise then should allow frank discussions, especially on the part of the outgoing employee. Technopak's deputy general manager, HR, Anuricha Chander says that a third-party intervention is a strict no-no. "The passion to retain the employee, to understand why she may have quit, will be missing when a third party steps in," she reasons. In her view, the trending data of exit interviews should be mapped to the particular organisation's philosophy and planning, which can be achieved when interviews are conducted internally.

Who knows a well-done interview can actually give you ideas on how to improve established processes. At Infosys, feedback from exit interviews resulted in things like flexibility in the induction process and improved managerial effectiveness, says the company's senior vice-president and group head of HR,

Nandita Gurjar.

At Emkay, a structured leave policy, especially in the brokering division, emerged directly from the findings of exit interviews, wherein the company found that employees had genuine concerns about it initially. In the division, weekends used to get counted as part of leave if they fell during an employee's leave period; later on, feedback gleaned from exit interviews suggested that it was time for change. So the company decided that only working days would be counted.

Similarly, in the sales division of the company, the lack of interaction between sales and research teams led to motivation issues, prompting some people to move on. This insight helped the company to introduce the system of "peer review" and "team building" exercises.

Evidently, the benefits of engaging with an exiting employee can reveal interesting insights that you would have missed before. But the onus of making it work lies both on the interviewer and the interviewee. "The company representative must create an environment where trust and confidentiality of the employee is respected. The exiting employee,

too, must value the process as an opportunity to provide constructive feedback about the workplace," says Shergill of HCL Technologies.

NAVIGATING THE MOBILE AD NETWORK MAZE

Research shows 90 per cent of people move between devices to accomplish a goal; so reaching customers on-the-go is more important than ever before. Here's how to choose the right mobile ad network for your brand

MASOOM GUPTE

- *The electronic media landscape in India spans about 410 news and current affairs channels and 438 entertainment channels as of March 2013, according to the Ministry of Information & Broadcasting.*
- *At 80,000 plus, the number of registered publications is much higher. But if submission of annual reports is a sieve to filter these through, less than 20 per cent have any real presence to speak of. However, the number of publications that really matter to advertisers and stand out in terms of circulation would be hardly 1,000 or at best 1,500, to err on the side of caution.*That is still a substantial universe of 2,000-2,500 traditional media options that have advertisers and their media teams splitting hairs and marketing budgets over, not necessarily in that order but possibly in equal measure.

That is still a substantial universe of 2,000-2,500 traditional media options that have advertisers and their media teams splitting hairs and marketing budgets over, not necessarily in that order but possibly in equal measure.

This would seem like child's play though when you add the mobile universe to the fray. The two leading app store providers, Apple and Google, have to their credit 700,000 apps each. That is a universe several hundred times the size of traditional, above the line media for each app store. Identifying the exact app to piggyback on to reach out to the consumer is a challenge quite unlike any. And that is only one half of the decision. Inventory on the mobile extends to websites browsed through the device as well.

This should explain why unlike the traditional media, where the media team would typically ink individual contracts with specific channels or publications on behalf of the advertiser, the mobile space

EXPERT TAKE

App branding: New age marketing tool

NIKHIL SAMA
FOUNDER & MANAGING DIRECTOR, SNAPLION

Most people can't imagine their lives without the mobile phone today and rightly so. It is not just a gadget for calling and messaging. It is the all pervasive 'second screen' in their lives, one that they turn to for a quick entertainment fix in the middle of a long, hectic day.

Content companies are going all out to make this experience as pleasurable for its fan base, engaging with them beyond the content provided through games, pop up quizzes, instant polls, customised play lists, personalised content etc. Reality show addicts get to vote and comment on the show's contestants; news broadcasters give political enthusiasts a chance to tweet questions for chat show panelists, comment on a show's topic, on a piece of trending news and so on.

Such is the popularity of this medium that apps of certain top media houses and marquee shows gain more traffic than the viewership of many smaller TV channels. Look at the numbers pertaining to online video consumption trends in India: As per a report published earlier this year by an internet analytics company, India's online video consumption has doubled to 3.7 billion video views per month in the last two years.

Naturally, as more viewers look to this space in the few minutes they have for unwinding during a day, this space becomes a hotbed for advertising and brand positioning and an additional opportunity for content creators to monetise their work.

Content on the mobile tends to create stickiness among the viewer due to its above mentioned interactive manner. The fall out is better targeting abilities: when viewers watch any show online, they leave behind a trail that can be later used to develop a database. It can thus be used to access and engage viewers for further content specific viewing making targeting possible on the second screen.

Another attractive quality of advertising online and on mobile apps is how they open themselves in multiple ways to induce return on investment. The pay-per-click method of partnership allows the content platform to earn revenue from the advertiser for every time a viewer clicks on an ad or watches a video ad at the time of pre-roll or in-wap. This comes as a boon to small time advertisers and SMEs as their brands get greater visibility. It offers innovative solutions for video campaigning for those companies that cannot afford advertising on television to begin with. Thanks to these multiple layers of advantages that online viewing of content offers to the audience, the content owners and advertisers, this platform is now the indubitable space for those who want to be noticed by the right target audience and provide robust return on investments for brands.

needs a partner to break through this universe in a way. Enter the mobile ad networks.

The way the ecosystem works in the mobile space is like this: Aggregators consolidate ad inventory (various apps and space therein as well as the mobile websites) from multiple publishers and offer that to ad networks such as Google's AdMob and Apple's iAds as well as independent networks such as Komli, Vserv, InMobi, Tyroo etc. These networks work like the supply side platforms (SSPs) in the digital advertising space. Advertising and media agencies work with the advertisers to define their mobile campaigns and buy space via these networks to reach out to the consumer. Effectively, these networks act as intermediaries, eliminating the need for advertisers and ad agencies to go directly to publishers or aggregators for buying space.

Simple enough. The workflow under the system should be something like this then: The advertiser decides to include mobile in the media mix, advertising agency designs campaign, media agency buys space through the ad network and the campaign breaks. Why is it necessary to go into the details of the workings of the ad networks? That is primarily to understand what exactly your agency is buying for you and what it delivers.

Types of networks

Each network has its own advantages to offer. Like Google's AdMob may come as an add-on to your web spends via adwords, wherein you are leveraging your web spends on the mobile. Or Apple's iAds may allow you to target the slightly sophisticated Apple user accurately.

Independent networks, on the other hand, could give you device agnostic reach.

These differentiations would guide your network choice. But irrespective of the network you pick, there is another important choice to make alongside. Like in a game of poker, should you play blind or not? Meaning, the choice here is between a blind network and a non-blind network. With the former, you specify the websites and apps you wish to advertise on and the latter requires just the mention of the genre. So, if you wish to promote a gaming app, you could advertise on other gaming apps. "The only indication of the inventory type that may be provided in a non-blind network is a sample list, on the basis of which advertisers make their choice. The content is brand-safe to alleviate concerns on that front," says Ashwin Puri, head, mobile segment, **Komli**. Even within the genre chosen, it is quite possible that some of the top apps may be kept out of the list. For example, while 100 gaming apps may be made available to you as inventory to pick from, premium platforms like the highly successful Angry Birds and Candy Crush may be kept out.

These apps fall in the premium and super premium categories and hence may not be available as a part of the network. Consider popular apps for social media like Facebook or Twitter. The ad inventory for these channels may be sold directly to advertisers or exclusively through networks but not as a part of the larger inventory. Within non-blind, the choice breaks down as: regular, premium or super premium.

Targeting capabilities

The most important capability that one needs in mobile advertising is accurate targeting. In fact as Narayan Murthy, director, global sales and strategy, **Vserv.mobi**, says, "No one (advertisers or agencies) buys ad inventory any more. They buy an audience." Meaning, it is not an en mass reach that one is looking at, but rather a predetermined profile of users. Ad networks are pulling out all the stops to acquire better targeting capabilities.

Look at some of the recent activity in this segment for proof. In January 2013, InMobi acquired Overlay Media, a data analytics start-up which specialises in context-aware technologies to improve targeting and personalisation of its mobile ads. Vserv launched AudiencePro through a tie-up with Airtel in January 2013. In addition to the standard targeting capabilities, this offering enables advertisers to target consumers based on their demographics, spending power, network usage, location and content relevance. Komli has struck a deal with Yoose, a hyper-local mobile ad network to offer location-based ads using geotargeting. These are still very early days for geotargeting of course, but the race has begun in right earnest.

Take the example of a campaign executed by Vserv for Samsung during the launch of its mobile handset, S4, positioned as a premium product. Effective targeting meant reaching out to an audience that could afford it. Certain parameters were determined like existing smartphone users, even those using competition devices in a similar price range and interested in upgrades etc. It was designed as a plain vanilla product campaign to communicate the different features of the phone.

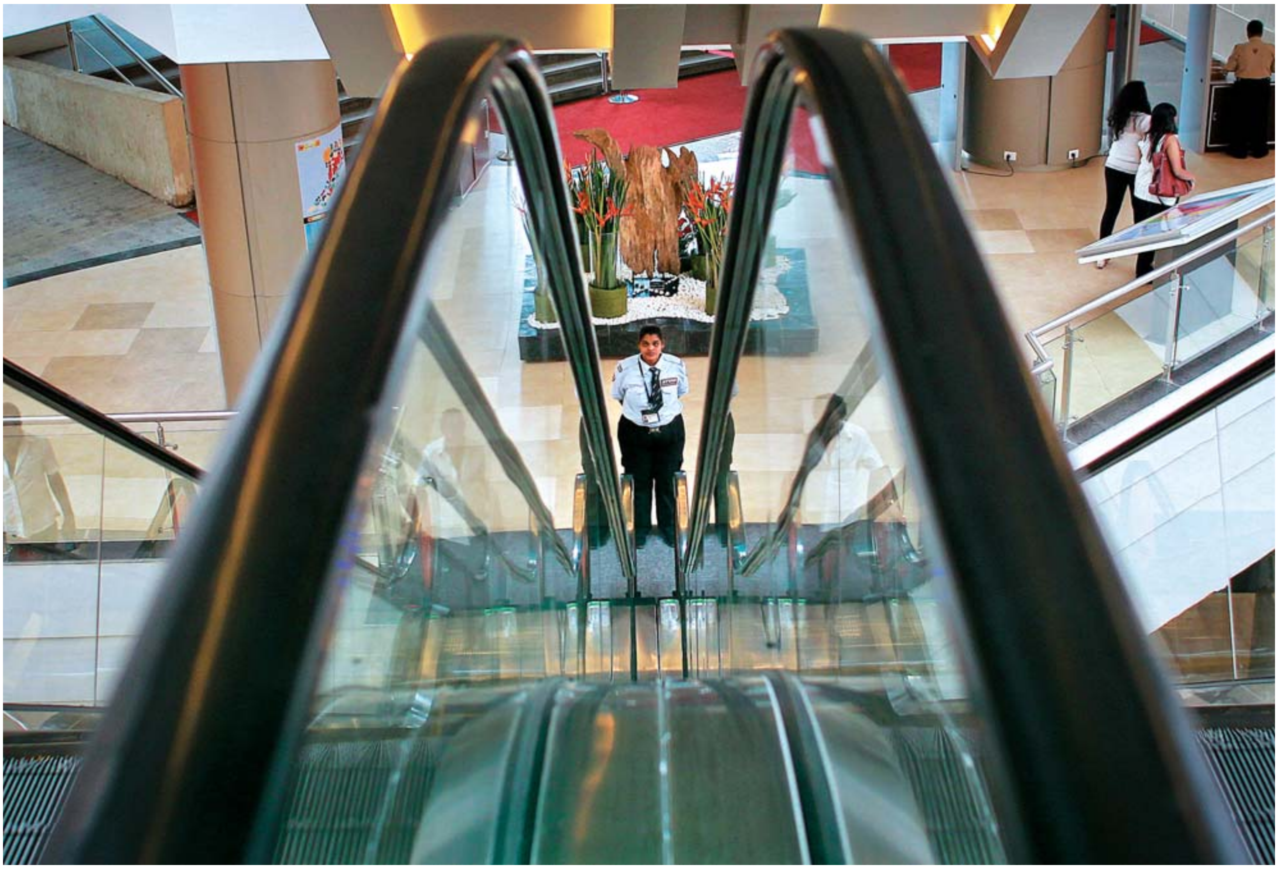
To understand the concept pictorially, imagine a Venn diagram, wherein different segments are identified and that final subset that sits at the interaction of all the circles is the defined target audience. The only post campaign analysis one can hope for is in terms of clicks generated or impressions (ad views) generated. But if your intent is to generate performance (get app installs, push transactions, generate leads), a more sound numerical analysis post the campaign is possible.

Here's what **Tyroo**, another ad network did for Domino's Pizza. The campaign ran for a brief period of a couple of hours, with an aim to drive calls into the call centre immediately. The parameters defined for selecting the audience included two key things: an urban user, which was a broad definition, and a micro one, users of Wi-Fi on the phone.

In each of these examples, the profile of the consumer to be targeted was defined first and then the inventory was purchased, much like one does in traditional media across the board. While the broad rules of the game on mobile are the same as those in other media, micro targeting is neither cheap nor easy. Consider this: The costing for mobile advertising is based on the number of clicks generated, each click paid for by the advertiser. While on the web, you may pay ₹5 to ₹ 8 per click, on the mobile it may cost ₹2-3 on an average. If the target audience comprises of feature phone users, the cost could be lower at ₹0.60-0.70 even. But if it is the Apple users you wish to focus on, be ready to shell out ₹5-7 per click, says Siddharth Puri, CEO, Tyroo Media.

The cost could be higher if the inventory is available for real time bidding. Basically, publishers or app developers can align the same inventory with multiple ad networks. Despite the inventory available with multiple networks, the number of ad impressions possible stays static. Hence, the bidding. You bid for the same inventory and the highest bidder naturally wins. As per Puri of Komli, almost 60-70 per cent of the total mobile ad inventory in the market is available for real time bidding.

Advertisers are still not very surefooted about their mobile strategies. Be it creatives, be it reach, mobile is still posing challenges and possibly not given its due. With the rapid spread of mobile, however, it will be in the interest of advertisers to look at innovative ways to engage with the consumer. Yes, the internet deserves a full measure of credit and admiration for developing new advertising concepts and business cases that made possible the spectrum of wonderful developments on the Web. But from here mobile advertising has to lead the way by innovating rapidly and looking ahead to a day when data unites all the advertising platforms, from mobile to desktop to TV and beyond.



THAT SINKING FEELING

If 120 new malls have come up in the last two years, 40 have downed shutters. Some lessons from the experiences of dying malls

ABHILASHA OJHA

▪ *It was supposed to be a fancy sea-facing mall boasting high-end brands and an unmatched shopping experience. It turned into a nightmare for the owner, Bhumiraj Group, when brands started pulling out of Full Stop Mall on Palm Beach Road, the Marine Drive of Navi Mumbai*

▪ *A similar fate awaited Gold City Mall in Navi Mumbai's premier Vashi area; it is now an office complex teeming with people who bear no resemblance to the inveterate mall hopper*

▪ *In Delhi, Star City Mall in Mayur Vihar had hoped to capitalise on the rush of people who would walk in and out of the bustling metro station nearby. That was not to be and the management decided to lease the place out to corporates to set up their offices and to some banquet hall owners to rent it out for weddings and other functions*

These are just a few examples of malls that have either shut shop or tweaked their original glitzy plans faced with poor footfalls, low brand pull and sheer mismanagement. Numbers tell the extent of trouble. Roughly 250-300 malls came up in the country over the last two years but 70-80 per cent of the spaces in these malls lie vacant. Around the same time, as many as 40 malls have shut shop, according to Squarefeet Advisory, a mall management company.

The economic slowdown has landed

especially heavily on the old-line department stores that anchor many malls. As their sales and profits have tanked, they've been pulling out of malls, much to the distress of the smaller merchants who depend on the larger stores to feed them traffic. These trends are hitting the market capitalisations of most of the largest owners of retail real estate. Of course, the slowdown was the catalyst, but competition from online retailers has been the continued driver.

Cushman and Wakefield estimates only 50 per cent of the scheduled malls came up in the top eight cities of India in 2012. And only 250 new ones are being planned in the next two years, while there is space for at least 2,000 malls. A clear marker for shopping centre distress.

Is India's love affair with the mall over? Experts say this is not the end of the road but a time for introspection. Most malls go through cycles just like the economy: New malls get popular, then traffic begins to die down, then the mall enters a lull phase where anchor stores are leaving/being replaced or the mall simply closes altogether. Also, for many Indians, especially people under 20, the mall is their first experience with organised commercial activity, their first brush with fashion and entertainment, the first place they get their concept of style.

In short, this would be the time to draw lessons from the experiences of mall owners who have been forced to change the script.

Study the catchment area

The first generation malls in India were flagged off in the mid-nineties without much research or understanding of the market, say analysts. As crowds began to throng to these places, many others simply replicated the idea without a clear view of what works in the business and what doesn't. The slice-and-sell-AC-shops-within-a-big-box approach didn't work simply because it lacked planning and management and made no provision for demands emerging in the future.

It may come as a surprise but "this is an industry driven by real estate, not retailing", says a consultant. The experience in India, in fact, has been similar to the US market in the early years of mall development as documented by Paco Underhill in his 2004 book The Call of the Mall: A Walking Tour Through the Crossroads of Our Shopping Culture. As he points out, the industrial appearance of the mall and its box-like stores do not express the attempts of retailers to attract customers, but the efforts of developers to squeeze the maximum profit from a construction project. While some of the smarter devel-

DALIP KUMAR

Star City Mall at Mayur Vihar, in New Delhi

EXPERT TAKE

DEVANGSHU DUTTA

CHIEF EXECUTIVE, THIRD EYESIGHT

To start on the right foot

- **Fail-proof the business plan:** Focus on the development of retail brands and not solely on quick returns on investment; The primary responsibility should be that of catering to the consumer catchment and driving footfalls for the retail occupants. The other requirements follow from this simple premise
- **Do a thorough recce of the catchment:** Ask questions like can the catchment support the development in terms of consumer footfall and spending? Is there a connect between the needs of the immediate catchment and the occupants of the mall? Are there too many malls in the catchment area?
- **Offer good occupant mix:** You cannot have mall occupants who have little relevance for the target consumer. You cannot have the same type of retailer; this would cannibalise rather than provide a healthy mix
- **Ensure good access:** Accessibility and connectivity to get the traffic smoothly in and out of the mall is a must; ensure there is adequate parking space
- **Avoid under sizing:** Most malls should be spread over 80,000 sq ft space or more. A small-sized is a straight handicap because it will lack variety, which is de rigueur in the business, and you run the risk of getting dwarfed by the next big mall that throws its hat into the ring
- **Focus on design:** This involves making the mall brands 'visible', ensuring appropriate 'zoning' in terms of entertainment, multiplexes, kids' areas, food courts etc. This will result in better customer flow management

opers quickly altered the recipe and came back from the brink of disaster, there were others that became a case study of sorts on how not to run the business.

Against this background, the biggest lesson, so to speak, has been that the mall business is like any other business. And like any other business, a thorough understanding of the consumer is the first and the most basic requirement for the business. Says Rajat Wahi, partner, KPMG India, "It is very important to look at the consumer and shopper profiles of the catchment areas before renting space to brands."

This was a lesson that Delhi's Select City Walk, one of the most successful malls in the country, kept in mind while starting out. Spread over 1.3 million sq ft, which also include landscaped open spaces, the mall was designed keeping in mind the affluent female consumer used to shopping in premier South Delhi markets. The product mix was designed to offer quintessential Indian boutique brands such as Good Earth, Fab India etc alongside international labels such as Zara, Mango, Tommy hilfiger.

Mind you, it is as much about the brands as it is about the ambience in the mall. "You want to have a mall where the shopping experience is enhanced and people want to keep coming back," says Wahi. Some new mall owners are creating "zones" (read, multiplexes, food courts, kids' play area) to meet the changing needs of the shoppers and upgrading services like access, parking (in terms of even lanes leading up to the malls), security, providing prams for children etc, going as far as to organise regular events around celebrity visits, shopping festivals, flea market fiestas etc to ensure footfalls and consumer involvement. The amenities draw the consumer in for reasons other than to just purchase items.

Here's how Crossroads, which was acquired by retail czar Kishore Biyani from the Piramal Group of Industries for a staggering $66 million, made the transition. The Mumbai-based mall started floundering when the building's poor design — which allowed consumers to have a dekko at the mall's signature brand Pyramid but didn't allow them to notice other brands that were housed there too — made things difficult for a majority of the brands housed therein.

Given the high tenant turnover, customer loyalty began dwindling.

Rechristened Sobo Central, not only was the mall's floor layout changed to offer all brands better visibility, there was also been more emphasis on putting together the right mix of food, fun and shopping experience.

Speaking of design, at Delhi's Select City Walk, the layout is such that at a quick glance, the consumer can easily read the labels/logos of 12-15 brands.

Be open to change

The shift to a revenue share model has also proved to be a win-win for brands and mall owners. Take DLF, which moved to a revenue sharing model when many of its branded malls started faltering. The group initially gave out space on a first-come-first-serve basis besides offering shops to those who promised higher rentals.

This essentially meant there was no thought given to the brand mix. What made it worse was that DLF allowed many investors to buy the shops and rent them out later. The result: no sense of ownership and low overall accountability from brands. This proved a thorny issue at the time of discussions regarding renovation or even during promotional activities.

An altered revenue share approach, says Pushpa Bector, vice-president, mall head and senior vice-president, leasing, DLF's Mall of India, has allowed DLF to take a long-term view into mall management (that includes positioning, zoning, tenant mix, facility and finance management, promotions and marketing) and genuinely look into — and support — all the brands present in the malls with interesting promotions that can drive footfalls. The effort has helped: DLF Promenade has a footfall of 1 million customers per month and round-the-clock operations and better management have ensured higher loyalty among consumers.

Some malls have taken the scope of mall management one step ahead — they track performance of brands, collecting data on per sq ft sales, the sales of a brand and other parameters. This helps them run a diagnostics check on the brands under the roof and figure out whether the brand is using space optimally or there is need for rationalisation. In the bargain, malls have improved yields as new brands have come in at higher revenue share deals and existing ones have delivered better performance within smaller spaces.

Looking at the kind of damage poor planning brings in its wake, other malls are making sure the customer has the right brands and packaging. Inorbit Mall, which began its innings in Mumbai's Malad area in 2004, carefully took into account the catchment and decided to focus on five anchor tenants (Shoppers Stop, Lifestyle, Spencers, Fame, and Time Zone). The management routinely studies the performance of retail brands, engages with customers to gather feedback and proactively looks out for promising brands that can be a part of the property.

The demand for space in malls like Select City Walk in Delhi or Inorbit Mall or High Street Phoenix in Mumbai is so high now that it has had to right size the stores of existing brands or relocate some within the premises to accommodate new ones. Select City Walk, for instance, has cut down the Levi's store from 2,700 sq ft to 800 sq ft to accommodate Superdry and Dune Shoes. Next London has shed about 1,000 sq ft of flab, helping the mall welcome Apple.

Will all this be enough to bring the shoppers

back to the deserted malls? Mall managers do have a lot on their plates already. Few new malls are being built, and just too many are being 'repurposed'. Because of their location, keeping in mind the spiralling real estate costs, malls are not accessible to an increasingly elderly population; technology products are taking larger bites out of customers' wallets as opposed to the traditional fare malls have to offer; online shopping has grown by leaps and bounds; and more and more women have less and less time to shop.

While teenagers and young adults will continue to patronise the mall as an 'affinity centres,' to borrow a phrase from Underhill, most real estate professionals understand more profound changes are afoot.

NEW AGE MEDIA MANAGEMENT

Today's media agency manager is grappling with a changing media consumption landscape. Here's how his life has changed


ILLUSTRATION: AJAY MOHANTY

DEVINA JOSHI

Consider this: India is set to overtake the US in 2014 with respect to the number of internet users it houses, and be second only to China with 300 million internet users. Driven primarily by mobile, internet usage in India has grown by 40 per cent in 2013.

It is no surprise that 28 per cent of mobile video users in India state that their traditional TV viewing has decreased — a figure higher than in most key markets. Nearly 40 per cent of our 'media interactions' take place on smartphones, as smartphone users spend close to 160 minutes (source: Nielsen Mobile Informate Insights) on their mobile phones, which is higher than the time they spend on TV. What's more, one in three YouTube users watches YouTube and TV together. Sequential screening — where we move from one device to another to complete a single goal — has officially arrived and so has simultaneous screening, where we use multiple devices at the same time.

Simply put, the so-called new media (social, digital and mobile) is expected to be the platform that will drive the next level of advertising growth. For marketers, things just got better. All three platforms are interconnected and have huge scope for innovative cross-media campaigns.

For media planners and buyers, however, things just got complicated.

The typical media manager was in a

comfort zone. He could summon the skills he had honed over the years — that of buying the best TV spots based on television ratings, negotiating rates with TV channels and print publications, throwing in the occasional hoarding or bus panel ad in the media plan and pulling strings with a radio station 'roadblock', smiling all the way to the Emvies with that one. Digital was the new kid on the block — a presence, but not one that was given much attention. It seems like the time to take notice has come.

Consumers are way ahead on the digital curve while media managers scramble to catch up. Their job profile has gone for a toss, because the TV viewers they thought were 'distracted' by their mobile devices, have, in truth, never been more engaged by them.

1 It is about communication planning, not media planning

Against this backdrop, we track how the job of a media manager has changed over the last five years and the skills he has to learn to stay on top.

1It is about communication planning, not media planning

"Five years ago the expectations from media agencies were simpler," says Sameer Satpathy, executive vice-president and business head, Marico India. The primary implementation need was to optimise TV reach within a given spend, understand the need for a second and third medium, and deploy the same. On the strategy side, the need was usually about building brand salience, using existing media vehicles. "The biggest difference was that all of this was done under a fixed set of communication assets, especially a television commercial and a print creative," Satpathy adds.

Today, the demand is to understand a brand's objective and decode it in terms of a vast media universe. The starting point is no longer a defined TVC. Communication is now a two-way street and at times, it originates from the consumer, eliciting a response from the brand. So clearly, the media planner needs to be relevant not just to the brand manager but to the distribution and logistics department, the sales department, research and development etc.

Also, the consumer journey to purchase is very different now than it was till even a few years ago. The AIDA (awaren ess, interest, desire, action) route doesn't hold true. At any given point, the four stages crisscross one another. Clearly, media planning is no longer about TV, print and radio. The spotlight has shifted to communication planning.

The adage that the medium is the message has never been more evident. Today, media is just not a carrier of brand messages. It creates content which acts as a distribution and sales agent for brands, influencing consumers far more than a piece of advertising could.

The paid, owned and earned media framework is making every planner think of new ways to enhance every paid media activity. The truth is, media planners are struggling with the concept of branded content. "The ability to say stories creatively is something media planners are only now learning," says Kartik Sharma, MD, Maxus South Asia. Take energy drink brand Red Bull for instance, which now sees itself as a content producer. "This proves that you don't always need paid communication. Branded content can also be an enabler."

Today's media manager needs to think more creatively. In fact, media managers now also look after a brand's online reputation management too. And have to deal with practically every department at the client's end. This brings us to the next point.

2 It is no longer about a script, it is about a dialogue

The media manager's job now is not only about creating media plans but also managing the business aspect. They now need to deal with many new people like the CEOs of companies, procurement heads, head of legal, online publishers like Yahoo!, mobile ad exchanges, digital marketing agencies and so on.

The fallout? The media manager-advertiser-media owner triangle is fast becoming a hexagon at the very least, with multiple parties getting involved. "I handle Google as a client, and occasionally our team may need to speak to online publishers or mobile ad networks," says Eeshita Ghosh, client partner on Google at Maxus.

Gone are the days when the media manager sat down with a client and a media owner and discussed rating points and rates. He is no longer meeting just the advertiser and the channels/publications but also specialist units that have emerged as a result of the digital wave. "The media manager is our first line of contact; these are, after all, the guys who are hands-on with the media budget. They are also our last line of execution," says Preetesh Chouhan, vice-president (Asia Pacific), Vdopia, a mobile video ad firm.

Media agencies also create games and apps for brands for a more interactive connect with the consumer. "What has changed is that the advertiser now demands more from digital than TV or print. His expectations are high as digital is more effective" says PM Balakrishna, COO, Percept Media.

Big brands all have agencies on record, he says, so a typical digital ad network guy needs to interact with the media manager if he is to attract advertisers.

There are times when a client approaches a digital ad network directly as well. "But when we interact with the brand managers, it is more about educating them about the medium. The media guys come equipped with knowledge about digital, and in their case, the conversation is more about execution," Chouhan says.

So we now have the media manager having to play a central role in the soap opera of media fragmentation as he juggles relationships with multiple parties, all the while ensuring he doesn't lose his eye on the ball — the consumer.

3 Social is not peripheral but core to strategy

A media planner who used to view TV, print, radio separately as independent

The advertiser now demands much more from digital than TV or print

PM BALAKRISHNA
COO, PERCEPT MEDIA

content delivery platforms has had to understand media all over again.

Take television. Earlier, a media manager had a single measurement currency called rating point and if at all there were modifications, these were insignificant. The digitisation process has been a big trigger for change. Certain terms that have become part of a new age media manager's vocabulary are impressions (by far the most popular way of buying and measuring digital inventory), CPC (cost per click), CPL (cost per lead), CTR (click through rate), biddable inventory, bounce rate etc. "The language in agency hallways has changed. Now it is about CPT (cost per thousand) as opposed to CPR (cost per rating)," says a media buyer.

Even when one speaks of traditional media today, channel distribution is a popular term that is used with the digitisation wave. This has affected the measurement numbers as well. Today we have DTH, HD and CAS (conditional access system or digital cable) that are changing the content delivery mechanism.

In the case of branded content, the measurement is done for the engagement quotient, by mapping the influencers, sharing ability of the content, enquiries in the store as a result of it etc. Broadly put, the return on digital is measurable with the number of clicks, downloads and leads.

A lot of media agencies today have specialised digital arms. And why not — new devices and platforms have emerged, as digital has its own dashboard, measurement metrics and rates. Today, the mobile, TV, print and the web are measured separately. It is a comprehensive network dashboard that a media manager is dealing with, and not just one media plan or two.

A school of thought believes what the industry lacks acutely is a common measurement metric for digital. But the irony isn't lost on anyone: with the sheer variety of formats that digital advertising can experiment with, a common measurement metric — like TVRs for TV — seems to be an impossible dream.

The ability to say stories creatively is something media planners are learning only now

KARTIK SHARMA
MD, MAXUS SOUTH ASIA

4 Generational fluency is a must-have

A popular video on YouTube today offers the same number of views as a niche TV channel, or perhaps more. A media manager today should understand this. Media agencies are hiring more youngsters as they are flexible and comfortable with the march of the digital juggernaut.

Apart from the age factor, the skills of a media manager have changed significantly. Clients now expect them to have understanding of the factors that impact their business. This means the ability to connect the dots across a wide spectrum.

Also, big data on social media is crucial. The skill to sift through vast amounts of data to make sense is probably one of the biggest shifts for all media agency personnel.

We also witness the emergence of a 'digital planner' in addition to the traditional one. Unfortunately, "they are two different people who don't understand each other's worlds," says Sudha Natrajan, founder and director, The Media Consultants. "The consumer is far ahead because she consumes all media together, begins interacting with the brand through one medium and seamlessly flows into another," she says. There are some who believe that the best of digital planners may not be the best strategic planners. "This actually is the case with most traditional media managers too. They are all mainly TAM and IRS operators, but don't understand brands themselves," Natrajan adds.

Think about it: Media has always been an industry for the young. "Understanding digital media and creating winning brands is a business need, so 'older and experienced' managers will also need to learn and adapt to digital as it is no longer an option," says Satpathy of Marico India.

5 In digital, everyone is a content publisher

With so much talk of digital, let's not forget that the nature of traditional media is changing too. For instance, Tata Sky is available on mobile too. So if you are making a DTH plan, you will have to look at mobile too. The youth and professionals are increasingly reading newspapers on mobiles/tablets through apps. Videos on news sites have become popular. With this kind of a convergence, solo media plans will seldom work.

Everything has a technology angle to it: the pace of change is so rapid that media managers have to keep one eye on what's happening in the world of 'tech'.

"The revenue system is going to change in the years to come," says RS Suriyanarayanan, associate vice-president, Initiative. Broadcasters will get to know how many connections there are, and who is the end-mile user. They will then charge for the content, and their dependency on advertising will reduce. This is going to put pressure on the media manager.

Going by this theory, it will soon become a channel-driven market with content publishers calling the shots. The choices will be multiple for media managers, and they will be forced to choose the best one at the right time.

Even when it comes to print, digital may not be an immediate threat. The media manager still sees his half page ad as more alluring than a banner on an app. It may take another decade for newspapers to see digital media as a real threat. But this threat will also be an opportunity, as the platform will change for content-generation and delivery. This means that the revenue stream will also become a multiple one. The newspaper deal used to earlier have discussions on only the sizes of the ad and their placement in the paper. Today we talk of a package: placing the ad online as well as on the newspaper's online delivery mechanism, like going for indiatimes.com along with The Times of India, or the online versions of Daily Thanthi and Malayala Manorama along with the print versions.

"The job supplements with top dailies have shrunk in size and are playing second fiddle to the job portals of these newspapers," says a media manager. That is the way the market is moving, and hence, advertising is moving there too. Media managers will have to adapt to it, and this will severely test their change capabilities.

For categories that want instant leads and conversions like finance, banking, credit cards etc, digital is already very important.

Digital media offers interactivity and engagement. Conventional media continues to offer reach and loyalty. A successful media manager will perhaps be the one who can draw from the best of both.

LOOK BEFORE YOU LEAP

Business expansion via franchising may seem cost effective, but start only after you gain a critical mass

RAJARSHI BHATTACHARJEE

The media columns in the last few months have been agog with stories on the spat between fast-food chain McDonald's and Connaught Plaza Restaurants that controls the franchise to run McDonald's stores in north and east India. While the matter is sub-judice, it has brought into focus the delicate nature of a franchisor-franchisee relationship. Be it a management failure or the unmet expectations of business partners, a small glitch in the operational structure, communication or in the franchise contract has the potential to completely break down the relationship.

That said, the potential of franchising as a cost-efficient way of business expansion cannot be underestimated. According to a new report by KPMG India, the franchising industry is expected to quadruple between 2012 and 2017. The industry is expected to contribute to almost 4 per cent of India's GDP in 2017 (assuming 6 per cent y-o-y GDP growth between 2012 and 2017), growing from a current estimated contribution of 1.4 per cent. This is also expected to create job opportunities (both direct and indirect) for an additional 11 million people by 2017. With an increase in consumption and willingness to spend, the growing preference for branded products and the exposure to international brands are driving the demand side of franchising; a growing awareness of franchising as a business opportunity and its relatively low risk profile are driving the supply of new franchisee units.

Experts say the franchisee-based business model draws its success largely from the choice of franchisee, a detailed operating manual, adequate protection of intellectual property rights and investment in the right processes. But first, there has to be a proven system for operating a business and generating profits. If the franchisor inherently doesn't have a fully developed business model that can be scaled up, the business cannot sustain for long. Says Dheeraj Gupta, founder and managing director, Jumbo King, a chain of fast food restaurants specialising in vada pav, "The right franchisee selection guarantees 80 per cent chance of business success." And how does he do it? In his words, a prospective franchisee needs to have at least two to three years of business experience, ideally in retail.

"Avoid an investor-profile franchisee. Look for one who is keen to dedicate his entire time to the business. After the franchisee delivers good results from the store/business, he can then scale up to two, four or 10 outlets," says Gupta. Also, a franchisee should not stretch too much when it comes to investment. Gupta says, a franchisee who can invest up to ₹20 lakh fits the Jumbo King bill smoothly; the odds weigh against a franchisee who has to take a huge loan to start with.

On the part of the aspiring franchisee, the selection of the right brand is key. The three things that can make or break it for him are information about the franchisor/brand, evaluation of the business potential and negotiation. A franchisee must assess the inherent opportunities in the business, if it suits his/her core competencies and of the managerial skills at his disposal. He also needs to negotiate with the franchisor with regard to financial expectations, supply chain management, marketing assistance and training.

One slip, and the whole relationship will collapse.

Franchisor support

The franchise information section of the Ferns N Petals website goes completely against Gupta's line of thought: "Out of the 100 franchisees that we have, 95 are from different fields," it says. Evidently, the choice depends on the nature of the industry. With the florist, training is key. The website goes on to say: "We will train and equip the franchisee to run a flower shop and we provide skilled manpower to operate the shop." Not surprisingly, it has a training school dedicated to its nation-wide franchisees. Ferns N Petals has also put in place a system to update its franchisees on designs for bouquets, floral jewellery, card decorations, what's in and what's not for the season, together with dedicated teams visiting each franchisee regularly to guide them on visual-merchandising.

Kolkata-based Pabrai's Fresh and Naturelle Ice Creams, on the other hand, has put in place an inventory system that, it claims, is one of its unique offerings to its franchisees. "We have developed our in-house system, using a string of algorithms, wherein the ideal stock levels are based on dynamic sales at each franchisee outlet and their logistic supporter. As a result, our franchisees or logistic supporters are required to stock approximately two-three weeks' stock," says Kunal Pabrai, founder, Fresh and Naturelle Ice Creams. The ice-cream stocks are either air-freighted or sent by superfast trains to their respective destinations. This translates into lower inventory for Pabrai's franchisees and logistic supporters. This is a key ingredient for a product category which has low shelf life and is, therefore, highly perishable.

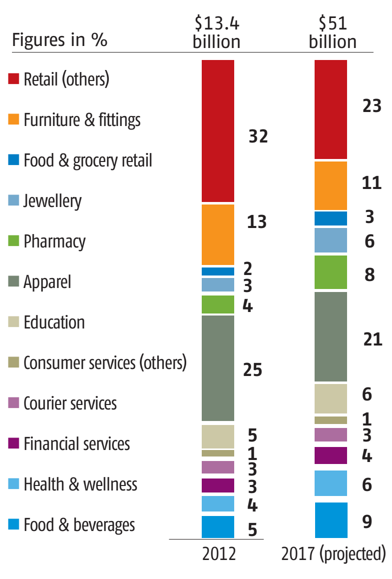
If getting the franchisees to adhere to the company mandated systems is one of the key challenges for Pabrai now, for Subway restaurant chain, which aims to have 430 franchised restaurant s in India by December 2013, it is about establishing a standard operating procedure that fosters a transparent environment. "We have on-ground resources to extend support to our franchisees and check that our standards are met. In addition, our consultants visit all our restaurant locations on a monthly basis to keep a check and advise franchisees on how to ensure standardisation of our product range," says Manpreet Gulri, country head, Subway India.

Mind you, it's best to think of roping in franchisees when you have achieved a critical mass. Vikram Vora, director & CEO, Mydentist clinic, which has built its chain with a company-owned company-operated model in large cities, says, "The only reason we will take on a franchisee, if ever we do, would be to increase the rate at which we are growing or while expanding in a smaller city."

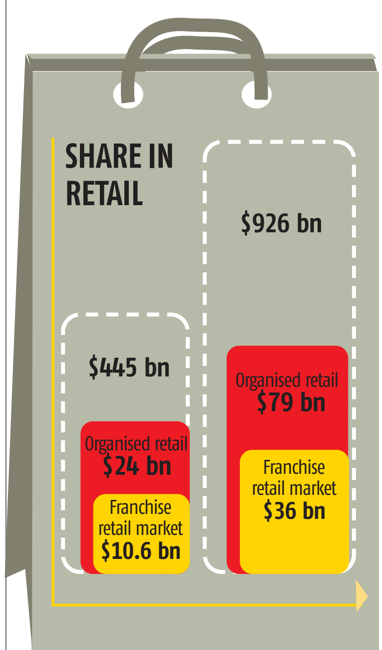
Monitor the brand

The florist franchisor may be particular about the brand, but it doesn't participate in the day-to-day affairs of the franchisee's business. It has a fixed royalty system, independent of the sales volume of the franchisees. "We have learned from our experience that in this business, the less

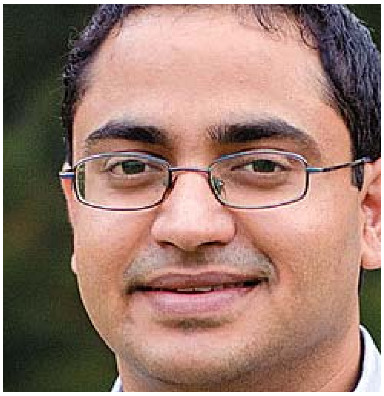
FRANCHISE BUSINESS (SECTOR-WISE)



Source: KPMG India Estimates



Source: KPMG India Analysis



The franchise agreement should be a dynamic document which is regularly revised

KUNAL PABRAI

FOUNDER,
FRESH AND NATURELLE ICE CREAMS

(franchisor-franchisee) interaction one has, the smoother the relationship is. Also, each franchisee store operates live under camera which is accessible from the Ferns N Petals head office," shares Vikaas Gutgutia, managing director, Ferns N Petals. Technology helps Gutgutia keep a tab on the activities of a store owner or manager in terms of quality, variety, shop-floor uniform and handling of customers.

To achieve this level of consistency, Jumbo King's Gupta emphasises the need to have the right processes in place to monitor the brand and its performance. "Instances of dishonesty may arise from under-reporting of sales meant to cut down the royalty payment to the franchisor. There can be instances of deliberately compromising quality as well," he adds. For Gulri of Subway, such issues are "few and far between" on account of the close relationship shared by the franchisor with his franchisees and the interdependence he offers them.

Control, however, is the bedrock of the relationship that playschool group Shemrock has with its franchisees. There is communication through a range of mediums, including sending fake parents and surprise visits to the franchisee playschools, audit of accounts and safety.

"As you grow into a national player, it becomes an expensive proposition to send representatives to each and every franchisee location," says Amol Arora, vice-chairman & managing director, Shemrock & Shemford Group of Schools. It has expanded from 75 to 225 playschools over the last four years by roping in able franchisees.

Not all franchisees have similar capabilities. Each franchisee has to be tackled as a separate individual, says Arora. To simplify the process, the playschool group has developed a dedicated communication software to manage interactions with its nationwide franchisees.

As a franchisor, ensure the contract has no scope of negotiation in the case of brand digression

GAURAV MARYA

CHAIRMAN, FRANCHISE INDIA HOLDINGS

The agreement

In the final analysis, nothing can beat a formal agreement. Putting in writing the terms of the business and the relationship can make things easy for the two partners in the business. While the partners are expected to be clear about the expectations from each one of them, experts say the onus is on the franchisor to ensure that all anticipated outcomes are captured in the agreement. In the words of Kunal Pabrai, "The agreement should not be static but a dynamic document, which is regularly revised, as needed, to ensure long term success of the franchise."

Gaurav Marya, chairman, Franchise India Holdings, puts down the key steps in the process: "The franchisor should ensure that the contract allows no scope of negotiation in the case of brand digression. The franchisee, on his part, should make sure the contract mentions all the support he needs and will get from the franchisor." While the franchisor should register his trademark in the land he is operating, the franchisee can neither go for co-branding nor develop his own intellectual property in a franchise model. "The franchisee can only recommend the franchisor about the required changes or any great idea," Marya says.

The agreement should not only earmark territories to be controlled by the two partners, it should also lay down the exit criterion for them. "The termination and post-termination clauses of the agreement are the most important parts of the agreement. New franchisees often tend to ignore this clause. So, it is on the franchisor to put in place a realistic arrangement," says Arora of Shemrock. One lesson from the McDonald's-Vikram Bakshi tangle: Business partners should consider termination of their contract before a situation or relationship turns bitter.

The important thing to bear in mind in franchising — indeed, in any business — is that there are no quick fixes and there are no get-rich-quick routes. Challenges do arise irrespective of the business model, but it is the manner in which these challenges are dealt with that determines the success of the business in the end.

STEP BY STEP

Ready to take your standalone store national? Here's a road map for the expansion

AMRITA ROY, ANKITA RAI & MASOOM GUPTE

ILLUSTRATION: AJAY MOHANTY

On an unremarkable day in 1991, Ramnath Nalli, grandson of Nalli Chinnasami Chetty, who set up the first Nalli Silk store in Chennai in 1928, decided to check out if there was a market for Kanjivaram silk saris in the country's fashion capital. He organised an exhibition-cum-sale of its products at New Delhi's Pragati Maidan and showcased an exquisitely crafted range carefully picked from his enviable repertoire. The event was a sell-out, and spurred him on to step out of his stronghold and set up his first Delhi store that year. Today, Delhi is the second largest market for Nalli after Chennai.

Nalli Silk's journey from Chennai's T Nagar to locations across the subcontinent and beyond mirrors the growth curve of many other home-grown, family-run retail chain brands in India. Indeed, if in the early days of national television regional and local brands scrambled for a national presence, recent years have seen ambitious local retail outfits take the leap of faith. A whole host of factors have come together to encourage them to leave their comfort zones and explore new markets. Devangshu Dutta, chief executive, Third Eyesight, a consulting firm focused on the retail and consumer products ecosystem, explains why in the last decade or so, so many stand-alone, single-store brands have set about building critical mass. "One reason is ambition. By itself it can be a great enabler," says Dutta. The arrival in India of global chains fuelled the ambitions of the local players. This ambition has been driven by exposure to modern retail and the media focus on it, creating an environment for the family-run enterprises to grow, he says.

The significant growth in commercial real estate over the past decade has provided ground for the ambition to spread roots. "In the last few years so much more retail real estate has become available, bringing down capital investment and improving the profit multiplier significantly," adds Dutta. Earlier, a retailer seeking to open a new branch would have to typically invest in building the physical infrastructure ground up. The growth of malls and modern commercial complexes even in tier II cities, however, offers opportunity to set up bare-bone kiosks. What has accelerated the process is easier access to capital. "Apart from institutional capital, even before you become a serious contender for PE funding, there are investors you can approach," points out Dutta. Then there is the changing profile of the entrepreneurs — many are second and third generation members of the promoter family and young, often with foreign degrees in technology or management. "These people are loath to come back to the family shop and sit at the cash counter. They have global exposure and have, quite often, started their careers in the corporate sector. For them, just running a store or two offers no challenge. They will return to the fold only if they can script a growth story," says Dutta.

However, many entrepreneurs with successful single store operations dither over questions such as when is the right time to do it, what would be the best route forward — do it alone or with franchisees? We studied a dozen such chains, which grew from being single stores, for answers. Here we would like to put together a road map for expansion for brands looking to establish a chain across markets.

The liberalisation proved to be a turning point of sorts for many established Indian single-store brands. Some perished, unable to adapt to the changing times and tastes and ceded ground to the bigger brands and multinationals. The more nimble ones — such as Nalli Silk, Lawrence & Mayo or Vijay Sales — saw opportunity for brand building. The cases we will discuss started their journey as single-store enterprises; they had one other thing in common — unmatched brand equity, which they cashed on as the markets opened up.

Start from the beginning

According to Vivek Mendonsa, director, Lawrence & Mayo, the foundation of a successful chain rests on the four pillars of location, understanding of the market, concept or value proposition, and the knowledge to execute, or LUCK for short. If you are a successful one-shop enterprise looking to make the transition, the first question to ask is, whether your business — its format or model or its very nature — is amenable to the chain format. If the nature of the business is such that its brand equity is solely dependent on a unique factor that cannot be replicated across multiple outlets, then developing it into a chain will adversely affect the brand. For example, if you run an adventure camp in a Himachal valley, it's unlikely that you could replicate the same model in Goa. Another question to consider, particularly for the service-oriented enterprises, where the main differentiator is the quality of the customer's experience of being served, is how to maintain standards across multiple locations. For a beauty chain, or a restaurant, where reputations can be made or marred by a hairdresser's attitude or a waiter's promptness, it is difficult to ensure the same standard across locations. With continuous training of personnel and strict monitoring mechanism in place such risks can be mitigated to an extent, as the success of chains like Shahnaz Husain salons or the Oh! Calcutta and Mainland China brands of restaurants run by Speciality Restaurants Ltd (SRL) testify.

Also, the economies of scale are not equally applicable. According to Nilesh Gupta, managing partner and CEO of Vijay Sales, a white goods and electronic gadgets retailer, economies of scale don't work beyond a point in this segment. Once you have crossed the threshold of 15-20 stores, returns tend to diminish as certain costs — like that of inventory — don't go down. What goes down is the time taken to draw in the customers. "We are in the technology space and every time a new technology comes, it has to be made available to the customer," he says. "Even now we take 45-50 days for a physical store opening. But where earlier it took us about two to three months to start attracting customers, we now have them coming in from day one at any of the new stores."

After you have figured if it is a good idea to establish a chain, the next big task is to identify the best location/market you should head for. Being in the right location is crucial for the survival of any business, especially in the retail, service or hospitality sectors, where accessibility of the store and the demography of the potential customer base directly impact footfalls, avers Kamal Tandon, CEO, Nalli Group. Lawrence & Mayo, which was started during the British rule to serve an exclusive clientele of royals, industrialists and high ranking civil servants, operated five stores across undivided India. When much of its client base vanished with Independence, it changed tactics and targeted a wider base of customers and expanded into a chain. The 94 stores it currently runs are located near established markets. Mendonsa says more than 25 per cent of the assets are completely owned by Lawrence & Mayo and some of these are high street and marquee properties, given the brand's aspirational positioning.

Aspirational or not, not doing due diligence while looking at a location or site could be a fatal mistake, warns SRL founder and CEO Anjan Chatterjee. "It is important not to over commit on fixed outgoings in developing locations where actual population is not enough to generate the kind of footfalls that will justify the rent," he adds. SRL has roped in Jones Long LaSalle and Knight Frank to research the demography of a new city/location before zeroing in on properties. For her salons, Husain's company insists on properties on ground floors with good frontage or first floors with easy accessibility.

Being in the right market is an absolute must. "Apart from understanding the overall potential of a city, a good strategic location is also important," says Gupta of Vijay Sales. For its part, L&M does not venture into cities with less than 10 lakh population, while the Nalli brass believes that if the size of a market is right, there may even be several Nalli stores in the same market. "The metro cities are expanding very fast, making it difficult for customers to commute from one end to the other. People are cutting down on destination shopping. So we see potential even in cities where we are already present. In Bangalore alone we have four stores now. We are also expanding in tier II cities; we have opened in Kanchipuram and Coimbatore. We looking at Gurgaon and Chandigarh in north India," says Tandon.

Know your market

Needless to say, the nature and quirks of

THE CHECKLIST

- Establish a successful flagship store, then replicate that in two-three cities. Deep pockets are required as a flagship store can cost from ₹1.5- ₹2.5 crore
- Building a dedicated and motivated team should be a big priority. Invest in a robust supply chain, training, infrastructure and good HR practices
- Focus on quality, customer satisfaction and location. Having four stores is easy to manage but if you want to expand beyond 12-14 stores, a market feasibility study is an absolute must
- Keep a tight leash on expenditure. Do not spread yourself too thin. This will help in keeping marketing costs under check
- Focus on brand building if you are going for the franchisee route. Once you have established equity, there will be demand for your franchise

Establish your brand equity before venturing into new markets

KAMAL TANDON

CHIEF EXECUTIVE OFFICER, NALLI GROUP

Economies of scale don't work beyond a point in the white goods category

NILESH GUPTA

MANAGING PARTNER & CEO, VIJAY SALES

You need to work on establishing uniform value across franchisees

SHAHNAZ HUSAIN

FOUNDER & CMD, SHAHNAZ HUSAIN GROUP OF COMPANIES

The key pillar of success is to identify the best location for your brand

VIVEK MENDONSA

DIRECTOR, LAWRENCE & MAYO

individual markets is another factor that determines how successful a chain is likely to be. "Credit cards and EMIs don't work much outside big cities and one can't bank on these to push sales," says Gupta. Another important lesson to remember, he warns, is that even in today's highly connected world, brand equity takes time to build. "When we entered Surat, we had advertised fairly heavily. Yet we had to contend with questions like 'Who are you? How do I trust you?' I asked the customer who posed this question if he had relatives or friends in Mumbai. They could tell him whether he could trust us or not. It was a lesson that brand equity cannot be transferred automatically," adds Gupta.

Besides, in new markets with established local players, consumers take a lot of convincing and aligning with local festivals is a smart way to generate trust.

The next question to ask is whether to go it alone or scout for franchisees. After much deliberation Vijay Sales opted for the company-owned-company-operated (COCO) route. "We find that the franchise model doesn't work in our business because we are not selling our own brands. There is no value addition since we work more as amalgamators of brands. If we were to bring on franchisees, they'd quickly learn the ropes of our business, gather the necessary experience and branch out on their own," says Gupta.

SRL follows a combination model. A large number of its stores are under COCO and it also has a few franchises. Even when the restaurants are owned by the franchisee, the operations are managed by the company (franchisee owned, company operated).

Starting next Monday, we bring to you a new series on home-grown chains, including the five featured in this article. The Strategist will examine how they went about the expansion, the mistakes made along the way and the lessons for stores mulling a wider footprint "We are in the fine-dining business and hence our main offerings — food and service — cannot be mechanised like you can do in the quick service space," explains Chatterjee. He says the franchise model was looked at only to help speedy expansions primarily in smaller cities and bridge the gap of initial capital requirements needed to set up a new outlet.

The next big question is how to raise the capital required for fresh investments. While most brands have said that the initial funding came from internal accruals and bank loans, once a standalone store brand has established brand value and demonstrated scalability, raising funds gets easier. If the sector you operate in is growing fast, the job is 75 per cent done. The rest depends on how you sell your dream to the potential investor.

Take the eye care segment. The size of the organised industry is about ₹1,000 crore and the unorganised segment makes up another ₹2,000 crore. There are national chains like Lawrence & Mayo, Titan Eye+, Vision Express, besides regional players like Gangar (in Mumbai and Pune) and Dayal Optics in New Delhi. The opportunity is huge and what can work for large regional players is the kind of trust they enjoy in their home base. That's precisely the lever that players such as GKB and Himalaya have used to their advantage and that's the reason why we have seen specialty eyewear becoming such a hotbed of competition in recent years.

Chatterjee says VCs find the restaurant sector quite attractive. Macro factors like the growing quality of life and the scalable nature of the business make it an attractive bet. The organised segment would be ₹28,000 crore by 2015 with a CAGR of 30-32 per cent, he points out. But profitability at the store level is a key challenge. Food inflation has been in double digits in the last three years, affecting the margins.

In sum, the going won't be easy even though you feel you are ready to stretch the equity of your brand across markets. Whichever market you might be in, it is a good idea to remember the first rule that every business text book propounds: that sound market knowledge underpins success and all business ideas must be tested thoroughly before launch.

READY FOR YOUR NEXT CHALLENGE?

Taking the challenge route in advertising gets you consumer attention, but there are also situations in which an attack is answered with a counter-attack

MASOOM GUPTE

If you are trying to figure out how to rattle the market leader or at least shake consumer confidence in the leader, here is one advertising strategy that you could try out. Fast moving consumer goods (FMCG) major Hindustan Unilever has done it with a host of its products—from Vim to relative newbie Pureit; Volkswagen Group subsidiary Audi has dabbled with it with some success; and now Mahindra Two-Wheelers has also made a dash for it to show that it may be a late entrant in the two-wheeler market but it is no pushover.

We are talking of communication built around the theme of a challenge — or challenge advertising as we will refer to it here — which is turning out to be a quick way to get into the consideration set of the consumer for whom the reference brand is usually the market leader or a brand that has been around for some time.

Consider these two examples of challenger brands in their respective segments: HUL's water purifier brand Pureit and Mahindra Two Wheelers' Mahindra Duro DZ, Mahindra Rodeo RZ and Mahindra Rodeo Z Std models.

Pureit, first introduced to the market in 2004, had its pan-India launch in 2008. Around 2009-10, the company put forth a challenge that has by now become a marquee case study in the challenge advertising space: the ₹1 crore challenge, accompanied by some strong claims. In one of the advertisements, our average man in the street takes a glass of muddy, grime-filled water from a ditch which is then put through the Pureit water purifier by a representative of the brand. Out comes a glass of sparkling clean water.

Speaking of the campaign, Badri Narayanan, general manager, water business, HUL, says, "The Pureit ₹1 crore challenge was based on the insight that consumers think that all purifiers are the same. But that is not true as only Pureit water purifiers meet the stringent germ-kill criteria of EPA (Environment Protection Agency) of the United States."

To put things in perspective, in 1986, EPA established the 'Guide Standard and Protocol for Testing Microbiological Water Purifiers'. For bacteria, it lays down a minimum reduction of 99.9999 per cent (6 logs). For viruses, a reduction of 99.99 per cent (4 logs) is required. In the case of protozoans, it stipulates reduction of 99.9 percent (3 logs). Pureit's claim through the challenge ad was to bring out its superiority as established by the certification.

Another challenger brand in its own space, Mahindra Two Wheelers ran the 'Zip Zap Zoom Challenge' in its key markets in the months of April and May this year. The challenge was simple: every customer who test rides a Mahindra two-wheeler will succumb to the temptation of buying the brand. If, however, a customer test rides a two-wheeler from the company stable but still chooses to buy a competitor brand, Mahindra will give away ₹500 on the submission of requisite

ACTION REACTION

A look at some recent brand challenges

2013	2013	2010	2009	2009
Company: HUL **Challenger:** Fair & Lovely **Slogan:** *Fair & Lovely hai unbeatable. Lagi ₹5 crore ki shart?* **Agency:** Lowe Lintas + Partners	**Company:** Mahindra Two Wheelers **Challenger:** Duro DZ , Rodeo RZ and Rodeo RZ Std models **Slogan:** *Zip, Zap, Zoom* **Agency:** Interface Communication	**Company:** Future Group **Challenger:** Big Bazaar **Slogan:** *Big Bazaar Price Challenge – Isse Sasta Aur Acha Kahi Nahin* **Agency:** DDB Mudra	**Company:** HUL **Challenger:** Pureit **Slogan:** *₹1 crore Ka Challenge* **Agency:** Lowe Lintas + Partners	**Company:** Reckitt Benckiser **Challenger:** Harpic **Slogan:** *Take the Harpic Challenge* **Agency:** Havas Worldwide

proof of course.

Sarosh Shetty, vice-president, marketing, Mahindra Two Wheelers says, "The campaign was aimed at establishing our superiority in a confident manner. Hence we put out a challenge. If you test ride our scooter you will surely buy it. To communicate that we chose the challenge route."

While Mahindra specified the models for which the challenge was applicable, Pureit defined the three characteristics for its claims of superiority. It said, one, no other brand clears the germ-kill test of EPA, USA; two, no other product has an auto shut off mechanism that switches off the flow of water when the germ-kill property of the purifier is exhausted; and three, no other product runs without electricity and running water. Such clear demarcation is essential if only to fence the challenge and narrow the field on which the battle will be fought. In short, you play according to your strengths, the ones that are most defensible against competitor's claims.

For marketing initiatives that throw a challenge to competition or the fence-sitting consumer, it is imperative to forge a fine balance — between the challenge and the reward. "Challenge marketing catches the consumer's attention," says Narayan Sundararaman, director, beverages, candy and gum, consumer insights and strategy, Cadbury India. "It becomes the starting point in a new brand evaluation process for the consumer," he adds.

The 'award' amount has to be picked carefully to demonstrate the superiority and trust you repose in your product. That is a matter of judgment. Narayanan adds: "The amount on offer needs to represent the marketer's confidence."

Mahindra's Shetty says till date no one has come back to claim the ₹500. In fact, in its key markets in the south, Maharashtra, Gujarat, North East and Punjab, Mahindra test rides increased by 30 per cent on a month on month basis. Conversions were around 40-45 per cent.

HUL's Pureit challenge too remains unclaimed for four years now.

Challenge the leader

Traditionally, challenge advertising works best for challenger brands. Then, there are leaders that have used it to build an aura of invincibility around them. Consider this recent sales promotion by No 1 Luxury car maker, Audi. It had put out a rather enticing proposition for consumers: an upgrade offer, promising to give the best possible exchange value. The two-week offer period upped its game through a challenge. If a consumer found a better exchange price for his/her car than the one being offered by Audi, the car maker promised to give away ₹1 lakh to the said consumer.

Prima facie, the offer backed by the giveaway of a lakh of rupees works as a major confidence booster and one is bound to think twice before dismissing the offer as just another marketing scheme. Scratch the surface and the dreaded 'terms and conditions' start appearing: offer valid only for drive-in customers, residual value of the car must be minimum ₹5 lakh etc. Not very scary on their own but some flags are surely raised from a customer's standpoint. Questions like do I need to get the valuation done beforehand or does drive-in customers mean that you either take the offer on the spot or don't at all must be answered. And once the doubts creep in, it is back to square one for the marketer.

Which brings us to three important questions: First, what is the best way to design a challenge ad? Second, what does the fact that Mahindra did not have to hand out the ₹500 as promised or that the Pureit campaign stays unclaimed really mean? Do they indicate the two brands are superior to competition? Third, does the consumer really care?

It does take a certain amount of faith in the product to put out challenges such as these. But on that off chance that you may be caught on the wrong foot, it is important to cover all your flanks. The way brands do it is via the long winding terms and conditions list. Be sure, it is only competition or that stray crusading consumer will make an effort to read through the fine print.

Sample this: Pureit's challenge terms and conditions states: "Any in-home water purifier offered in response to this challenge must be commercially sold in at least 5 cities with population of 1 million and above in India, on or before January 1, 2011, and continues to be sold during the period of this challenge. The product should also have been regularly advertised on national and regional TV during the six month period ending January 1, 2011. Television Audience Measurement data shall be adopted as the basis for determining period and reg-

CHALLENGE MARKETING

Must do...

- Define the scope of the challenge and the key aspects it is based on clearly
- Let the amount or reward for winning the challenge be enticing enough
- Test out the challenge sufficiently with a large enough sample base first
- Limit the period of challenge as it won't have a very long shelf life
- Have on board a panel of independent auditors/panel to validate the claims process, ensuring consumer of transparency

...and definitely don't

- Make audacious claims in the challenge that cannot be defended
- Base the challenge only on a differentiation in pricing; it can become a zero sum game with the competition getting involved
- Have extremely convoluted terms and conditions that would make the consumer wary
- Expect it to instantaneously convert consumers; this is designed more for grabbing attention
- Opt for the route if you are the market leader; best left to those in a challenger mode

ularity of advertisements. The advertisement shall be specific to the claimant's purifier under challenge and represent the above three features attached to the purifier." That is more than a few hoops for the consumer to jump through.

Mahindra's challenge is no different. First, if the consumer is to buy another two-wheeler brand it has to be "correspondent to that of the offer period only". Further, "to avail the amount... the purchaser should submit valid invoice copy in his/her name, insurance cover note of the same gearless Non Mahindra Scooter above 105 cc meeting the above requirement along with the test ride form duly stamped by authorised dealer of Mahindra Two Wheelers Ltd." That is too much work for just ₹500.

That may be one reason not too many consumers respond to such challenges; the fine print also makes things suspect. The claim validation process even though conducted in the presence of independent auditors is rarely made public. As final calls are invariably taken by an 'expert panel' or jury as appointed by the brand, the average consumer is likely to give them a pass.

Challenge yourself

Another, more subtle form of challenge marketing — which is considered better by many experts — is to challenge your own brand. Consider HUL's brand Vim bar's challenge in its various forms--whether it is in the 'can clean the dirtiest, greasiest vessels' avatar or the 'will surely last a month' one. Then there is Reckitt Benckiser's toilet cleaner brand, Harpic. Think of its long running 'Harpic challenge' campaign, where a brand representative visits people's homes and turns soiled toilets into squeaky clean washrooms.

You could also club the Bournvita Taste Challenge in the same bracket, wherein consumers in select markets were asked to buy a pack of Bournvita and sample it at home; if they didn't like the taste the company promised to return it. The challenge was carried out in markets where the brand wanted to drive trials. It came on the back of research through consumer tasting, which gave the brand the confidence in putting out the challenge.

Here, the brands are putting themselves at the mercy of their own performance and not pitting themselves against the competition, opening the floodgates for a media fight. For instance, HUL's Fair & Lovely versus L'Oreal's Garnier. The first salvo was fired by HUL which proclaimed in a television commercial, "Fair & Lovely hai unbeatable. Lagi ₹5 crore ki shart?" L'Oreal hit back saying, "Sirf hum dete hai complete fairness. Toh ₹5 crore kab milenge?" HUL's challenge has been running for close to three months now. There are no winners yet but given its market leader position many deem the move unnecessary.

Another suggestion to brands looking at challenge communication is to steer clear of price-based challenges. "Price war is a bottomless pit, especially if you are at loggerheads with an MNC leader. It can keep its flagship brands insulated from any pricing war, using the flanker brands to get down in the trenches," says Saujanya Shrivastava, CMO, Bharti AXA Life Insurance, who has worked previously with some leading FMCG companies.

Consider Big Bazaar's original price challenge, endorsed by actor Vidya Balan. What started with "Isse sasta aur accha kahi nahi", has metamorphosed into properties like "Sabse sasta din", the cheapest shopping days around public holidays and "Hafte ka sabse sasta din", lowest prices on Wednesday to shore up the footfalls. It is easier to keep challenging your own prices than lock horns with the competition, which will be a lose-lose for all concerned.

The Strategist's verdict: Challenge ads are hardworking, yes. Effective, perhaps. Exciting, most certainly not.

SATISFACTION GUARANTEED

How online retailers are turning reverse logistics challenges into competitive advantages and new revenue streams

ANKITA RAI

In the cancellations and returns section on its website, e-commerce poster boy Flipkart says, "We want you to have an absolutely headache-free shopping experience...In case there is an issue with the product you have received, our Free & Easy Returns promise has got you covered." On its part, lifestyle products portal Jabong.com touts a "30-day no questions asked return policy." The concerned section on the website says, "Though we strive to give you a great customer experience each time you shop with us, if at all you are not 100 per cent satisfied with your purchase, you can return your order for a full refund of paid price." Snapdeal.com, which describes itself as India's favourite online mall, also guarantees a full refund if a customer is not satisfied with a product. The website claims, "Guaranteed resolution of complaints within a maximum of 30 days/Full refund if not resolved."

Get the drift? If attracting consumers to pay up for a product they could neither touch nor feel was the biggest task in the first phase of the industry's growth, handling product exchanges and returns is emerging as the next battlefront of e-commerce companies in India. It is easy to see how easy return can offer an e-commerce site a strategic advantage: The two windows open to customers to get a feel of an e-commerce brand are the website interface and the order fulfilment process. If customers see there is something missing in either of these, chances are they will never get back for a repeat purchase. Needless to say, with very differentiation in terms of products on offer and customer interfaces, e-commerce sites are bending over backwards to make sure consumers are at ease even when they revoke an order or send back a purchase.

This is a particularly big headache for lifestyle products companies. "The industry average would be under 20 per cent but the return rate can be as high as 60 per cent in the case of fashion apparel," says Devangshu Dutta, chief executive officer, **Third Eyesight**. "In categories where products are more or less standardised, such as, books and DVDs, returns are low—may be in the 7 per cent range," he adds.

Like with everything else, it is easy to claim you have a great return policy but it is difficult to pull it off without a hitch. To be fair, the whole process of return management can leave you in a daze. First, reverse logistics is much more than just management of product returns. It involves putting together checks that minimise the number or possibility of returns, disposal, gatekeeping as well as all other supply chain issues after the sale of a product. "In 70 per cent of the cases, the cost to process the return (pick up, ship back, depreciation, refurbishment) can be higher than the value of the product," says Hitendra Chaturvedi, founder & CEO, **Green Dust**, a pioneer in reverse logistics.

Now look at the kind of imponderables it entails. The uncertainty regarding the kind or quality of return, the generation time or the distribution of the reverse logistics makes it difficult to put it down to a routine. Also, the scale benefits of storage and transportation would not apply to returns/exchange due to the random and sporadic nature of product transfer. Third is the problem of cash flow.

If cash on delivery (COD) has made life easier for customers, it has also added to the misery of merchants in case of a return. The problem is that the COD system creates a delay in a payment to go through. Courier companies generally hold the money for two weeks, which means the e-commerce company has to restock inventory before the cash from its last sale has arrived. Then there is the logistics fee. Major logistics companies charge the e-commerce firm a transaction fee (₹50) plus a percentage of the amount (about 1 per cent) collected. Some courier company also charges an extra ₹50 to ₹100 as return fees to ship the merchandise back to the point of origin.

You can imagine the plight of merchants. Now let's look at the options available to e-commerce companies by way of managing the whole process efficiently and keeping the costs down.

Mix and match

Quite simply, there could be two kinds of returns in the e-commerce space: first is the pre-payment return. This is peculiar to cash on delivery and happens when the customer rejects the item delivered to her either because she has changed her mind or she no longer wants it or something like that. Indeed, industry analysts say the COD payment model has very high pre-delivery return rates. "Because of COD, the refusal rate at the door-step are anywhere between 10 and 15 per cent depending on the category; books have less and apparel have higher," says Sanjiv Kathuria, co-founder & CEO, **DotZot**, an e-retail logistics specialist from DTDC. Granted, the model, pioneered by Flipkart, actually led to the take-off of e-commerce in India and remains the more popular payment option to this day, but the high return rate has led players to really think hard about the way out. And not just returns; a COD transaction costs more as we explained earlier.

Little wonder, companies like Myntra and Zivame are now charging for COD orders in long-tail locations where they deliver via third party logistics companies. Also, most companies now double check with the consumers before shipping COD orders. While e-commerce companies can't do much about COD, they can certainly work on reducing post-purchase returns.

Easy return policies are *de rigueur* for categories like lifestyle and apparel due to

EXPERT TAKE

Managing returns efficiently

WITH FALLING margins and increasing return ratios, return management is a big challenge for e-commerce companies. Once a product is returned, there is a very little chance of the same product getting back into saleable stocks directly without a refurbishment/service intervention. Moreover, the movements of a product (from mother warehouse of an e-commerce company to their regional warehouses and then to customer and now back from customer to the regional warehouse) mean more chances of physical damage. Little wonder, cost effectiveness is the top priority in an industry where the service/ refurbishment/reverse logistics spends are in the range of 5-6 per cent of the total revenues. Given this, the key levers of managing returns are:

P SREEVATHSA
FOUNDER & CEO, THE SERVICE SOLUTIONS

- **Increase the customer acceptance probability of CoD products:** There are many ways of increasing the acceptance ratios. One could separate the 'delivery' charges from the product price and collect the same from the customer whether the product is accepted or not. This is difficult to implement but is worth the effort to reduce those regular offenders who order and do not accept. Educate the customer on COD as a convenience offered against a customer managing the delivery on their own.
- **Prevention is better than cure:** A small spend on quality checks can reduce the return numbers significantly. Also, consolidation on shipment routes is critical in reducing unnecessary movements of goods before a sale.
- **Ensure fast turnaround of returned units (from defective to salable stock):** It is good to have an in-house refurbishing service to avoid delays.
- **Develop an effective mechanism to identify returned goods:** Categorise them as 'repair' or 'scrap' or 'sell as is' and take quick action on the basis of this categorisation.

There is no point spending a lot of money (labour plus parts plus resale efforts) on a returned product that has already lost some value in the process
- **Appoint outsourced return hubs:** If the e-commerce player has a country-wide presence, this makes business sense; at the same time it requires enough volumes to make it interesting for the outsourced vendor
- **Make customer support operations efficient:** Despite India being the largest player on the BPO map, in many cases there is a clear disconnect between the service issue generation/ reporting teams and resolution teams. For example, the call centre (which is the first team reporting/ recording customer issues) has no control on the logistics/service teams and hence cannot commit any concrete resolution, mostly. The lack of training and standardisation besides low visibility (due to non-standard systems and processes) make it worse. Most importantly, the lack of support from the leadership towards reverse logistics or after market service (AMS) results in poor customer satisfactions and cost escalations. Reverse logistics and AMS are seen as an obligation rather than an important part of the supply chain management.

Players that have realised the importance of this aspect are thinking along the following lines:
- Centralising support operations (call centre, field operations, logistics support), so that it becomes part of one value chain
- Implementing AMS-specific CRM systems to provide visibility and control; a small spend here gives great opportunities to increase customer satisfaction and reduce cost
- Consolidating returns/reverse logistics operations. For instance, a Samsung has the same problem as that of an LG or a Panasonic. It is high time to consolidate returns like in the Western countries.

non-standardisation of sizes and therefore, a higher possibility of returns. Online fashion and lifestyle retailer **Myntra.com**, which has returns in the range of 7-9 per cent, says close to 70 per cent of all product returns in the apparel and footwear category are due to size and fitment issues. Since Myntra manages its own inventory, it can also offer a quick and easy exchange policy. This gives shoppers an option to exchange an existing product for a different size without having to first return and then re-order the product. Myntra's delivery boy will come with the new product and take back the old one in the same visit, bringing down the logistics cost significantly. "Return is good cholesterol," says Ganesh Subramaniyam, COO, Myntra. "Customers really appreciate if the process is easy and if they get their money back quickly."

Delhi-based lifestyle e-retailer **Yebhi.com** has a try-and-buy policy, where customers can order three products simultaneously, try them, buy one and return the rest. "The try-and-buy scheme has led to a rise in the return rates but it is an excellent customer acquisition and retention tool," says Nikhil Roongta, COO, Yebhi.com.

Bangalore-based e-retailer **Jabong.com** has a 30-day returns policy. However, it does not apply to innerwear, fragrances, beauty products, jewellery, socks, furniture, CDs, pens and books. It also offers drop ship for returns at certain locations. If customers in these locations want to return their products, they can visit the nearest drop-off point and leave the unwanted product. And yes, this is a free service.

Mind you, this is the easy part; what makes things difficult is that e-commerce is now all-pervasive. With close to 60 per cent of the orders coming from Tier-II and Tier-III cities, handling distribution or collecting rejects from far-flung areas by in-house logistics arms sometimes don't justify the costs involved. In come specialist companies like Green Dust that pick up, bring back, refurbish and resell rejects and do a revenue share with the supplier. "Amazon outsources the whole return process in the US, this can be replicated in India as well," says Hitendra Chaturvedi of Green Dust, which handles reverse logistics for Homeshop18, Futurebazar.com and Flipkart (for north India); Amazon expected to hop on board soon.

Easy return policies are a must for categories like lifestyle and apparel due to non-standardisation of sizes

"Transportation companies are not reverse logistics experts," he says. "They are not efficient in managing returns. The strategic nature of reverse logistics demands that one separates information from the product and inform relevant partners," says Chaturvedi.

Not everyone is sold on the idea of outsourcing logistics. "The overall cost of return could be around 1 per cent of the total revenue of a company if managed in house. It can go up for companies that decide to outsource it," says Subramaniyam of Myntra. "Innovations like 'try and buy' are possible only if you manage your own logistics," says Roongta of Yebhi, which has a well-oiled in-house logistics team on the stand-by. "With an in-house team you can save 10-15 per cent on the return cost, if there is scale," says Praveen Sinha, co-founder & MD, Jabong.com. Perhaps to get that scale, Jabong.com now handles the logistics of a handful of other e-commerce companies through its in-house arm JaVAS.

Some e-commerce companies use more than one logistics provider and may rope in a clutch of small mostly e-commerce focused firms that service a certain city/region — such as Ecom Express, Chhotu and Delhivery. Large logistics companies such as Bluedart, DTDC and Gati also have their dedicated services for online retailers. All these logistics companies have started offering special training to their staff to manage COD transactions.

"Most vendors want third party logistics companies to collect the return as fast as possible so that they are able to bring it back into the inventory," says Vikas Anand, COO, **DHL Supply Chain**. "There is need to invest in mechanisms that reduce the turnaround time."

To address the issue of delays in payment Dotzot collects value of the invoice at the time of delivery and remits it immediately by RTGS (or real time gross settlement system, set up, operated and maintained by the Reserve Bank of India to enable funds settlement on a real-time basis across RTGS enabled banks in the country; this is the fastest possible money transfer system through the banking channel) or NEFT (or national electronic funds transfer; funds transferred under NEFT are credited to the beneficiary's account on the same day).

Take Gati. Around 70 per cent of the e-commerce deliveries for this firm are in cash. "Managing cash requires special skills," says Bablu Tewari, COO, **GATI-KWE**. "We have a dedicated customer care centre that monitors such return shipments and provides real time information to companies. We SMS the customer about shipping details and then the customer care centre follows up with them." Technology is a saviour for delivery companies. "We will install new technology for handling COD orders; we will equip the delivery boys with tablets so that customers can just enter their CVV numbers and pay through their credit cards. We are also planning pick and drop facilities in Tier-II/Tier-III cities," adds Tewari.

In Tier-II and Tier-III cites, DHL Supply Chain is planning to set up walk-in centres with swipe card facility where customers can deposit returns or collect delivery. "Consolidating the shipment, instead of collecting from homes where every shipment is standalone shipment will cut both forward and return logistics costs," says DHL's Anand.

To sum up, we will use a piece of advice from your moral science textbook: prevention is better than cure. The best way to cut return costs would be to bring the return rates down. Keep the visual representation as close to the real thing as possible. Don't give the buyer a chance to change her mind. If at all she does and there is a need to exchange or return, don't give her a reason to complain.

REIMAGINING CHANGE

A five-step framework to reshape strategy in an uncertain world

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Uncertainty is dominating the world agenda now. Political, economic and social uncertainties threaten to derail progress even as technologies, in particular, digital, are transforming the way consumers behave and businesses operate the world over.

Why do these trends matter? Since 2008, growth and progress in the global economy are neither guaranteed nor promising. Developed North American markets are experiencing little growth with high unemployment levels. Europe is struggling to lift itself from the economic doldrums. Japan is barely keeping its head up. Growth in emerging markets is cooling off.

What do these trends mean for Indian businesses? India's economic future depends largely on harnessing its demographic dividend characterised by nearly half its 1.2 billion population being 25 years or younger. They face an uncertain economic and political environment with nagging infrastructural, cultural and ethical challenges.

At first glance, reshaping strategy under uncertainty appears similar to risk management strategy. However, under risk management strategy the probability of possible outcomes are known. But under uncertainty, only the possible outcomes are known. The challenge for firms is to manage uncertainty by moving it closer to risk as more information becomes available and be better prepared for multiple scenarios when the probabilities of outcomes are unknown.

How can companies manage uncertainty and prepare for the future? The traditional strategy development approach using the five forces model of industry analysis and competitive advantage is insufficient. In the new normal, firms will have to plan for alternative scenarios and dynamically allocate resources. They can follow a five-step approach to reshape their strategies.

- *Identify major sources of uncertainties:* Uncertainties fall under four major categories: political/regulatory, economic, social and technological. Political uncertainty is a frustrating source of anxiety for businesses. With the general elections round the corner, many government policies are stalled. A silver lining amid these negative trends, according a recent survey by EY, is that Western firms still favour India over other BRIC nations as the most promising emerging market for future investments. But companies are nervously waiting on new projects and capital expenditures. Economic uncertainty is marked by questions over growth that has stuttered to less than 5 per cent.

India is going through a social upheaval. Urbanisation, key to transformation of an emerging economy to a developed economy, is being threatened by infrastructural and economic issues. Technological progress in India continues to be unpredictable — broadband penetration in Tier-III markets and rural areas is painfully slow. To appreciate this step, consider the Tata Nano. Tata Motors had to scramble to relocate production to Gujarat when political vicissitudes dictated its exit from West Bengal. Then, unanticipated inflation boosted production costs. Consumer social aspirations changed in the few years it was on the shop floor and once it hit the market, many viewed the car as a glorified auto rickshaw. Finally, as technology evolved to allow for lighter but stronger cars, Nano's commitment to offer a car priced under ₹1 lakh made adjusting to new technologies harder. In the end, managing these uncertainties proved too much for Tata Motors.

Firms should first identify and determine the impact of the uncertainties under these categories. One way to do this is to form a think-tank of subject matter experts, scholars, and thinkers and use the Delphi method to identify all sources of uncertainty on an ongoing basis.

- *Anticipate different scenarios involving uncertainty over different time horizons:* Firms need to map all possible scenarios in the short term (next 2-3 years), medium term (4-6 years), and long term (6 years and longer). For instance, Shell pioneered scenario planning in the late 1960s but the exercise was rudimentary then because the pace of change was slow and information was scarce. But in a globally-interconnected information age, anticipating scenarios calls for more sophisticated methods such as trend analysis, prediction models and similarity-based forecasting. Firms should conduct a 'creative destruction' exercise in which they should challenge the brightest minds in their organisations and ecosystem to come up with ideas that destroy current business models.
- *Craft broad strategies for different scenarios*: Companies should craft broad alternative strategies for different plausible scenarios. For example, to safeguard against the possibility that the US government may not extend R&D tax credit — that has enabled thousands of corporations to invest in R&D, making US a global innovation leader— Dell has created plans for R&D centres in alternative countries. Similarly, firms in India should develop strategies for scenarios in which traditional business processes are replaced by mobile-enabled processes, including payment mechanisms and marketing communication methods.
- *Plan extensively for high-probability scenarios*: Companies should first allocate their resources for the high-probability scenarios. For example, most customers need both goods and services but often buy them separately because different companies sell goods and services. Studies show that in uncertain times, most buyers, especially B2B customers, aim to reduce costs by purchasing goods and services together. Companies can reshape strategy by designing and selling hybrid bundles. Research shows that General Electric, Otis elevators and Oracle have improved their long-term profits by offering hybrid bundles. However, managing both types of products calls for rethinking of strategy and capability building.
- *Hedge/create contingency plans*: It is difficult to prepare for every possible windfall or catastrophe. However, companies should list possible outcomes and outline an approach to deal with each of them. For example, retailing in India is a $500 billion industry that is projected to reach $750 billion in the next few years. Yet, only 7 per cent of this industry is organised/modern retail. By 2020, one can expect this share to go up to 20 per cent. However, faced with the vagaries in FDI norms that allow majority holding for multi-brand retailing but with changing local sourcing requirements, major retail chains have been caught flat-footed. Companies should create different plans for different sets of future FDI regulations. This will enable them to capitalise when the regulations become most favourable and withdraw when they are least attractive.

Although simple in principle, this five-step framework demands that a firm not only anticipate all possible scenarios but also judiciously assign probabilities for their occurrence and be nimble to reallocate their resources when better information becomes available. Importantly, firms should prepare to handle possible scenarios whose outcomes are unpredictable. Creating an interdisciplinary top management team for reshaping strategy is a good first step.

IN A NEW BOTTLE

As consumer needs evolve, some classic marketing tools are getting a facelift; some others are being recalibrated

MASOOM GUPTE

The old paradigm of business — where manufacturers produced, marketers relayed product messages, consumers listened and sales followed naturally — has crumbled. It has given way to an economy where consumers co-create with manufacturers, marketing stands for two-way interactions, and made-for-the-customer offerings zip into the marketplace bypassing traditional channels, using platforms unheard of even a few years ago.

Opinion leaders are still hunting for that one term that adequately describes the world marketers face today. Marketers, too, understand that for businesses operating with outdated strategies, the stakes couldn't be higher. Most of the conversation in the area is therefore forward-looking, about the 'new and emerging' trends. Businesses speak of digital, mobile, new media, social media, technology-driven trends in data crunching, shopper research, analytics etc all the time. Alongside, marketers are working on a range of items they might want to nix from their marketing game plan forever.

Mind you, this is also an age of remakes, where classics are getting a facelift, where old ideas are being recalibrated to meet the needs of the highly demanding and ever connected consumer. Unfortunately, there's no one push-button marketing idea that will send a steady stream of customers to your door. Whether you sell products or services, you a whole range of strategies — original or remixed — should be used for customers. Here are some well-established, frequently-used strategies that have fallen out of favour and resurfaced in new avatars.

No more door-to-door sales

Remember the time your sales force went door to door selling products? Or encouraged sampling of a yet-unnamed soon-to-be launched products? Even the bigger fast moving consumer goods (FMCG) companies relied on the salesman for products like sanitary napkins, shampoos, soaps etc. Those were early days — trade channels hadn't fully developed and the consumer was experiencing some categories, even some home-grown brands, for the first time. She was still, if lucky, using "imported" products.

Today, with the development of modern trade and even greater penetration of general trade, such door-to-door knocks have become redundant. As a corollary, even product demonstrations at homes have reduced significantly. "The consumer is far more educated today and far more aware," says Anand Halve, co-founder, **chlorophyll brand and communications consultancy,** adding, "Surf (detergent product from HUL) showing how it works with bucket washes, for instance, is not required now, as habits of consumers have changed," he says.

The ground for product demonstrations and samplings has also shifted. According to a Nielsen study, the traditional trade density in India hovers at 7,000 outlets per million customers. Modern trade is a meagre six per million customers. Together, the numbers give a view of the penetration of trade channels. In fact, a recent study, titled Shop Talk by IIM-A, TNS, KiE Square and Ogilvy Action pointed out how modern trade shopping is increasingly looked upon as recreational. Samplings and allied activations are seen as part of the experience of shopping, a win-win for retail and brands.

From that standpoint, there is little scope for door-to-door sales, demonstrations and samplings. Especially in the FMCG space, where price wars have depressed product prices to a point where investment in a door-to-door sales force with dubious experience isn't viable.

Long-lasting, low-cost promotions have given way to big-bang, high-value rewards

Further, with companies like Amway and Oriflame coming in with their focused, multi-level marketing structures, straddling retail and one-to-one sales is difficult. Take Eureka Forbes, the makers of Aquaguard water purifiers, for instance. The company continues to focus on direct selling but has also launched its retail brand, available in select stores. It has kept the product lines apart in terms of distribution, ensuring there is no cannibalisation of sales.

Then there are companies that have exclusive demonstration centres — or experience zones — where consumers get a first-hand feel of the products. Germany's Miele, the world's largest family-owned home appliance company, for example, concentrates on experience-driven marketing. At Miele's flagship store, the Miele Experience Centre in New Delhi guests are entertained on invitation for personalised attention. "A live kitchen within the Miele Experience Centre with all the appliances is an ideal place to showcase the products before they are purchased," says the company spokesperson.

Changing face of consumer contests

In the age of Twitter, we may be used to speaking our minds in a restricted number of characters, but that doesn't mean we are falling over each other to complete slogans in stipulated word counts... offline. Recall the contests asking consumers to send in slogans or complete the sentence "I love Brand X because..." in, say, 20 words? They are over for good, say marketing experts, due to two developments: email has replaced snail mail and sifting through physical papers is considered tedious. "We have become a very visual generation. It is far easier for consumers as well as for companies to send in pictures or upload a video today," says Halve.

Alpana Parida, president, **DY Works**, offers an alternative explanation. She says today the consumer is inundated with reality and game shows on television and companies are interacting with consumers via messaging, online platforms, even radio channels, vying for the consumers' time. "However, there is only so much time a consumer can devote to a certain brand," she laments.

As contests changed, so did the prizes. Long-lasting, low-cost promotions — collect X number of wrappers and redeem them against a jar of, say, Parle Poppins — have given way to big-ticket prizes. Jagdeep Kapoor, CMD, **Samsika Marketing Consultants**, remembers: "Years ago, housewives would save wrappers of Polson butter and get rewards for the number of wrappers saved. This encouraged consumption and loyalty. Children enthusiastically participated in the Gold Spot (soft drink brand) promotion through a collection-and-redemption drive to reap benefits on redemption. This tactic is hardly used these days."

Today, promotions like Britannia's "*Britannia Khao, World Cup Jao*" operate on similar collection-and-redemption lines. "For two consecutive cricket World Cups — the first being the English World Cup in the late 1990s — Britannia ran this promotion. Consumers were rewarded with a trip to a World Cup match depending on points collected from various Britannia products," says Kapoor.

This can be related to the "big fat prize" craze. Calling in and playing *Kaun Banega Crorepati* from home gives you the opportunity to win a minimum of ₹ 1 lakh. A far cry from days when one was doled out some small utility item. "Consumers want a high-value reward. They want cars, cash, vacations. That is the big draw," says Halve.

This can also be attributed to the shifting sands of consumer loyalty. For such promotions to stick, consumers must keep buying a specific product over a period of time; a commitment not everyone makes.

As far as brands go, no stone should be left unturned. If you fail to bait them with prizes, try the fame hook. Think '*meri* Maggi story', or the Dove campaign, where consumers become an intrinsic part of the brands' advertising by sharing their own positive experience of using the brand. Snacks brand Kurkure's ad campaign to make "real people" famous through the "Chai Time Achievers" initiative, promised to feature Kurkure consumers and their families on at least a million Kurkure packs. It was an opportunity for consumers to enjoy celebrity status by getting their pictures published on the packets.

That's quite an incentive for people hankering for their 15 seconds of fame.

It is a marketing age of remakes, where classic ideas get a facelift to meet the demands of the consumers

Mascots out, celebrities in

Mascots are defined as "any person, animal, or object used to represent a group with a common public identity like brands, companies, organisations, sporting teams etc". Think the Amul girl with her polka dotted frock and pigtails, or the Air India's Maharaja, or 7Up's Fido Dido. Today though, with the rise of celebrity endorsement, the mascot has largely been pushed to the background, especially given that brands can choose from a host of stars: Bollywood and cricket; then there are other sport stars, television stars, even the occasional "star nutritionist" kinds. With such a vast pool, bringing on celebrities on board is simpler than investing in a mascot.

The paucity of mascots may also be traced to the "restless consumer" factor. Analysts say it may take more than a decade and several hundreds crores of rupees to build a recognisable mascot. But celebrities are easy to come by; what's more you can change them in a jiffy, if you need to change the tone, look younger, want to be taken seriously or even to build trust in times of crisis.

Though the use of celebrities is rampant, not all brands use them effectively, reasons Vispy Doctor, MD, **Ormax Consultants.** "Often there is no real personality match between the brand and the endorser," he says. "Such endorsements fail to enhance brand personality. The celebrities in most cases end up superseding the brand." Result: One remembers the celebrity but not the brand.

In contrast, mascots, when used right, can create a visual for consumers to identify with the brand permanently. There needs to be some semiotic connect between brands and mascots. Pillsbury's dough chef, and paint brand Nerolac's erstwhile mascot Goody, the tiger (who was, incidentally, retired by the company after more than 35 years), are fitting examples. For the Pillsbury mascot, the semiotic link of flour, dough, chef cap — all come together to connote expertise in cooking. Contrast this with Nerolac: paint, smiling tiger with a paint brush. Though nice-looking, the tiger didn't convey much else for the brand. In fact, when Nerolac underwent a corporate brand makeover some years back, Goody was phased out to bring about the company's "mature" look.

That's a trap with mascots: staying relevant beyond generations. So brands are taking the easy way out, choosing to go with the flavour-of-the-season celebrity.

That said, the good thing about mascots is that they can also do little to damage a brand's reputation. But illegal weapons and black bucks can continue to haunt celebrities for a long time.

As marketing tools and strategies evolve and change, brands would do well to remember that they cannot afford to slack off at any time. Once business starts coming in on a regular basis, it's tempting to ease off some of the hard work. But that's a mistake. Businesses need to be relentless in their research and development and market continually to keep consumers asking for more.

BATTLING SHORTER FATIGUE CYCLES

Consumers are getting tired quickly; so brands have to respond faster. Are marketers up to the challenge?

DEVINA JOSHI

In early 2000, toothpaste market leader Colgate looked invincible in India. It had become synonymous with its category and with over 50 per cent share of the toothpaste market, it was ahead of competition by a long chalk.

Then it did something that a leader should never dare: bask in the glory a tad too long.

The result was disastrous. Challenger Hindustan Unilever crept up on Colgate by revving up its gel-based colourful formulation Close-Up to target the youth. The Anglo-Dutch conglomerate followed this up with aggressive marketing for another brand, Pepsodent, positioned on the family-health plank, squeezing the market leader from all sides. Colgate began to slip. Then, it pulled up its socks, and came back into the game with new variants and some hard hitting advertising. While it never really relinquished the market leader's slot, Colgate was scrambling right until 2009 to touch the 50 per cent share mark. In 2012, the brand logged market share of 54.5 per cent: its highest ever in 15 years.

Colgate learnt a lesson the hard way: the fastest way to stagnate — with disastrous consequences — is complacency. But the good thing was it had time on its side to stop, take stock and get down to the brass tacks. Unfortunately, brands today don't have that luxury. With consumers demanding more from their brands and competition nipping away at the heels, brand managers have to be vigilant at all times. If they are not, they are doomed. Raymond failed to refresh its product line in time and paid a heavy price for being complacent. It never really read the signal right — a huge majority of Indian men had stopped wearing tailored shirts in the 90s and wanted readymade garments. It stuck to tailor-mades and over time lost the race to brands such as Van Heusen, Allen Solly et al. Many years later, it tried to put its money behind Park Avenue for readymades, but branding experts feel it was too late in the day; besides, the brand didn't have the equity of Raymond and it didn't quite make the cut.

This explains why brands today seem to be in a state of perpetual change. Look around you for proof. In the last two years, Colgate has launched three new variants and has supported each of them with a new ad. Rival Pepsodent has responded with around four ads in the same period.

Luggage brand VIP has been tagged as one for the older age group, with its 'Kal Bhi Aaj Bhi' films that ran for decades. Then, a few years ago, the brand revamped its products and tried to grow younger with the 'Bye Bye' and 'Happy Journey' commercials that ran for two years each. The same trend in visible across categories of products.

Ten years ago, the time a brand had on its side to refresh itself was 3-5 years; now it has come down to two years, sometimes even less. A television serial could rule the charts for six-eight years at a stretch (*Kyunki Saas Bhi Kabhi bahu Thi, Kahaani Ghar Ghar Kii, Kasautii Zindagi Kay,* for instance, on GEC leader STAR Plus), but now they have to be refreshed ever so often or even be jettisoned if the channel concerned has to hang on to its viewers.

THINKSTOCK

THEN AND NOW...

Category under evaluation	Food and beverages	FMCGs	TV serials	Advertisements
Average life span of a brand with no change 10 years ago	4-6 years	10-12 years	A daily soap could average 8 years or 2,080 episodes at a time	An ad could go on for 4-5 years
Average life span now	18 months	2 years	Two years or 520 episodes	6 months

The two key reasons why brands feel the need to change are competition and the emergence of new categories. Fast food retail chain McDonald's had to get into home delivery, thanks to Domino's and most other local eateries that offered such services.

Let's look at Surf: in an attempt to be premium, the brand had never ventured into the compact detergent segment. When Ariel arrived with its compact product, Surf had to bring in Surf Excel — and eventually Surf Excel Blue — to stay relevant. But unlike Park Avenue, Surf Excel had equity from its mother brand. It worked.

The emergence of a new segment of consumers can also trigger fatigue in a brand that hasn't changed itself in a while. Dettol faced this when it began dealing with a health-conscious but comfort-loving generation of youngsters. It unleashed battery-operated dispensers that allowed for the handwash liquid to be released automatically by placing hands under its sensor. On another plane, HUL will soon roll out Surf Excel Liquid to tackle fatigue in a washing powder-dominated market.

A brand is what a brand does

When is the right time to inject adrenaline into brands? Is it when you see the sales of a brand flagging or even before?

It is important to note that being 'relevant' is different from 'reinventing'. The latter spells rebranding. "Pran, the Bollywood villain, reinvented himself in films like *Zanjeer* and *Upkaar*. Relevance, on the other hand, is how James Bond started off only as a womaniser, but in the last few movies, he became more human and fell in love," says ex-Britannia chief Sunil Alagh, founder and chairman, **SKA Advisors**.

Several brands have stumbled, fallen and risen again in trying to stay relevant. Coke tried to reinvent itself with the new Coke in the '80s to cater a market shifting towards Pepsi, but the product bombed. Experts say when a brand known to be 'the real thing' offers you an alternative, the tendency is to assume that the alternative is unreal. Coca-Cola switched back to the original Coke and since then, the brand has remained consistent.

The experience of products in different categories or even within the same category has been different. Brand fatigue as a concept affects a player that has been around for years. This player may even be a market leader and operates in a category where the core messaging doesn't change too often. A mobile phone, for instance, wouldn't qualify as it operates in a technology-heavy category, which spells innovation. A face-wash product, however, may not offer something new every other day.

Clearly, FMCGs are prone to fatigue. A highly competitive category with multiple segments and brands — often 40-50 brands competing for the same consumer — FMCG brands need to constantly refresh themselves. "India is a growing, underpenetrated market. Brands need to expand and innovate. We have to constantly delight the consumer before competition does, to stay relevant," says Sameer Satpathy, executive VP and business head, **Marico**.

Anand Halve, brand consultant and co-founder of **chlorophyll Brand & Communication Consultancy**, says that consumers will "chug along merrily" using an HUL face-wash, but if Himalaya comes along, HUL will need to do something to not get dated.

Point noted, but how should FMCGs refresh themselves? Launching variants/flavours, changes in pricing, size, packaging or venturing into related products are some ways of doing it.

Let us take the food and beverage category. There is scope for change everywhere. When it comes to ketchup, India had moved on from pumpkin-based ketchup to pure tomato ketchup and when fatigue set in, players launched green chilly ketchup, garlic ketchup etc. Who knows what is up next!

Even a basic product like salt is offering variants — low potassium, iodised variety, non-hydroscopic packaging. If one looks at a low-involvement category like car tyres, there is scope to avoid fatigue with ideas like car tyres matching the colour of the car etc.

Coming back to food, snacking items like potato chips are impulse purchases and visibility at the retail level should be a priority for brand managers. Ditto for indulgence categories like chocolates and confectionaries where the basic ingredient may not change but new packaging and interesting communication can drive consumption. Soft drinks may not change the product for-

mulation, but the competitive war here is fierce — hence the need for new communication planks every year.

This leads us to an important point: even if the basic product is the same, it is advisable to give it a facelift once in a while with new packaging, added variants etc, else it gets dated. A bottle of Coke or Pepsi sits on college canteen tables competing for consumer attention with other packaged drinks and even snack foods; so the pressure on the brand to change is very high, even if the change is just about tweaking the communication. So, if Pepsi does a 'Bleed Blue', Coke needs to react or its fate will be sealed at the back of a retailer's refrigerator. Perhaps not moving with the times is why Mangola and Goldspot became dated.

Let's evaluate TV shows. If one looks at them like brands, these shows also tend to drag on; the same holds true for some long standing commercials that have lived past their sell-by date on television screens. (**See box**). Ad fatigue can also set in because of bad media planning. If it is a tactical/topical ad, a brand cannot run it beyond a certain point. For a functional ad, fatigue sets in much later, though.

For TV shows, long-running soaps need to bring novelty in their storylines ever so often, or the consumer gets irritated. The younger generation though, seems to prefer shows that have a finite life and where the gratification is instant like crime, reality or game shows. *Kaun Banega Crorepati* (KBC) has managed to transcend generations because of the host's magnetic presence and the show's ability to tweak the format every season. Also, the show is periodically pulled off, to avoid fatigue. One must also not forget that abroad, shows like *Friends* air once a week which spells 52 episodes a year, versus 260 daily weekday episodes in India for each soap opera. Naturally, fatigue rears its head faster for Indian soaps, and therefore there is a need for complex storylines to keep the plot going. "A butterfly has its own life span, don't make it live a tortoise's life span," Halve says. It is important to know how far you can push the envelope.

Keeping your 'fatigue factor' in check

Clearly, good times don't always last, and any arrogance or complacency can be detrimental for a brand's future. A healthy brand refreshing itself is much like a canny businessman stashing away large parts of his income for a bad day. Mind you, over communication can also lead to brand fatigue. For one, Andrea Godfrey, assistant professor of marketing in the School of Business Administration at the University of California, Riverside, thinks so. A new study, "Enough is Enough! The Fine Line in Executing Multichannel Relational Communication", which she co-authored with Kathleen Seiders, an associate professor of marketing at Boston College, and Glenn B. Voss, an associate professor of marketing at Southern Methodist University, finds that multi-channel communication does not always yield the results marketers might anticipate. In fact, over communication can quickly lead to brand fatigue.

The trick, therefore, lies in effectively allocating marketing resources to get to that ideal level of communication—that gets the message across with unfailing regularity, without turning off the consumer. Simple, really.

BRANDING UNBOUND

Mobile marketing has been around in India long enough to not be called 'nascent' anymore. Here's how it can break out of its slumber...

DEVINA JOSHI

Consider this. India is the world's second largest mobile phone market, with a mobile subscriber base of 870 million (as of May 2013). But it ranks close to bottom when it comes to mobile marketing innovation. What's more startling is that 70 per cent of the people use their mobile phones to compare product prices and 50 per cent of mobile searches lead to purchases; but — here's the clincher — 90 per cent of the companies do not even having a mobile-optimised presence.

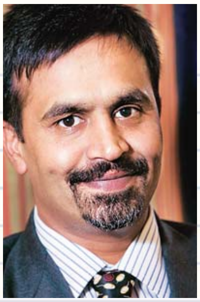
The potential of mobile is clearly underutilised. According to **GroupM**'s report, This Year, Next Year, India closed the calendar year 2012 with an ad expenditure growth of 4 per cent compared to CY2011, with a net revenue of about ₹34,724 crore. Digital is estimated at 5 per cent of the total. That would be ₹1,736 crore. Mobile advertising is a small 10 per cent of that or a paltry ₹173.6 crore.

Now see where things are headed in the US. Following explosive entrances by Facebook and Twitter to the marketplace as well as a strong performance from Google, US mobile advertising spending grew 178 per cent in 2012 to $4.11 billion (₹22,605 crore; all calculations assuming ₹55 equals a dollar), according to a new forecast by eMarketer, and spending is expected to rise a further 77.3 per cent to $7.29 billion (₹40,095 crore) in 2013.

That's a fivefold increase in spending since 2011, and includes money spent on display, search and messaging-based formats served to all mobile devices, including tablets. By 2017, eMarketer projects US advertisers will devote $27.13 billion (₹1,49,215 crore) to mobile — just under 45 per cent of all digital ad spending and 13.8 per cent of total media ad spending that year.

So what's keeping mobile advertising from taking off? More importantly, what steps do marketers need to take to realise the full potential of the medium?

But first things first. The 'mobile' is a different animal. It needs to be tamed differently. It is a personal device — unlike advertising medium like a magazine or television — that needs personal engagement. It should be used to address the basic necessities of a person — the urge to communicate, the need for entertainment or even



"Think mobile-first"

ROHIT DADWAL,
MANAGING DIRECTOR, MOBILE MARKETING ASSOCIATION, ASIA PACIFIC

"What are the advantages mobile can offer marketers, which traditional media doesn't?

With the level of immediacy and personalised interactions that mobile offers, I cannot think of a more powerful platform and channel. For marketers, we have seen mobile positively impact ROI and increase the value of every dollar spent within media budgets.

A deeper understanding of the role of mobile seems to be setting in, and new techniques like attribution modelling may help with that process. Rather than looking at the consumer's last action, attribution modelling takes a more holistic approach, tracking and assigning value to all the different steps that contribute to the purchase decision.

What are the lessons India can learn from the West in terms of mobile marketing innovations?

a) Think mobile first: The most successful campaigns are developed with a mobile-first mentality. Consider mobile the connective tissue to all media as it supports and strengthens all channels.

b) Leverage multi-screen usage patterns in mobile: Smartphone and tablet users often juggle multiple devices and work across screens. For example, someone watching ESPN on TV may also be using an ESPN app to keep track of the scores.

c) Utilise the full spectrum of mobile tools and applications: Mobile isn't just about a mobile website or a mobile display campaign or a mobile app. It's about a mobile website and a mobile display campaign and a mobile app and much more.

d) Leverage every phase of the sales funnel: One of the unique aspects of mobile marketing is that mobile visitors use it for search and discovery as well as for purchase and connecting with the brand.

e) Test your way to success: Mobile is digital in nature, which makes it a perfect tool to measure the effectiveness of your campaign. But that's only half the battle. The second half is to sift through those insights and make adjustments to improve the performance of future campaigns. By testing your way into success, you'll be in a position to continuously improve the ROI of your mobile marketing programmes.

the urgency of being updated on what is happening in the world. With this in mind, here's how you can hone your mobile marketing chops.

Rule # 1: From intrusion to permission-based marketing

Spamming on mobile phones via telemarketing and text messages is a decade old problem, which partly got addressed via DND mechanisms and the Telecom Regulatory Authority of India (Trai) recommendations of 2012 (The Telecom Commercial Communications Customer Preference [Tenth Amendment] Regulations, 2012, that aimed to revise the measures taken in 2011 to curb unsolicited commercial communications). That said, India is still a feature phone-dominated market, which means marketers cannot ignore the cold call and SMS route. But the method in which this is done is moving from a model of intrusion to one of 'permission-based marketing'. This allows for users to 'opt-in' for the kind of messages/promotional calls they would like to receive. For instance, if **Coca-Cola** wishes to promote music content from Coke Studio, it will first send a text alert asking if the user wants to receive, say, the latest fusion mix and then allow for an opt-in requesting users to reply with their consent toll-free.

Similarly, brands may ask consumers if they are interested in content or deal-based offers. 'End of call' notifications, data-led messaging and IVR prompts are methods of practicing permission-based marketing. At the end of say, a year, the marketer (or telecom operator) will have enough consumer behaviour data (demographics, psychographics) to sharpen promotional offerings.

There are drawbacks though: arriving at the correct target database takes time in permission-based marketing. Also, most of the telemarketing service provision is price based — players offering such services often lower their costs so they can recoup them in other areas. This leads to ignoring areas such as training, motivation, supervision and quality assurance that ultimately results in an inferior telemarketing call.

Also, as the mobile is so personal, the level of acceptance or annoyance varies. If you are planning a vacation or buying a car, you will appreciate information on these aspects at the right time, but once the purchases are made, they may seem annoying and you may consider it 'spam'. This is where permission-based marketing and opt-in campaigns play a big role; something India needs to move towards. The key is relevance and timing.

"Brands like Coca-Cola, Axe and Ponds are actively experimenting with innovative apps in the West, while the same brands rely on text and voice calls in India. And it is only fair, considering the number of feature phones sold last year was 172.2 million, while smartphones were at 11.2 million," says Vijay Shekhar Sharma, founder and CEO at mobile internet company, **One 97 Communications**.

Rule # 2: Adopt a strong app strategy

Going by predictions, 85 billion mobile apps will be downloaded by 2015 and mobile data network spending would have exceeded fixed data network spending for the first time. Apps, besides aiding communication, can be used by brands to provide entertainment, shopping options, deals and a

EXPERT TAKE

Mobile advertising 2.0

There is a need to reconsider how mobile advertising has been practiced and discover the game changing possibilities of the next wave, that will allow brands to focus, reach and engage with the right target audience instead of just buying mobile inventory. Advertisers must take cognizance of the following pillars:

Targeting: Finding the needle in the audience haystack

The ground rule of mobile advertising is segmenting your audience. A mix of subscriber information along with usage information allows advertisers to hyper target their communication and offers to consumers and help marketers connect to audiences at a personal level.

Context & content: The two peas of the mobile advertising pod

While making mobile messages more contextually-aware for your audience, they also have to create a substantial amount of content to segment particular groups of users. A wrong message leveraging the contextual power of the mobile phone is a fruitless exercise.

Choosing the right ad formats

Brands need to get the right media mix to successfully deliver their campaign objectives. Rich media formats such as HTML5 infused with the plethora of touch devices can truly revolutionise the way mobile advertising is being practiced. From just movement or multiple clicks, brand engagement can come alive through numerous intuitive engagement methods such as touch, click, scratch, pinch functionalities, enabling consumers to experience the brand in a much more relevant way than ever before.

Getting granular with tech-enabled tracking

Advertisers can get more granular in measuring the engagement with each and every creative by deducing effectiveness through metrics such as the number of people who enlarged an image, viewed a video, liked the brand's Facebook page or tweeted about their experience. Technology-enabled tracking is at the heart of mobile advertising, with it being the only media that offers close to 100 per cent audience measurement.

NARAYAN MURTHY IVATURI,
GENERAL MANAGER, GLOBAL SALES AND STRATEGY, SERV.MOBI

host of other things. Marico even launched an app for its investors, giving them access to relevant news regarding the company's finances, quarterly results etc. But how should marketers do it right?

According to **Urban Airship**, apps following 'good' push notification practices can more than double the retention rate over a six-month period after download. Good push notifications drive 67 per cent of app usage the first month after download, 74 per cent of usage two months after download and 81 per cent of usage three months after download. When done correctly, push notifications help in the sales of various apps and products. Push notifiers should understand the user's needs and base notifications on that and not what the app developer wants.

To cite an international example, **Burton Snowboards**, a Burlington, Vermont-based snowboard manufacturer, found a way to engage users by offering to push 'fresh snowfall' alerts to customers. Customers were thus pulled into buying snowboards through this informative campaign.

In 2011, **Debenhams** used an app to launch UK's first set of virtual pop-up stores at different locations. People were encouraged to visit famous landmarks in London and look at the location using their iPad or iPhone. If the user was not in the right location, the app's view button displayed a map.

To be sure, apps allow for mobile banner ads, which not just help publishers to earn but also offer low clutter unlike websites. Users visiting the apps, interact with the ad if they choose to — non-intrusive, to say the least.

On the content front, lifestyle magazines are being replaced by apps on mobile devices like tablets. It is only a matter of time before the same phenomenon gets replicated in India. Globally, car brands like Ford have launched systems through which their mobile apps can control the in-car systems and functions. Brands can thus find their own such 'moments of truth' on mobile.

Rule # 3: Leverage the power of LBS

Location-based services (LBS) is a growing sector in India with the **Internet & Mobile Association of India** (IAMAI) expecting the revenue to cross $500 million (₹2750 crore) by 2014. LBS uses information on the geographical position of the mobile device (through GPS etc) and this is especially easy to do in the case of smartphones and tablets with built-in GPS capabilities. LBS will further grow when it is perceived to offer high user value and drive loyalty. Its high user value is the result of its ability to meet a range of needs from productivity and goal fulfillment to social networking and entertainment. With smartphones and tablets being 'location aware' on their own, it is incumbent on the marketer to consider whether location is a necessary targeting criterion and if so, seek out and gain end-user permission (via clear notice and opt-in/opt-out choices) to use this.

LBS offers the advantage of proximity: knowing that the customer is nearby/within the store or ready to make a purchase gives a marketer the opportunity to deliver hyperlocal and relevant messaging or offers. The other way that marketers can step up their location targeting strategies is by leveraging users' location history. For example, Samsung Smart TV recently worked with JiWire to target mobile ads at users who frequently visit/had recently visited electronics stores, when they were nearby a participating Best Buy store in the US. The campaign drove a 1.03 per cent click-through rate. As location-based targeting gets more sophisticated, more marketers are likely to jump on board.

For LBS to reach critical mass in emerging markets, the only real way is to integrate with telecom networks to deliver an experience consistent to all consumers. This will also help marketers overcome the challenge of using the service with all type of mobile phones (feature/smart). These services have to be more engaging, going beyond location, integrating social and commercial aspect for consumers. Similarly, mobile phone companies also need to make their systems more intelligent. "At Micromax, we have created a unique software that gives us instant updates on our every device that gets activated anywhere in the country. This helps us keep a track for our business for better targeting," says Shubhodip Pal, chief marketing officer, **Micromax India**.

Rule # 4: Making rich media content work for you

According to a **sonyliv.com** report, 53 per cent of viewers watch videos on their mobile phones, 32 per cent view them online and 15 per cent, on tablets. In a word, this spells 'potential'. Mobile also draws parallels with most traditional advertising mechanisms — mobile video globally has mGRP for measuring TV spot style placements, for instance. There is tremendous scope for display ads and integrated content considering all this.

There was a time when value added services (VAS) was the only format of content on mobile phones. While VAS is still around, the format in which it is offered needs to evolve. The same set of services — astro or cricket alerts for instance — can only do so much. VAS needs to become primarily content-driven to succeed, be it information, entertainment, branded or other content. It has to be packaged and positioned correctly.

The onus for this lies with branded content providers. Concepts like augmented reality on mobile phones and scanning QR codes or images through phone cameras will level the playing field: these are techniques agnostic to languages, education levels etc. "These will penetrate much lower in the value chain once adopted," says Rohit Dadwal, managing director, **Mobile Marketing Association**, Asia Pacific. For instance, a brand like Wheel (detergent) could place a QR code on its packaging and on scanning it through a camera phone, the brand can educate people about the product, a contest, or even get people to download relevant content. This need not be only marketing-based content; the challenge here is to ensure the right kind of content. "This can percolate down to all levels of society," Dadwal adds.

Globally, IBM was the first organisation to develop an augmented reality mobile application with live data streaming. It created an app called Seer for its VIP business leads to use at Wimbledon that combined augmented reality with real data, allowing people at events to use their mobile to see more and obtain useful statistics about the game. Also, there are concepts like audio tagging which can be used by brands. Audio tagging is similar to QR code functionality, but it uses aural cues — sounds your phone can hear — instead of a physical barcode your phone can read visually.

Rich content also allows convergence with traditional media, for a more holistic approach. For instance, a print ad can lead a consumer to activate a QR code which takes her to a website that lets her download a mobile game that might in turn influence her decision to purchase something. Chevrolet was able to generate 39 million views by integrating its Chevy Game Time App into the Super Bowl TV campaign that was running concurrently in the US. "Mobile campaigns shouldn't be produced in a silo. Mobile isn't just about smartphones or tablets. The most successful mobile marketing campaigns are developed with an understanding of the environment," says Dadwal. For example, tablet users are often at the top of the sales funnel and do in-depth initial research while smartphone users are often at the bottom of the sales funnel and are ready to make a purchase. This brings us to the last point.

Rule # 5: Do it for the right reasons with the right TG-device fit

One of the primary structural hurdles to mobile marketing is the device fragmentation we see in the mobile market. The experience of viewing a marketing plan on various devices is different. Additionally, because of industry fragmentation pertaining to vendors, operating systems and telecom operators, the consumer experience gets affected. "A marketer is never sure if the app or banner will even be displayed properly on all handsets," says Rajiv Hiranandani, executive director, **Altruist Mobile2win**.

This can be partly solved by the advent of a better 3G network, which will help enable rich content on m-sites (mobile-optimised sites), effortless video streaming on platforms like YouTube, rich content-enabled banner ads etc, across devices. Until now, a typical mobile strategy has comprised repackaging content that is already created for different screens be it television or the personal computer. Content makers need to realise how to best create content for smaller screens.

The social media too needs to be leveraged with the right target group. Facebook recently launched an advertising option giving users ad engagements in their news feeds – marketers today can buy 'Like' ads, sponsored stories or app install ads too.

Soon, Facebook will launch video advertising on its platform and this will be available on mobile as well. As more and more consumers take up mobile internet — there are already 87 million active users as per IMRB and IAMAI and over 140 million data connections as per Trai — targeting consumers on mobile is only set to grow. The fact that the kind of mobile device a person owns tells a lot about her purchasing power, is a given. Marketers can use this knowledge for sharp segmentation on mobile: if a brand wishes to show its ad/mobile property only to iPhone users, it can do so.

To sum up, the top goal for marketers trying their hand at mobile advertising is to increase awareness and improve branding (as demonstrated by an Ovum study). This may not be the ideal goal for mobile marketing, considering that the medium is on-the-go and the immediacy of the benefit has to come through quickly. Mobile advertising is also not to be looked upon as push mechanism, but a combination of push and pull which a consumer wants to see on his mobile device.

Without tried and tested solutions, any brand venturing into mobile is going to have to be a pioneer and blaze its own trail, developing its strategies as it goes along.

FOCUS OR DIVERSIFY?

The toughest test for leaders is to determine when to move forward with a diversification and when to pull back. Some lessons from the experiences of HCL and PVR

ABHILASHA OJHA

Search, Google+, Android, Google Glass, self-driving cars — the company synonymous with online search, Google, appears to be in a hurry to grow in almost every direction at once. The world's largest software maker (measured by revenues) Microsoft has taken a headlong plunge into a series of new businesses — search engine, game consoles, internet access, touch-screen kiosks...

Almost every company struggles with a diversification at some point. When times are good diversification makes unused cash work hard; when times are bad companies enter new territories to re-invent themselves. Such efforts could represent new growth areas or they could prove to be costly distractions. Inevitably, there will be some bad moves, especially with acquisitions that divert resources from a core mission. The big question therefore: Should a company stay focused on the competencies that made it the leader or help it be counted among the great, or should it diversify to keep up with, or try and overtake, competitors? Experts say that's one of the trickier questions facing a whole host of companies irrespective of their industry. Indeed, the toughest test for leaders is to determine when to move forward and when to pull back. No management textbook or theory can tell you that.

Of course, there are real-life examples to learn from. Here **The Strategist** looks at two recent examples — of companies from two very different industries that went through the whole grind of diversification and have now decided to exit a few businesses and concentrate on others where they can claim to have competitive advantage. The first one is a leader in the movie exhibition business, namely PVR, while the second is homegrown PC maker HCL Infosystems.

PVR began its innings in the movie exhibition business by introducing world-class multiplexes in India and went for a 'related' diversification into the high-risk high-return business of film production. It decided to get out of the movie making business post the 2012 release of Hindi movie *Shanghai* because it doesn't see this as a viable business opportunity for the long term. **HCL Infosystems**, our second example, said recently that it will phase out its manufacturing business over the next few years to improve margins and increase organisational efficiency. The company will instead focus on strengthening the services and distribution verticals. HCL Infosystems CEO and managing director Harsh Chitale has been quoted in the media saying HCL "will be in PC distribution and in after sales services but will not manufacture HCL branded products in the future".

Though both these companies diversified, both understood the need to pause even as one went back to where it started and the other moved away from it. What's pertinent is that both paused at the right time, mulled over what to do next and acted without delay to avoid any distress to their businesses or people.

Back to basics

The latest initiatives of PVR and HCL, or for that matter, Google and Microsoft, raise some interesting questions. What kinds of expansions are synergistic with the core business, and which are unrelated? Can a company remain nimble enough and defend its current turf? Does it risk a backlash as it moves into new markets? Answering that question effectively forces companies to assess their true competitive advantages.

A recent study by **Booz & Co** covering more than 6,000 companies in 65 industries finds that the best performance improvement and growth opportunity for a company comes when it rises to the top of the industry that it operates in. According to Evan Hirsh, partner, Booz & Co, also the co-author of *The Grass isn't Greener*, leaders often try to expand into hot new growth industries looking for accelerated performance they think isn't available in their core business. Such efforts often prove futile because companies fail to leverage existing expertise or assets into new businesses to generate returns. "Companies perform better and produce better shareholder returns when they strengthen the key capabilities that help them win in their core industry. Companies that try to grow into new industries are likely to fail," says the study.

Consider PVR against this backdrop. According to Kamal Gianchandani, group president, PVR, the company spotted a viable business opportunity in the business of film production around the year 2007. Moving into film production meant allocating a fair amount of capital to back good cinema. What the company failed to note was that while the production costs for films had sky-rocketed, returns were tougher to come by.

Since the company was looking at a new revenue stream it went whole hog and made huge investments in its film making business — like hiring a completely new team with the mandate to nurture the production arm. The problem, in hindsight, was that it is tough to achieve scale in the business of film production.

"The business of film production can be a margin game but not one of scale," says Gianchandani. Also, the nature of the business is such that you can't be hands-off. It demands that the leadership team is clued into the process from start to finish — go through scripts, meet film directors and sit with them on story sessions, get into the nitty-gritty of production, attend shoots et al. In other words, understand the rules of a completely new ballgame. "The business was taking up a disproportionate amount of management time. On the other hand, the exhibition business, our mainstay, threw up new opportunities," says Gianchandani. "Also, we realised the returns on investment were far higher here," he adds.

Film exhibition, the mainstay of PVR, has consistently contributed about 90 per cent to the total revenues of the company. At the end of 2007, the success of films like *Taare Zameen Par* ensured that the business, in its very first year, would contribute

EXPERT TAKE

Pulling the right lever

Here are a few things to keep in mind before you take the plunge:

■ Question yourself

Do you want to diversify because everyone else is doing it? Do you sense a profitable business in diversification? What do you want to chase through diversification; scale, profitability, viewers /clients/consumers? Will the diversification be through acquisitions or will it be a start-up? Can the diversification add profitability?

■ Understand how to do it

Once you have the clear understanding of why the diversification is happening, do it right by having a leadership team that is completely in sync with what it aspires to do. This is important because if the diversification fails, the leaders (who lead from the front) are well equipped and in sync with the understanding of why it is crucial to come back to the core competency area. Second, prepare yourself with a diversification plan so that the entire organisation is aware of the growth strategies. Only a good, sound and a well-intentioned plan can be executed deliberately
for diversifying.

■ Failing is not a crime

Not all diversification plans are successful despite the best strategies but it doesn't mean you cannot do damage control. Apart from infusing new leadership team (this should be part of the planning strategy), you can also look at partial exits by roping in investors or partners who understand the business well. If nothing works, it's alright.

■ Keep the focus

Keep reassessing your core competency business strength even as you expand and diversify for opportunities (PVR was sharp in noting opportunity in its core business despite being the leader already). However, HCL was equally prudent in noting the failure in its core business and kept up the momentum in other related businesses, which are now its core strength areas. Eventually, it is the focus that is important.

AMANDEEP KALSI
DIRECTOR, PROTIVITI CONSULTING

The restructuring plan focused on creating diverse businesses into distinct entities

ROTHIN BHATTACHARYYA
EVP, MARKETING, STRATEGY & CORPORATE DEVELOPMENT, HCL INFOSYSTEMS

9 per cent to the total revenues of the company. However, by 2012, when PVR decided to shut its film production arm, the segment's contribution to the total revenues of the company had dwindled to 2 per cent.

According to an August report on PVR by **Motilal Oswal** the closure of production business is 'a step in the right direction'. The report notes, "Though two of its productions — *Taare Zameen Par* and *Jaane Tu Ya Jaane Na* — did well, its *Khelein Hum Jee Jaan Sey* was a flop at box office. Given the capital intensity and high risks involved, the management decided to reduce its focus on the production business. It has taken full control over PVR Pictures by buying out the 40 per cent stake held by JP Morgan Mauritius Holdings and ICICI Venture's India Advantage Fund for ₹600 million. PVR used PVR Pictures' cash balance of ₹400 million to part-finance the deal. PVR Pictures has now become a wholly-owned subsidiary and is focusing on the distribution business."

"Everything is okay if your core business doesn't suffer," says Gianchandani. He adds that the decision to branch into film production didn't really hurt the company because it continued to invest in its bread and butter and exploit the new opportunities therein. "Diversification is about revenue. If you see the growth opportunity is limited out there, save yourself the time and come back to see growth in the core business area," he says.

Onto greener pastures

Experts say diversifications fail due to a variety of reasons — from leaders overestimating their ability to manage new businesses, underestimating costs and competition to a new sector losing sheen (in India, for instance, the telecom sector seems to be trouble thanks to scams and piling of debt in companies).

The reverse, interestingly, is also true. You may want to march into new markets when your original business faces the threat of shrinkage or even extinction. See how HCL Infosystems did to understand when to quit a market. It decided to concentrate and grow the business of services and distribution just when it felt the heat — like most others — in the PC manufacturing business. As things stand, the PC business accounts for about 8 per cent (around ₹1,000 crore) of HCL Infosystems' overall revenues and has been under pressure for some time now as new categories like tablets and phablets are finding more takers.

To be fair HCL is not the only one; in the last few years, most PC makers in the country have incurred losses due to the fluctuation of the rupee against other currencies, especially the US dollar. In any case, the PC business in India is low margin and more than 90 per cent of the components are imported. Plus between Lenovo, Dell and HP the desktop market was fast slipping away from its grasp.

That said, HCL's wasn't an overnight decision. The transition has been in the works for two years now. As a first step. the company put in place a Central Programme Management Office (CPMO) consisting of a core team headed by Rothin Bhattacharyya, EVP, Marketing, Strategy and Corporate Development, HCL Infosystems, to oversee the overall transition process. Then, from each of the shared functions such as HR, administration, taxation etc, single point of contacts or SPOCs were appointed. They were responsible for completing the required restructuring plan pertaining to their function. From each of the business units, SPOCs were nominated to become responsible for coordinating with the CPMO and functional SPOCs to ensure all the actions for the business unit were carried out comprehensively and in time. The core team in the CPMO interacted with the business leaders and the business SPOCs and updated them on the restructuring process. To make the procedure transparent, a detailed FAQ document on the various facets of the organisation that were being impacted because of the restructuring was shared across the organisation.

Diversification is always about revenue. Return to the core business if growth is limited

KAMAL GIANCHANDANI
GROUP PRESIDENT, PVR

The process of restructuring was initiated with a clear plan to carve out the diverse businesses into distinct entities, establish operational and financial delineation and ensure the independence of the different strategic business units. The idea, says Bhattacharyya, is to enable each business to meet its respective requirements and at the same time create an organisation customised to the needs and goals of that particular business. "While there would be now greater independence there would also be accountability for each business... Our large growth focus businesses such as services and distribution will now be able to receive undivided attention," he adds. In his view, PC manufacturing in India (with an import content of almost 90 per cent) has been impacted in the last two years due to the volatility in the exchange rate, a major reason why HCL's focus on manufacturing in the value chain of PCs in India has gone down.

Evidently, the decision to diversify or focus needs profound business logic behind it. As Amandeep Kalsi, director, Protiviti Consulting, points out, the first and biggest lesson from the experiences of the two Indian companies is that diversification needs a systematic and focused approach to the business. "PVR was correct in continuing to see growth potential and opportunity in the movie exhibition business even after it diversified into a completely different business. HCL, on the other hand, was quick to spot growth in diversified businesses to such an extent that the core business getting a hit didn't quite matter," explains Kalsi.

So even as companies grapple with the fundamental focus-versus-diversify dilemma, it is important to understand portfolio diversification and active risk management are essential parts of financial analysis which become even more crucial when competition mounts or when categories shrink and there is an urgent need to scout for new sources of revenue. But the recipe for success is in identifying your strengths and competences and sticking to them.

BUSINESS AS USUAL

Here's how some companies are ensuring high-potential women employees don't simply 'drop off' the roster

ROHIT NAUTIYAL

SAP Labs India's vice-president and head of diversity and inclusion Sheenam Ohrie learnt to speak her mind early in her career. In 1996, after completing three years with her then employer i-flex Solutions (now **Oracle Financial Services Software Limited**, which we will refer to as OFSSL here on), Ohrie was faced with the prospect of relocating to Australia — with her husband and without a job. She decided to give her luck a chance. She approached her supervisor with the idea of a sabbatical. Her boss agreed without kicking up a fuss she had half expected. And yes, during her sabbatical, Ohrie continued to be on the company's payroll.

Mind you, OFSSL didn't 'accommodate' Ohrie for charity — the company had identified her as a 'high-potential' candidate, one who could be groomed to take on bigger challenges. That's the crux. A sales executive in an FMCG multinational puts the challenge before companies succinctly: "There's a lot of competition out there for good talent. It is very expensive to keep going out and hiring and every time you do, you incur some cost — in identifying the right candidate and in training him or her."

The math, if expert estimates are anything to go by, is simple: For every mid-to-senior woman who leaves a company, the cost of replacement is three times her salary. And in knowledge-based companies, that can go up to five times. Easy to understand why companies are starting to find ways to keep their top female talent.

Now let's come to what Ohrie's current employer is doing. In 2007, **SAP Labs India** saw its maternity drop-out rate touch 69 per cent. So in 2009, based on employee feedback, the company started a maternity return programme called 'Run the Mummier'. The programme spans the time while a woman employee is pregnant, right through the leave period and for a short duration after she joins back. It takes various forms — face-to-face and telephonic coaching, counselling, awareness workshops etc during an employee's pregnancy. The company encourages employees to support women colleagues during maternity breaks. An 'amico' (buddy in Italian) is assigned to every pregnant woman. Anyone who registers to become an amico goes through a session to understand her responsibilities.

As a part of this programme, the company launched its Stay-In-Touch system so that employees availing of maternity leaves could stay connected to the workplace, look forward to a smooth return and settle down with ease. Once a new mom returns to work, she is provided with the option of admitting her toddler in the in-house crèche, SAPlings, along with access to video surveillance software.

The results of this investment showed up quickly; a year after these programmes were introduced SAP Lab India's maternity attrition dropped to 31 per cent. With sustained efforts the current maternity attrition rate stands at 2.6 per cent.

Identify the hurdles

If you want them in the workforce, you have to look at the hurdles in the way. What actu-

Investing in women makes bottom line sense

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Having more women in management roles is good for the bottom line. Research shows that female board members in executive positions for listed companies impact positively on the firm's stock price — strong evidence that women in leadership positions can boost a company's performance.

Yet women continue to be under-represented at executive levels. According to Liz de Wet, course convenor of the Women in Leadership Programme at the University of Cape Town Graduate School of Business in South Africa, there are three simple things that organisations can do to support women executives and grow the numbers of women in top jobs.

- Give women the space to develop their signature presence. First off, business has to be prepared to give its women leaders the space to do things their way, to make their own mistakes. Discovery Health's franchise director Kate Moodley maintains that women must remain true to themselves and their own way of doing business.

Rosemary Grant, a former general manager and board member of a mulitnational company, who now runs the GSB women in leadership programme alongside De Wet, says she deliberately took her time in settling into her new top management role and that she is fortunate that the company gave her this space. "I met all key players on a one-to-one basis and understood their particular business needs. I focused on having significant relationships with individual peers rather than running the risk of lumping them all under 'the old boys network' label."

- Provide coaching, mentoring and training opportunities. To help women stand their ground and develop their signature presence, De Wet says that businesses must also be prepared to invest in their development. "Women leaders undoubtedly benefit from specialist knowledge, and coaching support that allows them to translate their qualities, ideas and insights into sustained action for increased impact and visibility," she says.

Jane Farrell, joint founder and chief executive of the EW Group, says that getting more women to the top requires formal support from the highest levels. This can take the form of specialised training. The EW Group ran an intervention at the BBC in the UK, where women were dramatically under-represented at senior levels. Sixty BBC women progressed through two 18-month programmes. Two-thirds gained either promotion or new, valuable connections, and there were 'softer' benefits as women tapped into informal networks across the organisation.

Grant agrees that operating without sponsorship or mentorship in complex organisations tends to be a common barrier to progress for women. Such support can nurture innate leadership qualities and make a unique impact on the organisation. Without it, women risk just being subsumed into the dominant culture.

- Create networking opportunities and pathways of growth for women. Grant says that the time she invested in developing her networks was one of the best things she could have done and that one of the common mistakes she has observed when women step into senior roles, specially in male-dominated organisations, is that they underestimate the importance of networking. Businesses that understand this and foster these elements will succeed in creating greater diversity at the top.

ally stops women from staying on their jobs or going back to work?

Global studies have shown that a dearth of senior female role models and the lack of support infrastructure hold women back in the workplace. In India, usually the first roadblock faced by working women is at the time of her marriage, says an HR professional in a Delhi-based telecom firm. The second is childbirth and the third, taking care of old parents/relatives. In all these three instances the HR department's retention skills are put to test. In many cases the woman employee asks for a relocation.

Just a week before Diversity Day (January 21) celebrations at **Bharti Airtel**, one of its newly-married woman employees had put up an application with her HR head requesting relocation to Hyderabad, which was duly approved. Around the same time, another woman employee asked for relocation to a metro from a regional office. While Airtel offers flexible work options to many of its women employees, the company is wise enough not to create unwanted positions in the name of inclusion. The second application has been rejected on the ground of merit.

Childcare is the next major issue before women and see what some companies are doing to win over new mothers. There's a ₹1.5 lakh insurance cover towards delivery-related expenses for mothers-to-be at **Google India**. Also, if the baby is sick or diagnosed with a problem, the new born is covered under the ₹5 lakh general insurance scheme extended to the family. The company also offers a baby bonding benefit of ₹13,650 to new mothers.

ICICI Bank goes an extra mile to ensure that there is no discrimination during performance appraisal against women on account of maternity related or medical leaves. Besides 180 days of paid maternity leave, there are 180 days of fertility leave for employees who need to undergo medical treatments. Additionally paid childcare and paid adoption leaves can be availed of even by single parents.

There's no dearth of perks at **Tata Chemicals** too. It claims to be the first company to allow extended maternity leave of up to one year. R Nanda, HR head of Tata Chemicals, believes that women employees value flexibility more than anything else. "If you can earn their trust during this time, it will work in your organisation's favour. Since the social ecosystem is not sufficient for a working woman, that is the least an organisation can offer to retain talent," adds Nanda.

Choose smart plan

The best of policies and perks will fail to work if they are not well implemented. That requires planning. "It's not as simple as it sounds," explains an HR head with a media company. "If someone goes on a sabbatical, someone else will need to be trained or hired to take over the position. So you need to look at succession planning, job rotation and the ability of other people to step in."

Look at Kaustipi Bhalla, a circle HR operations head with a leading telecom company who has 15 years of work experience. For most of her career as an HR professional she was based in Delhi. This was because her job profiles were strategic in nature and included deliberating on compensation decisions, retention and performance. Some years into the job, Bhalla yearned for a regional profile to hone her operational skills. Due to family commitments she could not take up a regional role too far away from Delhi. In early 2013, her boss told her about an internal job posting in Punjab. She lapped up the opportunity to work as the circle head immediately. She also had her calendar sorted. Any relocation in her company is approved for a minimum duration of 18 months. Her son was in eighth standard when she left for her new project. She says, "I will return to Delhi by the time my son enters the tenth standard."

Abonty Banerjee, general manager and head, digital channels, ICICI Bank, is happy to have spent around 14 years in an organisation that has rewarded her with flexibility for her commitment and loyalty. ICICI's workforce has 25 per cent women (across various levels). In 2006, she had to move to Delhi along with her husband. At that juncture in her career at ICICI Bank, Banerjee was looking after operations across 200 branches. "I was allowed to work away from our head office in Mumbai. Later, the company also allowed me to work part-time to take care of some personal commitments," she says.

Handle with care

While a large majority of women in India have embraced careers in banking, IT, media, advertising and hospitality, manufacturing remains largely unoccupied. A large chunk of those who get into manufacturing companies occupy positions in support functions like HR, marketing and back-end support. "The manufacturing industry suffers from a paucity of role models," says Chaitrali Shirur who joined **Parle Products** last year as head of HR. And why are there so few women in sales? Says Chaitrali, "We tend to hire more men for sales profiles because the employee is required to travel frequently, something women are averse to. Keeping the security aspect in mind, we offer sales postings with utmost care."

For its part, **PepsiCo** has spent a lot of time understanding the basic hygiene factors required by women to function effectively in a sales function. As part of its research, the company understood security is the topmost concern for women interested in taking up a sales job. The company has identified certain routes across the country that are deemed 'safe' for women. These routes, referred to as 'sales beats', are also marked on the basis of infrastructure (such as clean washrooms) available. Says Kimsuka Narasimhan, CFO, PepsiCo, India region, "While the results of this initiative are yet to show up, we try and up the diversity quotient right from the time we hire."

Taking of security infrastructure, ICICI Bank has set up an emergency helpline for employees in distress. The helpline provides round-the-clock access to qualified medical assistance and critical services such as ambulance over telephone. The bank has also launched the Quick Response Team (QRT) initiative to react quickly in the event of an emergency. QRTs are mobile vans with GPS navigation and tracker systems and can also alert a nearby police control room.

Another point many women executives **The Strategist** spoke to while researching this article have brought up is that women need more networking opportunities. Such networks are essential to ensure a successful comeback as well. "You keep the job for this person and they will be trained and updated throughout the 'break'," says software company HR executive, "so when they do return, it's very natural."

For all the women waiting to return to work the trick is to keep yourself relevant and not just wait for the incentive to come your way.

BROWSE LESS, FIND MORE

More and more online businesses are engineering targeted suggestions to help consumers make quick purchasing decisions

ANKITA RAI

You don't like a helicopter salesperson, but you like to be addressed by name when you enter your favourite retail store. You have little time to browse through the products randomly piled across the shopfloor, but you hate to be prompted along the way. You are a fastidious shopper, but you don't mind relevant suggestions while negotiating the isles at the store.

This is one area where brick and mortar businesses have had an edge over online stores — the art of gently nudging the customer towards things that might not have been on her shopping list in the first place. Now online stores have closed that gap — the smart ones are working overtime to incorporate data-driven merchandising to provide targeted and relevant offerings that help visitors make a purchase. They are providing navigation that enables consumers to easily refine product choices by important product attributes. In short, e-retailers have entered the domain that was once the exclusive preserve of brick and mortar stores: that of guided discovery.

Mind you, the drive towards guided discovery — or narrow personalisation as some experts call it — is nothing new. It has actually taken a few steps beyond deploying the rudimentary push marketing tools in recent years. Says Kanika Mathur, MD, **Razorfish India**, "Guided discovery has moved beyond creating cookie cutter newsletters, which contain deals around the logged in customer's 'browse' history at a portal. The onus is on 'one-on-one' offers to a customer, which are created by leveraging deep data that is available about a customer and delivering a personalised experience across all touch points, including web, mobile, tablet, in store." No wonder, smart e-commerce companies are experimenting with virtual assistants who play the role of the store manager or sales person, typically seen otherwise in brick and mortar stores.

Guided discovery takes on particular importance for retailers seeking to draw millennials to online stores. These shoppers make fewer clicks; they are aware that retailers have the ability to collect and use personal information to customise the

shopping experience. While they don't want it taken too far, there is an expectation that this information can be enhanced for a better online shopping experience.

Now look at the picture from the retailer's point of view: Given that shopping online is now a mainstream activity, the challenge is no longer getting new customers but rather driving incremental money from the existing base of shoppers. "The time has come to focus aggressively on e-commerce technology, particularly on multichannel and personalisation technologies," says an Oracle White Paper, "How to Win Online: Advanced Personalisation in E-Commerce."

The obvious question: as a retailer why should you want to do 50 per cent of the customer's job? Experts say you can increase your conversion rate and average order value if you engage the target within first few seconds of her logging in on your website because beyond that her eyes are trained to wander off. Also she is more likely to buy when she is presented with less but accurate choices.

Look globally and you will find the answer in numbers. Take Amazon and Netflix, for instance. These companies get billions of visitors at their sites every month and are able to guide those visitors successfully. Amazon gets 35 per cent of its sales from the recommendation it makes. Similarly, 75 per cent of purchases on Netflix, a movie streaming company, are courtesy guided search or recommendation.

Now take the case of US-based big data start-up True Fit, which takes cues from Amazon and Netflix analytical models to help consumers figure out whether or not the apparel they want to buy online will fit them. It leverages the growing database of the world's top apparel, footwear and consumer fit data to help consumers, brands and retailers find each other.

Data curation also offers greater insights about popularity and trends. Retailers worldwide have begun increasingly crowd sourcing data via forums like Pinterest. "Curation of social data (foursquare, Twitter, YouTube activity) is leading to interesting initiatives," Mathur adds. "For instance, Japanese casual wear brand Uniqlo successfully rolled out Pop Up stores at various locations based on the number of people who were commenting on social shares of outfits tried online or in store in a particular area. Such strategies not only influence the offers but also the entire interaction design of the consumer experience." Mathur adds.

While that sort of sophistication is still some way off for online retail in India, work is already underway.

How it works now

At present, most e-commerce companies in India are using traditional recommendation engines to display items frequently bought and push promotions. Bangalore-based **Myntra** customises its home page according to a customer's profile. So for every visitor the home page is different. Says Prasad Kompalli, chief strategy officer, Myntra, "We try to match the physical experience a customer is used to in a brick and mortar store. We use personalised recommendations and emailers. The open rate of these customised emails is three times more than regular emails."

Prasad says the large assortments offered by e-commerce companies can be both an advantage and a disadvantage as the customer may not be able to find the product she is looking for. To help consumers navigate and find offers, Myntra has a personalised offer button with every listed product. "We have built in-house algorithms based on how many times a consumer added a product to her wish-list or cart. With data analytics, our conversion rate, which is calculated as the number of orders divided by number of visits, increased between 30 and 50 per cent in 2013."

Delhi-based **Jabong** uses a hybrid model, a combination of content and collaboration, to enable guided discovery. Says Praveen Sinha, co-founder and managing director, "The key enablers to guided discovery are, first, the recommendation engine, which is based on multiple logic (someone who bought this, also bought this), and second, fine-tuning of search engine, and third, the history of purchase."

Snapdeal, a Dehi-based marketplace, uses data gathered from its website and through e-mailers to address buyers. "We use analytics differently for both these channels. On the Snapdeal site, for instance, if two customers come they would see very different home pages. Their home screen listings get decided from what they browsed in their last visit to the site," says Ankit Khanna, VP, product management, Snapdeal. The portal collects data from user behaviour including navigation, preferences and clicks on its systems. "We are crunching 15 million data points every three hours," says Khanna, adding that all the analytics is done in-house. Search is the other place where the portal has implemented machine learning.

E-commerce poster boy **Flipkart** says to enable guided discovery, e-retailers must first think like consumers. "It is important to show the right products to the user the moment she enters the site," says Saranagati Chatterjee, VP (products). "Depending on the entry point, we work on providing right suggestion in the search results. There are tools like 'filter' and 'compare' to show relevant merchandising and recommendations.'' On Flipkart, the approach varies according to the category of product a user is browsing. "Electronics is one category where consumers need handholding before making a purchase decision," says Chatterjee. With consumers now shifting to mobile phones and tablets for shopping, Flipkart enables offline browsing to help consumer save on data usage. "It is even better to collect consumer data on cellphones because it comes with a unique device identity," Chatterjee adds.

"Guided discovery can also work as a delightful discovery because sometimes

TOOLS TO DRIVE ENGAGEMENT

LIVE CHAT: There's no better way to get a query resolved than by asking someone while you are on the site

ON-SITE PUSH NOTIFICATIONS: Stores have peak hours and dull hours. Use tiny, little nudges to make virtual walk-ins aware of offers

VOICE OF THE CUSTOMER: Customer satisfaction surveys post purchase are a sure shot way of getting feedback and insights

SELLING INTO NON-PRIMARY CATEGORIES: Use product adjacency analysis to create a basket of products that are typically bought together. For example, electronics gadgets and graphic novels. Research shows that the same demographic tends to purchase them

CUSTOMER SEGMENTATION: Crunch customer data to create profiles of the customers. For example, a person who buys electronics and comments on technology blogs can be tagged as part of a segment 'early technology adopters'. Other such segments can be created

With inputs from Avlesh Singh, CEO, WebEngage and Dipayan Chakraborty, director, Delivery and Client Relations, TEG Analytics the consumer is not sure what she is looking for. In such case e-retailers should offer adjacent products such as a bouquet of flowers or car rental deals along with an evening dress," says Sanjay Sethi, CEO, **Shopclues**.

Online deal sites have entirely different challenges when it comes to guided discovery. The key here is local services. While selling deals, it is important to understand the deal structure that gets the best response. Says Ankur Warikoo, regional head, APAC, emerging countries, **Groupon**, "We plan to bring location-specific smart deals to India. It identifies who is browsing the website from which location. So the consumer gets relevant deals in real-time."

For a gifting site like **Giftease.com**, guided discovery becomes complex because the customer is usually buying the gift for someone else. Hence, recommendation engines that use cookies or IPs for making personalised recommendations are of limited use. "We use past transaction data like the occasion, relationship and item attributes like price, category to refine our recommendations," says Vivek Mathur, CEO, Giftease Technologies.

Social shopping platform **LimeRoad.com** uses scrapbooks and a flip-book magazine to helps users browse through various products on the site. Users have the option of seeing a live feed of products that other users have viewed. "Our scrapbooking community has curated more than 60,000 scrapbook looks, which are 100 per cent unique to our site," says Suchi Mukherjee, CEO & co-founder, adding that recommendations can help increase the average ticket size of the purchase between 75 per cent and 100 per cent. "Customer conversion is always high if the recommendation tool is working properly, though unlike in gadgets and books, recommendations in the lifestyle segment are mostly led by the visual appeal of a product," she adds.

How to make it better

Most recommendation engines are based on collaborative filtering, which looks at the affinity between two products in the same category or between two categories. It has limitations because it only looks at past purchase history of a consumer. So if a consumer bought a striped shirt or searched for it, she will keep getting recommendations even if she has closed that deal. So just using internal data doesn't work. "To make the right kind of guided discovery, one must combine internal data generated inside the company with external data," says Srikant Sastri, co-founder, **Crayon Data**. "External data can be generated by trailing the internet reviews and social networking for movies, books, shopping, travel etc. Building cross-category connection on the basis of external and internal data can make recommendations richer and powerful."

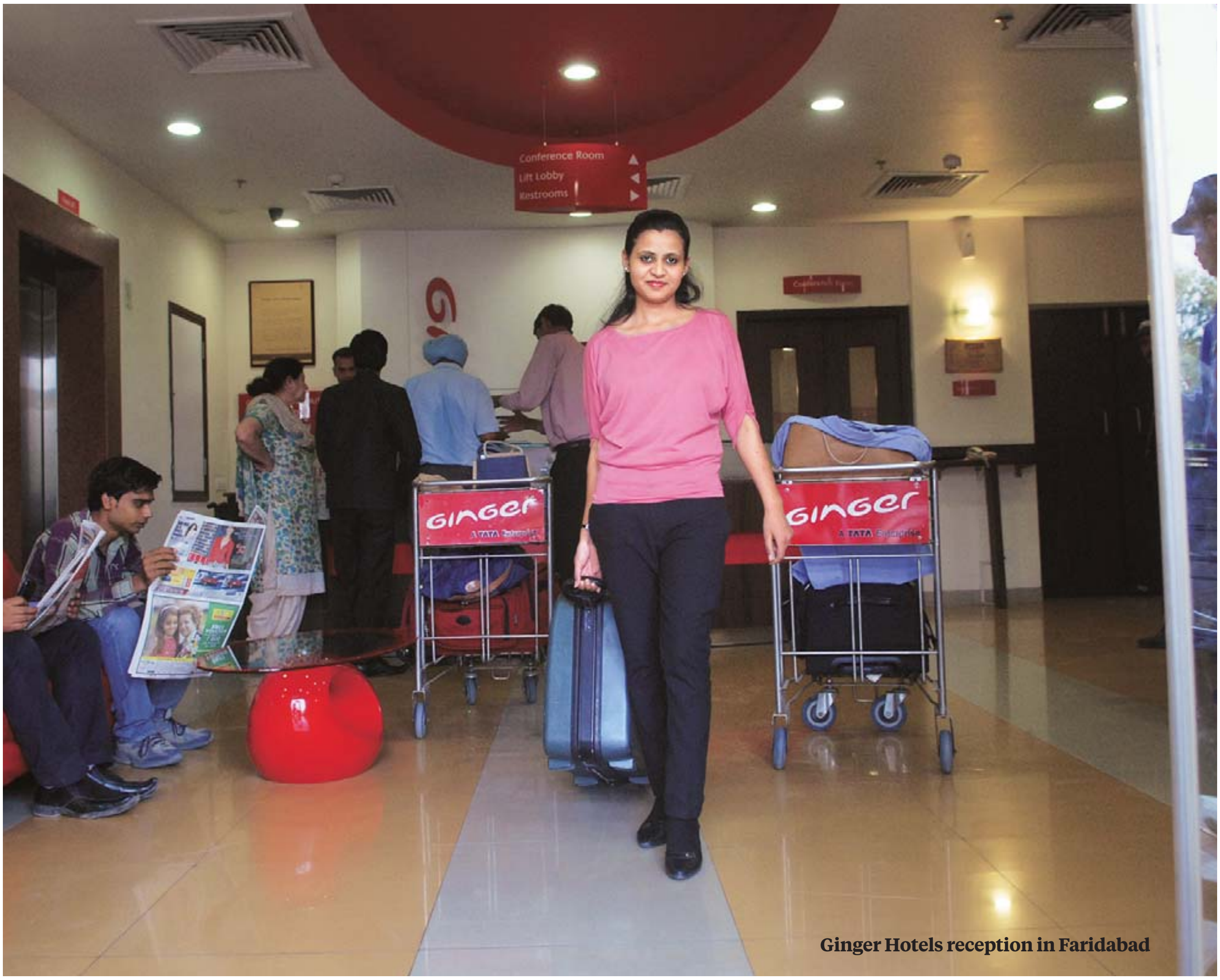
Traditional recommendation engine often works like spam. Guided search should work on pull mechanism rather than push mechanism. So if there is a shopping application, you should ideally get the personalised choices only when you open the app.

The other issue is dealing with cart abandonment. One way to tackle this is to offer real-time coupon codes — such as a 20 per cent off if you shop in the next 15 minutes. "E-retailers need real-time, onsite marketing and personalised coupons. With the help of analytics, it is easy to know how many people visited the site, from which location and when they bounced off," points out Avlesh Singh, co-founder & CEO at **WebEngage**, which provides on-site customer engagement tools to major e-retailers such as Flipkart, Myntra and Jabong.

Webengage enables websites to target users leaving sites through leave intent-based targeting that detects mouse movements of visitors. A pre-configured survey/notification pops up the moment a user is approaching the browser's close button or moving to a different tab in the browser window.

Komli Media, a digital advertising technology platform, uses a client's product catalogue feed to create personalised ads to retarget users. For instance, a user expresses her interest in buying a product through Myntra.com but does not make a transaction. Komli's remarketing demand side platform monitors this and when the customer visits any social site next time, the ad of this particular product pops up alongside her profile. This increases the company's chance to convert the visitor into a customer. Says Ashwin Puri, VP, remarketing & mobile, Komli Media, "We match user's browse history and use that data to surface relevant ads."

These are just some of the ways smart e-retailers are using technology and the data at their disposal to hang on to customers and urge them to spend more. The thing to remember here is to stop before you become pushy. Experts contend that while analytics can help in targeting the consumers and customising options for her, e-retailers must understand that customers want to be guided, but they don't want to sacrifice the experience of shopping. Also remember, narrow personalisation is not just something you sprinkle on your website landing page. It goes beyond inserting a customer name at the top of a web page or e-mail. It should be a business strategy — one that takes into account not only who the customer is but what she likes, what she doesn't like, when she wants to hear from you, and when she doesn't. To be most effective, guided discovery is ideally managed from a single integrated platform that makes it easy for you to deliver a relevant experience across all customer interactions, through the entire customer lifecycle.



Ginger Hotels reception in Faridabad

Great value stay

No-frills hotels are poised to drive growth in the hotel industry in India. Here are some lessons on how to stay lean

ROHIT NAUTIYAL

Merwin Thomas is director of sales at a mid-sized consumer goods company. He is entitled to business travel and five-star stay on official trips but in a slowdown-battered economy he has decided to avoid any such ostentation. If he has to travel, he chooses to fly a low-cost airline and stay at a no-frills hotel.

Just look around you. You will see this is a growing tribe — people who have a fair idea of what star-rated service companies can offer but opt for more "value" options to avoid running up a huge bill. And it is this category of consumers that has been driving the growth of the no-frills or budget hotel segment in India like many other parts of the globe over the past few years.

Consider this. Last year, hotel supply across major cities witnessed a growth of 15 per cent; while the premium and mid-sized segments have slid by eight per cent and four per cent respectively, the budget segment has grown by five per cent. A range of international players like Starwood, InterContinental Hotels Group (IHG), Marriott among others have thrown their hats into the ring. As a result, the number of rooms went up from 71,531 in 2010 to 84,313 in 2012, according to a report by global hospitality services company HVS.

We spend 50% more on employee compensation in India

DOUGLAS MARTELL
VP, OPERATIONS, SW ASIA, INTERCONTINENTAL HOTELS GROUP

This trend has great significance for the so-called budget segment of the hospitality business. It means to compete successfully they have to up the level of their offering to a certain level and still keep the prices below a threshold limit. Not an easy thing to pull off but there are brands that seem to be making the cut.

To understand how they are doing it, we have to first understand the cost structure in the business. Broadly, the cost of running a hotel can be broken down under two heads: infrastructure (60 per cent of the cost on an average) and food and beverages (40 per cent). Infrastructure is largely a fixed cost and comprises things like the establishment cost, décor, staffing, security, house-keeping etc. Food and beverages, though the smaller element in the mix, can really make or break a hotel brand.

Analysts say that there are only so many things a hotel brand can tinker with to keep the costs down. Décor and staffing are the first things that come under the scanner; and then the restaurant business — if one can do away with it one can slash 40 per cent of the final price in one stroke. The smart thing is to not do away with any of these elements completely; the formula is to offer more spartan amenities, and, if you can, stay away from the hustle and bustle of high street.

One answer is outsourcing

The first brand to offer a no-frills experience was **Ginger Hotels**. Started in 2004 by Tata Group, Ginger Hotels aimed at offering a slice of branded experience at an affordable price. With tariffs as low as ₹1,000 then, this could only be achieved with a tightly managed cost-led model. Keeping the tastes of Indian consumers in mind, the hotel chain realised that room service and 24x7 coffee shops are indispensable even in a budget hotel. While the in-house restaurant took care of breakfast, lunch and dinner arrangements, Café Coffee Day was roped in to set shop in 16 Ginger properties. Besides, guests had and still have the option of ordering food from restaurants in the vicinity without paying any convenience fee to the hotel.

The year 2009 was a landmark in the brand's history. To focus on expansion, the hotel chain decided to outsource services like security, engineering, housekeeping and catering. Initially outsourcing looked like a challenge and opportunity at one go. Says PK Mohan Kumar, CEO and MD, Indian Hotels subsidiary Roots Corporation, the company that operates Ginger Hotel, "We realised how only a handful of regional vendors could provide quality services consistently. Left with no option, we worked with a range of vendors across different markets. Budget hotels are in constant need of one or two vendors who can manage their facilities in different locations."

Taking a step in this direction, the company has roped in international facility management companies ISS and OCS last month. Going forward, certain services across all Ginger Hotels will be managed by these two companies. Kumar says while outsourcing has not made a significant difference to the final cost, it has certainly helped the company scale up faster. **RedFox**, part of Lemon Tree Hotels, follows a similar model and has also outsourced security and some components of the house-keeping function.

The other is spartan amenities

As part of a partnership with Duet Hotels, **InterContinental Hotel Group** launched its no-frills hotel **Holiday Inn Express** in Ahmedabad last year. With rooms priced between ₹3,500 and ₹4,500 a night, the hotel offers limited services. For instance, there are no porters to car-

EXPERT TAKE

Tips to run a no-frills hotel successfully

- Cut down on your capital expenditure by opting for a lease contract. Half an acre is good enough to build a budget hotel
- It's wiser to take space inside a commercial complex. Retail rentals drop beyond the third floor and so it is easier to negotiate prices for the lease contract. Space can be evenly distributed across different floors. This way one can also save on the additional cost of setting up a restaurant or outsourcing as guests have the option of walking to a restaurant within the complex
- Due diligence should be paid in creating the right design for the hotel, especially for rooms. No need to waste money on building an impressive facade
- Expanding your footprint will result in profitability as the hotel chain will be able to attract bulk corporate deals

KAUSHIK VARDHARAJAN
MRICS, MD, HVS Global Hospitality Services - South Asia

ry luggage for guests and room service is extended on special request only. And so Douglas Martell, vice-president, operations, South West Asia, IHG, was not surprised to see the mixed reactions of the first few guests in the early days. "At the outset there were apprehensions about our business model as people in this country take room service for granted. We also learnt how free breakfast and fast internet speed are great value propositions for the Indian consumer," he says.

IHG's market research established how Indians are obsessed with food and usually eat at odd hours. Really odd even if you compare with even a neighbour like China, the fastest growing hospitality market in the world. There, the average dining time is 6:30 pm, whereas in India its can be any time between 8:30 pm and 12 midnight in India. "In other markets, we would not worry about having meals delivered to rooms at Holiday Inn Express. But here we have a partner restaurant to serve lunch and dinner. This doubles up as a 'grab and go' counter serving snacks," he says. IHG's Generation Interviews (a survey conducted by interviewing people from different age groups) proved how the younger generation is receptive towards new concepts and brands in hospitality. On the contrary, older people are not open to changes in how evening meals are served.

The guest-room to employee ratio at Holiday Inn Express is 1:0.35, whereas in a full-service set-up it is usually 1:2 or 1:4. This has helped the hotel save a huge amount on staffing cost. Martell shares how the experience of building the brand in China came in handy when the group decided to launch Holiday Inn Express in India. In China and, in fact, the world over, IHG spends 50 per cent less on employee compensation when compared to India. The only way out is to drive efficiencies in operations and this is where training comes into the picture. All the employees are trained to handle a range of jobs.

Typically, a hotel employee in India spends five years in the same job profile. While multi-skilled employees bring down the cost of manpower for the hotel, a system like this also improves their prospects in the job market. "Despite these efforts, labour costs for IHG India increased by 12 per cent last year. So we have a long way to go. Also, labour market will become competitive with hotel chains poaching for talent more than ever. Going forward, we will hire for personality and train for skills," adds Martell.

Talent retention is a major challenge for no-frills hotels even as they hire fresh graduates who are expected to stick around to gain experience. "Unfortunately freshers pick up skills and take early exit for lucrative offers. One reason for this can be the low compensation in the budget segment when compared to mid-premium or luxury hotels," says Kumar of Roots Corporation.

In sum, the basic strategies to run a no-frills set-up successfully or the challenges before them are much the same as in any other business. It is also true that keeping a tight leash on costs is no rocket science. But as an owner there are two things you should always be thinking. The first is whether you can find ways to do what you are currently doing more efficiently, and that boils down to ergonomics, work flows and scheduling, investment in the right kind of equipment (energy-efficient for one), and being able to constantly spot the inefficiencies and reason out a better method. The second is, you need to be able to see what is there right under your nose—most hotels see a flurry of improvements at one go and let things chug along until the next thing falls apart. That's a mistake; keep looking for the small issues that need to be fixed so that they don't blow out of control and throw all your cost calculations awry. A programme of continuous improvement takes a mind that can spot potential and opportunity as a matter of course.

Room service and 24x7 coffee shops are indispensable even in a budget hotel

PK MOHAN KUMAR
CEO & MD
ROOTS CORPORATION

Canon India's executive vice-president Alok Bharadwaj (front left) briefing a multi-disciplinary team from Dentsu India on a new campaign

No more Chinese whispers

Silos in network-run agencies can come in the way of creating effective communication in the age of short deadlines. Here's how advertisers are taking control of the creative process

ROHIT NAUTIYAL

Even until 10 years ago, the internet was just breaking into the mainstream and relatively few advertising agencies used computers in the workplace and few business and home computers had reliable internet connection. Creative deadlines were routinely in the neighbourhood of 90 days. They had to be: disseminating information about deadlines was slow, research was tedious and required trips to libraries, shipping hard copies of creative drafts was cumbersome, and above all, getting the creative juices flowing was not as easy as turning the ignition to start a car. Plus, advertisers felt there was an element of fundamental fairness in giving creative hands reasonable time to think about what they're doing, solicit planning input, identify suppliers and so forth.

Increasingly advertisers appear to have lost interest in being patronising towards their agencies. The reasons range from responding to the competition in real time to cashing in on televised sporting events and tweaking the creative for different price points from time to time etc. Agencies now have to turn in their creative product much faster. Explains brand expert Harish Bijoor, "The shortening of the life-span of brand communication has added to the marketer's deadline woes. Today some agencies we collaborate with have to release new ads in three weeks flat."

But there is a problem. "Many network

agencies in India and abroad operate in silos. How can one talk about integration and be disintegrated in structure?" asks Rohit Ohri, executive chairman, **Dentsu India** group. Any large network has several layers within the same function (servicing, planning or creative) where people follow rigid processes that are a part of that group's legacy. While the multi-layered working style may help agencies in preventing turf wars between different functions, it can become a hurdle in the way of creating effective communication for the advertiser whose deadlines are shrinking by the day. This sometimes makes potential clients, who think cracking a new campaign should be as smooth as shopping at the Apple Store, irritated: "What do you mean you can't get the creative sorted before the IPL?" "We don't have the wherewithal to do it in four weeks." "That's non-negotiable! I'm ready to pay."

From the advertiser's point of view, therefore, taking control of the creative process is the top-most need of the hour.

Old is not always gold

Let us understand the traditional processes in advertising, which is still prevalent in many network agencies in some form. First the servicing department gets the brief from the client; after adding its inputs it passes on the brief to the creative team. At this stage, all the stakeholders of the account within the agency — in servicing, creative and planning — come together to share their thoughts. Once a consensus is reached about the best way forward — often after a few more meetings with the client — the creative team is expected to start work on the idea.

This approach was a waste of time. Agency folks agree that the whole process from generating ideas to final execution need to be streamlined to offer clients best value in this era of competition. The agencies that will succeed are the ones that realise that circumstances on the ground have changed and they have no alternative but to adapt to the new environment. It's a survival issue. As Raghu Bhat, founder director, **Scarecrow Communications**, puts it, "Every agency must devise a system to exist in this new reality." One answer to this problem lies in working with a multi-disciplinary team at the same time. This will leave no room for Chinese whispers between servicing, creative and planning. While Indian independent and some network agencies like Ogilvy & Mather, Dentsu and Leo Burnett have been servicing their clients in this manner for quite some time now, in recent years, there has been a surge in the number of advertisers that are asking their agency partners to dismantle the layers and follow a more open system. Big ticket advertisers like Nestle, Dabur, Coca-Cola and DLF are already working in this fashion. They realise that when functions are overlapping and insights are difficult to come by, a great idea cannot be the exclusive preserve of the creative department.

The walls are collapsing

There are a whole host of things that are working together to pull the walls down. Over the last decade or so, the industry has seen creative people coming out of the planner/service executives' shadow with clients choosing to deal with them directly. Many companies have hired servicing talent from agencies to fill marketing positions. Among them are Bharat Bambawale, who was global team leader heading Unilever Hair account at JWT, is now with Airtel; then there is Mohit Beotra, ex-executive director at Lowe Lintas, who is also with Airtel now; Ajay Naqvi, who was EVP, Mudra (North and East) is now on the other side with Coca-Cola. With experienced servicing staff available in-house, companies can save on time and money by dealing only with the top creative guys at agencies for their communication needs.

At the same time, it won't be fair on the part of clients to expect their resource-strapped agencies to get rid of hierarchies instantly. Arvind Sharma, chairman of Indian sub-continent, **Leo Burnett**, points out, "While working with a multi-disciplinary team can fast track the creative process, it may bring a sense of less clarity and responsibility. A transition like this can be fun for some and difficult for others." But then, he agrees, the agencies will have to come to terms with this new reality sooner than later. This trend does not indicate that client servicing profiles are redundant. On the contrary, advertisers regard servicing or planning resource in high esteem given their critical ability to bring new insights to the table.

THEN & NOW

CIRCA 2005

Stage 1: Servicing team is called for briefing by the client

Stage 2: The brief is put together by the servicing team with additional inputs

Stage 3: Creative team gets to see the brief for the first time

Stage 4: Popularly known as the 'Day of Dissent', this is when servicing, planning and creative teams sit together to thrash out the idea

Stage 5: Servicing team goes back to the client to seek clarity

Stage 6: Creative team starts working on the campaign

There are some dos and don'ts that

CIRCA 2013

Stage 1: Agencies send multi-disciplinary teams to clients for receiving campaign briefs.

Stage 2: This new high involvement approach results in the agencies cracking briefs in five days. It leaves no room for any misinterpretation on the part of the agency

Stage 3: Higher satisfaction level amongst advertisers as they are able to utilise the time saved on coordinating with their agencies. Evidently, the number of stages are down by a third

- Advertisers claim this can cut down cycle time by as much as 50 per cent and costs between 15 and 30 per cent

advertisers should follow to ensure efficiency. First, to avoid confusion, an advertiser should always share the campaign brief with the agency in a written form, via email if you really want to crank up speed. As of now, a large number of clients do this over the phone. This exposes the brief to the interpretation of the listener. For new campaigns, a marketer must insist on meeting a team of people working under different functions and not only the account director or
business head.

The benefits of integration

Some agencies have taken the walls down; many others are working on it. Piyush Pandey, executive chairman and creative director, South Asia, **Ogilvy & Mather India**,says, "At Oglivy, we never subscribed to the assembly line creative process in which each function takes its time to work on an idea. Sending a multi-disciplinary team increases involvement and we have been doing this for more than 15 years now."

But how does the advertiser ensure it has got the best representative team from the agency? Here's how a few are trying to sort things out.

Take Manmeet Ahluwalia, travel portal **Expedia**'s head of marketing, who says he walks the fine line between allowing creative freedom to the agency (Lowe Lintas) and taking full control when required. He spends this time of the year in devising the right communication strategy to be implemented for the rest of the year, starting with the holiday season in April. Explaining the significance of effective communication, he says, "In travel, it is the service and not the product which is the differentiator and communication can make or break a brand." In February last year, Expedia launched its first TV campaign in India dubbed 'The one world for travel'. Since then, various cuts of the two ad films shot in Singapore and Kerala are being aired by the company. A new cut is created every fortnight by adding a fresh voiceover and super for new product launches and travel deals. Depending on criticality of the campaign, Ahluwalia speaks to the business head or the creative head at the agency directly. This saves time which would be wasted if he was to follow the traditional system of routing queries through servicing.

Bottomline: The agency and the client need to work seamlessly to churn out multiple ads across TV, print and online round the year.

Kohinoor Speciality Foods India, an 85:15 JV between $3.3 billion US-based McCormick and Kohinoor Foods, and among the biggest spenders in its category, is doing something similar. After roping in Scarecrow Communications as creative partner, it is more than happy to jettison the traditional creative process for a far leaner system. Shishir Mishra, director, marketing, Kohinoor Speciality Foods, says, "Consumer market segmentation is becoming a challenge for companies across various categories of products and services. By working with multi-disciplinary team, we have cut the time spent on creating communication by 50 per cent."

But challenges remain. First, it's human nature to resist change. On the condition of anonymity, many senior hands in creative and planning told **The Strategist** how even today, their colleagues in servicing do not welcome the idea of taking the creative types along for client meetings. Sharing his experience, an independent agency head who was earlier a creative director with a Top 10 agency, explains how small delays tend to turn into big ones. "Once a client wanted to zero in on a print creative," he says, "the servicing team did not know the cost of printing the visual offhand. Had he taken an art director to that meeting, the approval would come instantly and not after two days, as it happened."

So there you have it. Slow food might be a virtue, but slow decision-making and creative throughput clearly aren't. As they say, "Chance favours the prepared mind." We could repurpose it to, "Short deadlines favour the integrated agency."

MAKING MONEY IN THE FREE APP ECONOMY

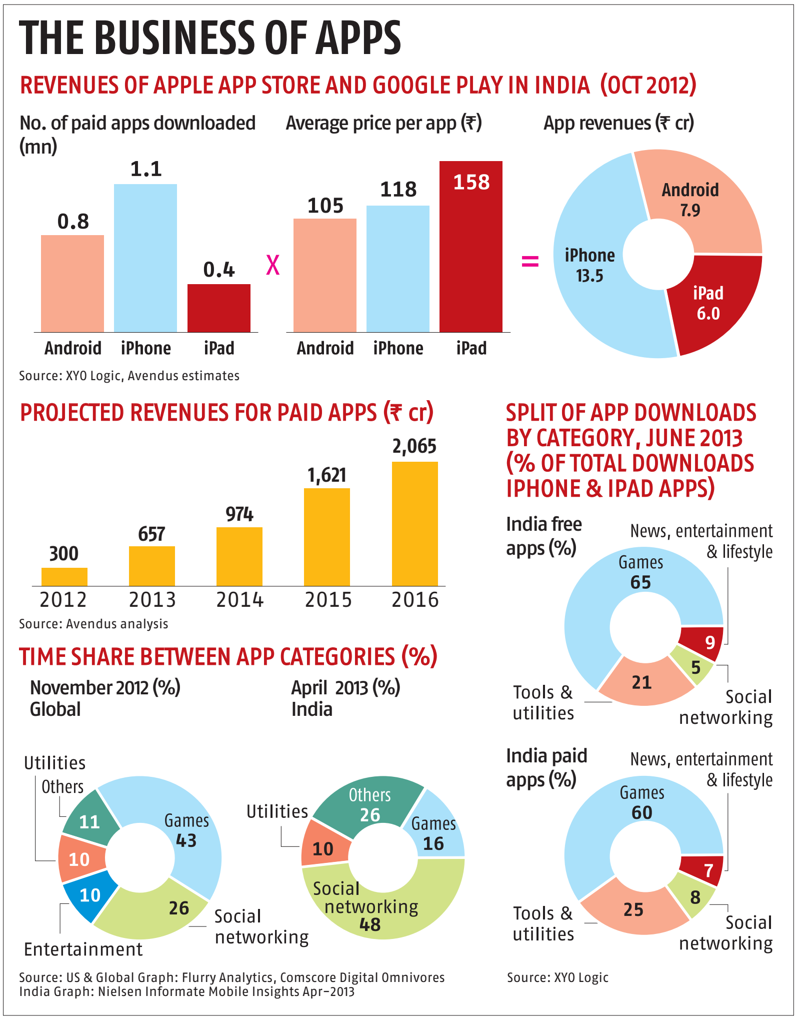
Over 90 per cent of the users prefer free apps. So why are publishers and developers cheering the growth of the app economy?

MASOOM GUPTE

To go from being non-existent just five years back to being one of the most widely recognised and spoken about industries requires a special something. The applications or app industry has more than its fair share of specials. Poised to double its global revenues by the end of this year to $26 billion and attract 102 billion downloads annually as per Gartner, this industry is fast looking like the proverbial hen that lays the golden eggs.

The numbers tell a story: In 2012, of the total downloads worldwide, 57,331 million were free and only 6,654 million were paid for. In percentage terms, this means that of the total downloads, 89.6 per cent were free as per Gartner. And by 2017, this number is estimated to rise to 94.5 per cent.

This shift in the app consumption pattern, from paid to free, is attributed by industry players to the rising popularity of Android. Apple may be responsible for introducing the word 'app' in our daily lexicon, but Google must be credited for popularising it, at least partly. Analytics firm



Flurry that tracks the apps industry writes in one of its blogs, "Conventional wisdom (backed by a variety of non-Flurry surveys) is that Android users tend to be less affluent and less willing to pay for things than iOS users. Does the app pricing data support that theory? Resoundingly. As of April 2013, the average price paid for Android apps (including those where the price was free) was significantly less than for iPhone and iPad apps." The average prices as quoted: $0.06 for Android, $0.19 for iPhone and $0.50 for iPad.

India, with its skew towards Android, will follow in these footsteps.

The proportion of paid app downloads in India is already similar to that of global benchmarks, with 9.6 per cent of Apple App store downloads and 0.5 per cent of Android downloads being paid for, according to **Avendus Capital**'s India Mobile Internet Report. "While we are still an evolving market for apps, over the next 12-18 months, the paid model would be decidedly over for us too," opines Manish Agarwal, CEO, **Reliance Entertainment Digital**.

How can this fact be then interpreted to explain the workings of the 'app economy', set to be about ₹2,000 crore in revenue terms by 2016? On one hand, you have the obvious consumer preference for all apps free, if numbers are to be believed. And yet, the revenues are firmly on the growth path. The question then is, where is the money coming from? If the consumer is unwilling to pay for the app, how is the industry making the money?

There isn't one single answer to that question. Within the app economy, developers are faced with various choices with regard to monetising their apps. Some choices are surely gaining more popularity than others as the industry's contours get highlighted better. And the app store owners, mainly Apple and Google, are setting the ground rules.

Paid versus free

Before we try to unravel the app economy, let us classify the app universe first. The three sides of the app triangle are formed by the developer, publisher and the platform. As a developer, one may have an original idea and design one's own app. But one may lack the monetary muscle to back its listing on the app store with requisite marketing dollars to aid discovery of the app. Developers then approach publishers, entering into a revenue sharing agreement with the latter. It may be a straightforward revenue share or certain key performance indices may be set, like X number of downloads, post which the agreement would kick in. These revenues are naturally shared post the platform or app store taking its cut.

Next, what are the options?

First, there are the brand or company apps delivering a service or working as an e-commerce platform (consider the banking, trading, retail and e-tailing players). These are almost always free. Their nature is to engage with the consumer and generate revenue. Next you have social networking apps, which are again mostly free (a few like chat app What's App are paid). Then there are utility, lifestyle and gaming apps. This is where concerns over monetisation surface and the discussion about the 'choices' begins.

So how do I choose?

The simplest one is to be a paid app. The app store will charge a revenue cut of 20-30 per cent for every download. So, if your app is priced at ₹100, the app store will take ₹20-30 per download, returning the rest to the developer (technically returning, since the user is paying the app store at the time of the download).

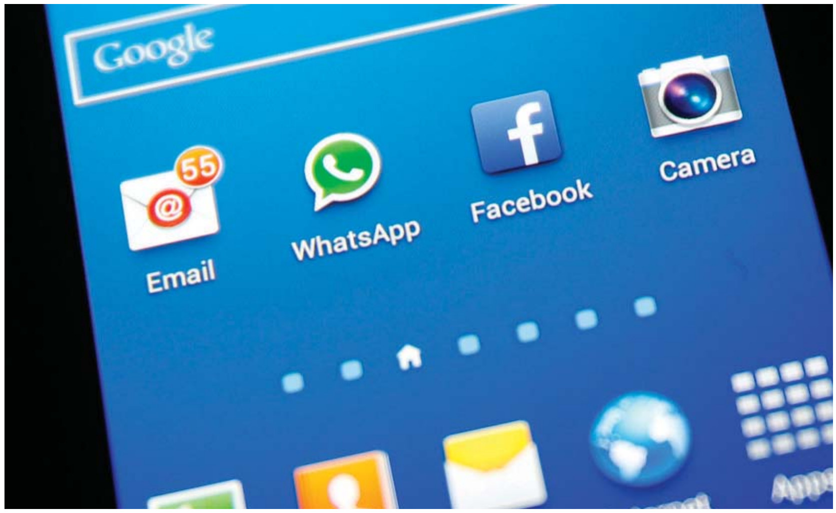
The Avendus report says the average price of a paid app in India is ₹100. Browse through the app stores and you could find apps priced as high as ₹600-700 even. These apps come with prices that are simply converted to match their global prices.

"When an app is developed in one market, it cannot automatically be replicated in another. There can be legal constraints or even cultural considerations. Only at times when you know that the downloads would possibly not provide the volumes, that you may consider introducing the app as-is, without any tweaks, technical or monetary," says Sunil Chavan, ex-CEO, **Metasys Software**.

That brings us to the rest of the app universe. The model finding widespread favour is the 'freemium' one, where the customer downloads an ad-supported free app with limited features with the ability to upgrade to the full functionality ad-free app through a paid upgrade. Consider Instagram, the picture sharing app and its allied app universe. Other apps like Instacollage and Instaeffect provide users with additional tools for editing their pictures. These are free apps with banner ads. The only way to get rid of these irritants is to upgrade. Racing game fans could understand the concept better in terms of the light (free) and pro (paid) versions.

According to Kundan Kumar, director, **AdStuck Consulting**, a developer of apps and software on augmented reality, if an app gets about a lakh downloads and chooses the banner advertising option, the developer can easily make around ₹2,000-3,000 for each download every month. If you choose to load up the app with feature-rich, video ads, you stand to make around ₹50-70 per view. This model is similar to the way video advertisements on YouTube work. Only if a viewer sees the entire ad, will the advertiser pay YouTube. The rules are more flexible for apps. One may work out terms with advertisers, ascertaining a minimum view time. Like, say, the user must view the advertisement for at least five seconds.

To circumvent this user apprehension with regard to viewing advertising, there is a carrot you can dangle in the form of incentivised advertising. Agarwal of Reliance gives the example of a game it is developing, Real Steel World Robot Boxing. "If the user is unwilling to pay for an upgrade, we will give him the option of viewing an advertisement. And for viewing it, he will be given a certain number of coins to be used for the upgrade." He adds



that this is a fairly common trend internationally and will work just as well in the Indian market.

The revenue generated via advertising is also shared with the app stores. Apple and Google have their own ad networks, iAds and AdMob respectively. These networks connect advertisers (brands/companies) with publishers (app developers) selling inventory space (banner advertisements in apps). Additionally, app developers can sign up with independent ad networks like InMobi, Komli and Vserv to attract operating system-agnostic advertising.

The alternative to the 'freemium' model is, you keep the initial download free and as the user gets hooked — the word to better explain the user's state of mind would be 'addicted' — ask him to pay for higher levels. Even some of the features may be withheld in the lower levels and the complete experience may be unlocked only in the higher levels.

A model to consider would also be to charge differently for versions across devices. Like keep the mobile one free and charge for the tablet or desktop version. As Chavan of Metasys Software says, at some point the user is bound to get tired of the smaller screen and move to a larger one.

And then you have the in-app purchases. Remember Farmville on Facebook that made farmers out of avid city dwellers, who bought goats and cows zealously for their virtual farms? Those goats and cows are the equivalent of in-app purchases. Consider the current rage, Candy Crush, the jelly bursting game. You can download it for free and play till you exhaust your five lives. Post that, you must either purchase additional 'lives' or undergo the excruciatingly painful few hours, while your 'lives' get refilled. This is just one example, of course. The in-app purchases could come in many forms, coins, points or even create online-offline synergies like Angry Birds did, linking purchase of in-game coupons to be exchanged for offline merchandise. The biggest incentive for opting for the in-app purchases is being able to bypass the revenue sharing clause with the app store.

So, if the app is free and uses in-app purchases, what is the incentive for the app store to list it? Why would they still welcome a non-money making app into their fold? Simply because of the numbers. We live in an app-world where it no longer matters if as an app-store you got something special. It is more important to ensure that you got everything that competition has. A fundamental rule of marketing really.

And as Kumar says, apps are also indicative of the shortcomings of the mobile handsets in a way. Take the example of the torch app that was quite popular for Apple iPhone users until a couple of months back. In the latest OS upgrade, the iOS 7, Apple finally introduced a torch feature at the click of a button, making all those app downloads redundant. As an app developer you may be giving the phone manufacturers cues on what next, albeit unknowingly.

HR MANAGEMENT IN RETAIL

The growth in Indian retail has brought in its wake fresh challenges for HR. Here's how the leaders are dealing with them

ABHILASHA OJHA

There is a rule in business that if you are not growing, you may be dying. But grow too rapidly and you may still find yourself on the fast track to the business graveyard. That will happen if you are not alert or constantly looking out for the speed bumps that will come your way when you are riding on a highway at top speed. Typically, the growth challenges relate to outgrowing the infrastructure, losing talented people, stretching the human capital resources too thin, attracting new competitors and flagging customer service.

These are also the challenges that face the retail industry in India today as it whizzes along on the fast lane. Being a labour intensive industry sector, workforce management has emerged as the single biggest task for human resources managers. Companies are being challenged to reorganise and adapt their employees to become more efficient. The Deloitte Changing Times, Changing Roles report 2013 sums up the key concerns for HR as hiring skilled talent, retaining critical talent and engaging and motivating employees.

Before we get into the specifics, here is a glimpse of how the industry has grown so far. At $450 billion (or ₹20.85 lakh crore, according to an April 2013 Deloitte Touche Tohmatsu study), it contributes 14 per cent to the national GDP. The sector employs 7 per cent of the total workforce and is the second largest employer after agriculture. Organised retail, which is about 17 per cent of the total, is expanding rapidly at 20 per

SWOT ANALYSIS

Strength	Weakness
Impressive industry growth rate MNCs would bring in robust practices in the industry Industry encourages innovative HR practices to engage employees Institutes having retail market understanding being closely involved in the sector	Deficiency of skilled and experienced professionals especially at the middle and the senior level management High attrition, around 50%, leading to focus on continuous recruitment Continuous need towards skill development of employees

Opportunity	Threat
Potential to generate employment: It accounts for around 8% of employment Creation of 10 million jobs in 10 years. Second largest employer after agriculture Attracts large pool due to minimum qualification requirement of 10+2	With the opening up of the sector, creation of enough skilled workers to cater to the demand is crucial Career progression is a challenge as a majority of the workforce is young and expects good progression Attractive compensation at all levels is a critical factor

Source: Deloitte secondary research

cent per year, compared with traditional retail where growth is pegged at 7 per cent. This growth is driven by the emergence of large-format retail outlets and shopping malls.

Such scorching growth has meant there is a huge shortage in skilled manpower. It doesn't help that employee churn is quite high in the sector. Company heads and experts that **The Strategist** spoke to reckon that the attrition level in the retail sector would be around 70-80 per cent, and even higher in some cases. Globally, the attrition rate is 30-40 per cent.

The situation gets complicated when you consider how the workforce is deployed. In most companies, 80-90 per cent of the staff is employed at the front end. A majority of the staff that represents this front end — where the consumer actually interacts with the brand — is from economically weaker sections and needs thorough product knowledge and training to be able to understand the consumer needs and address them effectively. A senior executive at a popular apparel retail brand explains it well: "That branded dress you purchase from the store at a glitzy mall would cost the same as the monthly grocery bill that the sales person's family would run up. Imagine the disconnect!"

Also, retail is a thin margin business compared with other service industries where the rewards and dividends are far higher. So, the task of retaining key people becomes all the more difficult. Experts say most of the attrition happens in the first year when bulk of the training is imparted. Which means a lot of training money simply goes up in smoke.

The task of attracting the best people and keeping them happy is big enough to keep every HR head awake at night. Of course, players are learning the ropes and reacting fast. Here are some lessons from the recent experiences of the big boys in Indian retail.

Planning is key

Spencer's Retail, the ₹1,400-crore food and grocery chain from the RPG Group, faced two sets of issues when it decided to shift tracks some eight years ago. The first related to downsizing, which required retooling the workforce and the second concerned expansion of its repertoire, which needed a different kind of training altogether.

Around 2004-05, just when the sector was beginning to take off, the company embarked on an expansion spree opening new and bigger stores in newer and bigger markets. In five years, as the market turned competitive and growth slowed down, it had to take the harsh decision to cut the flab. As it began closing down outlets in markets where business was indifferent, the company realised that it had more people on its rolls than it actually needed.

By 2010, the company had calculated that roughly 250 stores had to be shut down in a span of nine months. Which meant 4,000 employees had to make an exit from the company. Spencer's decided it would go the extra mile to ensure employees did not feel deserted.

"We realised that though we hired hastily, we could not fire hastily. It had to be done with a lot of care," says Nihar Ranjan Ghosh, executive director, Spencer's Retail. So a damage control exercise was devised. First, the company created cross functional teams to identify and retain the top performing employees at the front end. Second, it had "frank, transparent" one-on-one discussions with the staff that was being laid off explaining why it had to take such a step. Third, the employees, depending on the grade, were given anywhere between 30 and 90 days to look for a new job.

During this time, Spencer's arranged for specialists to come to the stores, train this laid-off workforce and help them update their resumes. The company made a special request to its recruitment agency to ensure all its employees get placed elsewhere. Many of the internal managerial staff were asked to refer these employees. By the end of the first month of this exercise, roughly 1,000 laid off staff had secured jobs in other companies. Spencer's also decided that when it would go into the hiring mode later, the first right of refusal would be given to employees who were asked to leave the company.

A big task, according to Ghosh, is to understand how a lay-off can affect a person psychologically. “These were people who came from an economically challenged strata of the society. Merely asking them to go with a severance package would have been unfair and we didn’t want them to feel they had some shortcomings,” Ghosh explains. The exercise of hiring specialists, training the laid off staff and connecting them with recruitment agencies cost the company an additional ₹60-70 lakh (over and above the severance packages that were given), but the company says it was a worthy cause.

But its problems were far from over. While Spencer’s was getting out of unviable markets it also realised the time was ripe to look beyond the food and grocery format. It got into apparel but found it was a completely different ball game.

The people attending to the food and grocery section (who only needed to ensure stock supply, address grievances, keep the store spic and span) now had to interact more intimately with the consumer who would ask questions about design, cut and fit of garments etc, all of which required a different kind of expertise. As its complaint boxes began to fill up, the company roped in Pearl Academy of Fashion to devise a training programme specifically for the Group, which made all the difference.

Training has been a big area of focus for the **Future Group** as well. With 90 per cent of its staff comprising the frontend workforce who face consumers as part of their daily routine, training has become the key tool to build employee confidence and improve sales. “Given the high attrition rate in this sector, our endeavour is to nurture employees for the long term and ensure their commitment leads to outstanding professional growth,” says G R Venkatesh, head, People Office, retail businesses, Future Group.

Sometimes, however, the best intentions can backfire. The Future Group realised a standalone training programme doesn’t help — in fact, it increases churn as the trained people quickly begin to look out for ‘better opportunities’ outside. What is required, says the company, is marketing the company to its people and making them aware about their growth path there. So now, with author Devdutt Pattnaik as its chief belief officer, the Group has embarked on a plan to demonstrate to its employees where they fit in in the overall scheme so they feel part of a bigger mission. It hosts off-site programmes and team building exercises more often and in most of its training modules uses examples from Indian mythology to drive a sort of emotional connect between the corporate entity and its people.

While the attrition rate in the retail sector is 40 per cent globally, in India it is as high as 80 per cent

Building emotional connect is imperative, agrees Venkatramana B, president, group HR, **Landmark Group**, because employee disengagement is a direct result of the kind of job retail entails. The front end staff stands for eight to 10 hours at a stretch attending to the customer; those in senior positions feel there is not much scope to grow as the market itself is at a nascent stage. To make things better for the people, Landmark has devised as many as 10 training modules aimed at reducing what Ventakramana calls “infant mortality” or exits within in the first three months. It also continuously looks out for signs of disengagement among workers. When Landmark figured that despite all its efforts attrition was touching 80 per cent some years back, it introduced internal job postings (something that didn’t exist before) to identify existing talent and fill up posts with candidates from within the organisation instead of looking out. “This allowed us to look at the career graphs of our employees more closely and give them a fillip,” he adds.

Sometimes a well-planned move can fall flat on its face. At one point, when the company was looking at ways to cut costs, Landmark decided to hire people on a part-time basis during lean seasons, idle weekday hours and so on. Soon, the management realised that people under this arrangement had zero accountability and were hardly involved in the work assigned to them. “The aim was to ease matters for our full-time employees but it didn’t work,” says Venkataramana.

For electronics retail chain **Croma**, training is top on the check list if only to serve customers better. Ajit Joshi, MD and CEO, Infiniti Retail, says in his category the staff needs to be absolutely thorough in their knowledge of the products and their understanding of customer needs. So, besides offering a training programme that is a mix of on-the-job and classroom sessions, Croma has started sending daily SMS snippets to its employees with updated information about the products, brands, categories that are stocked by the company. One small move that has gone a long way in boosting the sales person’s confidence; it has also ensured the employee feels looked after, says the company.

Evidently, the challenges are many and there is no one-size-fits all formula for success. A lot depends on how proactively firms pick up the warning signals, says Devangshu Dutta, chief executive of Third Eyesight, a retail consulting firm, rather than “plug the holes after things begin to fall apart”.

ROAD AHEAD

Talent acquisition

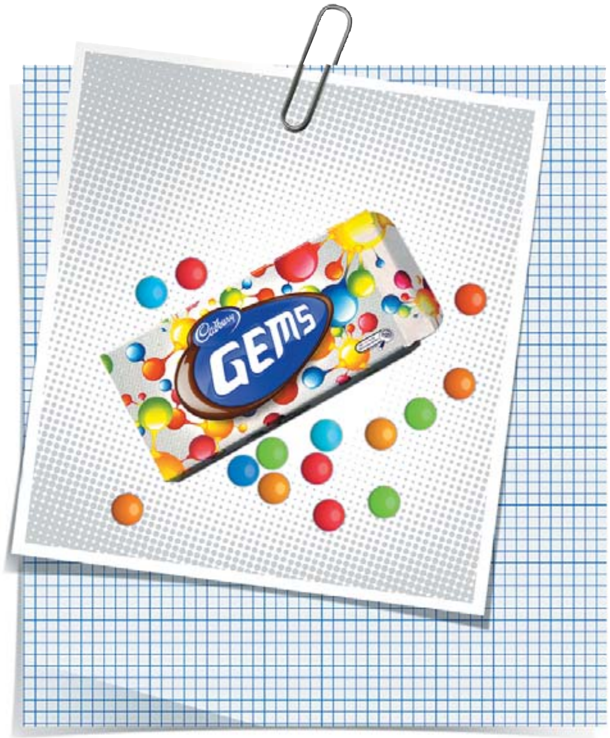
- Hire from tier 2/ tier 3 cities
- Hire permanent staff rather than temporary staff
- Higher level of gender diversity in retail sector

Talent management

- Introduce flexible working arrangements to manage peak season requirements
- Develop alternative channels (etailing, direct selling) as feasible
- Design competitive compensation structures to incentivise employees

Talent development

- Identify high potential performers and investing in their development
- Develop training initiatives and platforms that cater to specific requirements
- Focus on internal upward movement and cross functional moves to ensure retention
- Design career plans for key performers



WHEN THE GOING GETS TOUGH

At this point, two brands — Tata Motors' Nano and Cadburys Gems — are trying to solve the same riddle: how to expand the market without alienating the current consumer base. The job may be easier for one than the other

DEVINA JOSHI

In the early 1950s, Marlboro had a problem. Famous for selling 'Mild as May' women's cigarettes since 1924, the brand was struggling with low sales because of lung cancer concerns among this audience set. It was a limited success, acquiring around 1 per cent market share. Men liked smoking filtered cigarettes because they perceived them to be safer, but they didn't want to touch a woman's brand. Consider this: even the filter had a printed red band around it to hide lipstick stains.

This is when the forces behind Marlboro decided the time for repositioning the brand had come. The result? The 'Marlboro Man' captured everything Marlboro now wished to stand for: manliness. It worked: Marlboro went on to become a power brand.

Repositioning could just be the right cure for an ailing brand that has stuck to a staid formula. Motives could vary from declining sales, to the current target audience no longer being relevant. In some cases, the product itself could have evolved significantly, competition could have magnified, or customers could find your brand 'outdated' – all reasons that scream for a repositioning exercise.

With that in mind, let's look two brands closer home that have opted for makeovers in some sense. The first is **Tata Nano**, Tata Motors' 'people's car' launched in 2009. Chairman Emeritus of the Tata group, Nano's creator Ratan Tata recently admitted that positioning the brand Nano as the cheapest car was a big mistake. And he wouldn't be wrong — Nano was supposed to be a revolutionary concept, an engineering marvel and a game changer. It failed to take off despite the Tata brand goodwill. Initial engine mishaps, quality issues, and most of all, a wrong communication plank ensured the brand was written off from the consideration set of even the 'value' buyer.

The brand now wishes to target the youth.

The second brand on our list is **Cadbury Gems**, the chocolate brand that embodies everything child-like, right from its bright and colourful button-shaped chocolate balls, to its packaging and communication. In 2012, the brand underwent a repositioning — it changed tack to target adults, particularly the tweens and teenagers, telling them they are never too old to love Gems (the 'Raho umarless' campaign).

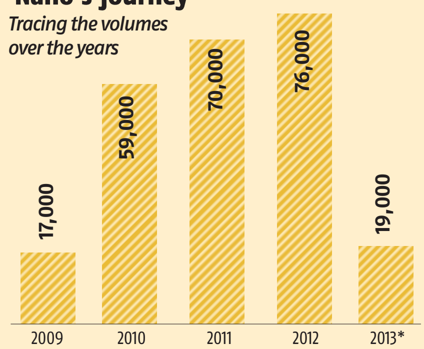
Eyebrow-raising, considering how much Gems is entrenched in consumer minds as a kid's product. Experts point out this could be a result of stagnating sales or possibly, an attempt to go down the same path as predecessor Dairy Milk, which started targeting adults in the 1990s.

Together, the two brands offer a world of insight into the concept of repositioning. When is it a good time to rethink what your brand stands for? Can pricing have a bearing on the fate of a positioning strategy? And most importantly — are you doing it for the right reasons, and in the right way?

THE STORY SO FAR

Nano's journey

Tracing the volumes over the years



* approximate; Source: SIAM

Gems' journey

Tracing the taglines over the years

1989-1991	Non-stop excitement
1992-1994	Zippin trippin fun
1995	Mutthi mein zamana
1996	Smart...very smart
2001	Zabardast action. Non-stop masti
2004	Masti ke rang
2008	Hamara masti ka partner
2009-10	Rangeen panda ki rangeen pasand
2012 onward	Raho umarless

It's all about timing

Going by marketing guru Al Ries, co-founder, **Ries & Ries**, the best time to change a brand's positioning is when things are going well, and when the brand is gathering momentum. "Unfortunately, too many company executives think the opposite: why change something that is working? They wait until things are going bad before deciding to change a brand's positioning. But that is difficult," says Ries, in an interview with **The Strategist**. *(See Q&A on Page 4)*

There's another school of thought, which believes the right time for repositioning is not only when the brand is doing well, but the other extreme — when the brand is in a desperate need for change.

First, let's take the Nano. Positioning it as a 'cheap' product means it was immediately equated with bad quality in the minds of the potential buyers. Its sales have been dipping steadily (see Table 1). In a slowing economy, with high interest rates and fuel prices, Nano sales volumes slipped to below 1,000 units in April, 2013. "The Indian consumer is an aspirational one, and even a two-wheeler owner looking to upgrade will not want a cheap car," says Amit Kaushik, principal analyst, **IHS Automotive**, referring to Nano's target audience at the time of its launch.

The brand is planning a turnaround exercise with new additions such as power steering, fancy wheel covers, remote keyless entry, twin glove boxes, a music system and a diesel variant to target the youth in a 'smart city car' avatar. "It is imperative that we clearly articulate the value that a brand like Nano brings at a certain price point, as opposed to being cheap because there has been a misconception around the price-tag. The new Nano is aimed at a younger, aspiring consumer class and good value does not mean cheap," says a Tata Motors spokesperson.

Its communication, which released recently, 'Celebrating awesomeness', is proof to this effect — a supposed move from 'cheap' to 'decent'.

"Targeting the youth might be the other extreme... the young, bike zone," says Naresh Gupta, chief strategy officer and managing partner of marketing and branding consultancy, **Bang in the Middle**. "This is a 360-degree switch and I'm not sure it will work. Frankly, there seems to be confusion on what to do with the product." Also, with diesel prices shooting up, a diesel variant may not be able to save the day, he says.

Clearly, Nano has a lot of work to do. The brand has, in a sense, compromised the prestige value of owning a car (a matter of great pride in India) in the eyes of consumers, say some industry watchers. While it is commendable that Tata Motors has decided to extricate the Nano from its earlier association with "cheap", it is a matter of debate if targeting the youth — particularly entry-level car owners or bike owners — is the right answer.

Let's understand the category Nano wishes to compete in. The car currently falls in the ultra-low cost or the sub-A segment. So Nano will probably target the A segment (with cars like Alto falling under it). Competing with bikes for attention may be an even tougher job to do, even if it is an affordable upgrade. This would have probably worked better in mature markets like Europe and the US, where bikes are a luxury and an affordable car positioned on the price plank could work well. The concept of commuter bikes, after all, is very South Asian.

"It is easier to change a brand's positioning when it moves from one country to

IN CONVERSATION WITH | AL RIES, CO–FOUNDER, RIES & RIES

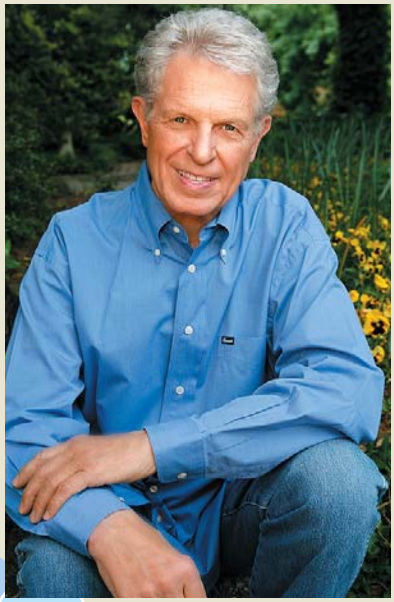
"Change when things are going well"

When is the ideal time for a brand to change/tweak its core positioning?
The best time to change a brand's positioning is when things are going well. When the brand is gathering momentum. Unfortunately, too many company executives think the opposite. Why change something that's working? They wait until things are going bad before deciding to change a brand's positioning. But that's difficult. Look at the Nano. The publicity about the brand has not been good. Things are not working, so now we'll try selling Nano to kids.

On the other hand, Coca-Cola was introduced as a medicinal drink. "Ideal brain tonic and sovereign remedy for headache and nervousness," said the initial ads. And sales took off. Then Coca-Cola broadened the appeal by switching to refreshment. "Drink Coca-Cola. Delicious and refreshing."

Gatorade introduced as a "sports drink," focused on football teams and other team sports. After it had become relatively successful, it switched its focus to a "fitness" drink, appealing to many more people. That tends to be a trend. Start a brand very narrow and after it become successful, broaden its appeal.

In the case of the car from Tata Motors, Nano, Ratan Tata was recently quoted saying that positioning of the Nano as the 'cheapest car' was a big mistake. Do you agree? Does such positioning make transition tricky?



Q&A

I agree with Ratan Tata. You should never position a brand as "cheap." Not that you shouldn't sell inexpensive products. But even an inexpensive product needs a strong positive positioning.

When it was introduced in 1950, the Volkswagen Beetle was the cheapest automobile in the market. But price was never mentioned in the advertising. The focus was on "reliability." Further, the advertising gave reasons why the Beetle was so inexpensive. It avoided the annual design changes that were standard in the automobile industry. Typical headline of a Volkswagen Beetle ad, read "The 1970 Volkswagen Beetle will stay ugly longer." What about the Tata Nano? Positioning the Nano as a youth vehicle doesn't change its perception as a "cheap" car. Actually it deepens those perceptions by suggesting that young people can't afford something better.

Tata should do two things. Figure out a "positive" positioning for its Nano brand. And then change the brand name to heighten those positive perceptions.

Are there examples of brands which have climbed up the ladder by repositioning on the pricing premise?
A category usually starts out at a single price level. Then over time, the category starts to fragment with opportunities at the low end and opportunities at the high end. It's the brands in the middle that tend to suffer.

In America, Walmart focused on the low end and became the world's largest retailer. There have also been successful retail brands at the high-end, including Saks Fifth Avenue, and Tiffany. Sears, once America's largest retailer, is now stuck in the middle of the market. Sales have fallen and the retailer has been losing money.

Many liquor brands have been successful by pricing their brands higher than their competitors. Absolut and Grey Goose vodka, for example. But to make this strategy work, your brand needs to be the first to occupy the high-price position. Absolut was the first high-price vodka brand. Grey Goose was the first 'ultra' high-price vodka brand.

another," agrees Ries, hinting that the Nano probably ought to look beyond India for success now.

Consider these: Beefeater was an inexpensive gin in England, but when the brand was introduced in the US, it became an expensive gin, and a successful one. Corona was a cheap, working-class beer in Mexico. But the importers in the US positioned the brand as an expensive, imported beer. Corona went on to become the largest-selling imported beer in America and one of the top 100 global brands, according to Interbrand.

So clearly, price can be a strong positioning plank in some markets, but ironically, in price-sensitive India, pricing alone can't carry the baton. Coca-Cola, for instance, gave up the ₹5 price positioning after sometime. "Price can't be a long-term positioning premise in India. Else you land up with a Nano," Gupta adds.

Many liquor brands have been successful though, just by pricing their brands higher than their competitors, like Absolut and Grey Goose. But as branding experts put it, to make this strategy work, your brand needs to be the first to occupy the high-price position.

Generally, brands tend to shut up on the communication front if the product has become more expensive. If it has gotten cheaper, the brand might appear as a 'discounted', bargain one — not always an alluring bet in aspirational categories like cars. So playing with price is like playing with fire — one has to be well equipped to carry the act through.

Are the right reasons at play?

The longevity of a brand's presence matters when it comes to positioning. It is difficult to change the perceptions of brands that have been around for a long time. In the US, Coca-Cola is known as 'The real thing.' Yet the advertising for the past few years has focused on 'Open happiness.' "My belief is that most people consider Cola-Cola to be the real thing and few people identify it with happiness," Ries says. On the other hand, recently launched brands don't have such strong identities, so it is relatively easier to change them.

This brings us to Cadbury Gems, a brand that has been around for decades, symbolising childhood, fun, 'masti' and excitement. Sometime ago, Gems launched its Panda commercial to get kids excited about the brand all over again, and even launched a new packaging in a ball-like shape, called Gems Surprise, which included little Pandas as collectibles. So it came as a surprise when the brand started targeting adults as well with 'Raho umarless' last year. Siddhartha Mukherjee, executive director, chocolate category and media, Cadbury India, says, "Gems has always been a favourite offering among kids. The new communication says that you never really outgrow the fun that this brand can provide."

Fair enough, and the move is reminiscent of Cadbury's strategy to grow the pie and target the adult segment in the 1990s with Dairy Milk. What is perhaps different is that Dairy Milk did it when the whole market was about kids' chocolate, so it was a bold step on its part. The market has changed since, and it maturely divided into chocolates for kids and adults.

"Why should a brand take away the biggest joy a kid has, namely Gems?" Gupta asks. "Even if the brand's sales are stagnating, Gems should probably have refreshed its communication and targeted today's restless kid. But the tweeny-bopper? I don't know." If a brand undergoes an audience shift, it has taken a conscious call that its current strategy is not working for its existing audience. "But in Gems' case, it is a dangerous thing to do, as it is working here! It shouldn't be about widening the target group, it should be about using the right insight for today's child," adds Gupta.

Interestingly, Gems hasn't changed as a product when it talks of including adults. Can repositioning be relevant in such cases, where there may not be something new to say? "It is a misplaced and outdated notion that a brand can't be repositioned if the product offering hasn't been suitably modified," says Manoj Shetty, group creative director, O&M, the agency handling Gems. Brands and consumers have a complex relationship, he explains, and like every relationship, this relationship gets affected involuntarily over time. It is important to acknowledge this change. "What is most important from a brand custodian's point of view, or should be, is to keep the relationship interesting. If that means a repositioning exercise, it means a repositioning exercise," he maintains.

The lessons to be learnt

Nano, in its class, is drawing comparisons with the Volkswagen Beetle, which was originally launched in 1950 as a small, reliable, no-nonsense vehicle for those who wanted a car that was economical to own and run. But price was never mentioned in the advertising. Thanks to the car's iconic shape and the fact that it was enthusiastically adopted by the generation belonging to the 1960s counter-culture in the US, it also became a symbol of 'flower-power', a statement against the excesses of the big, flashy gas-guzzlers of that time. "Thanks to this association, the brand was always perceived as 'cool' rather than cheap," says brand consultant Samit Sinha of **The Alchemist**. So much so, that when the new variant of the Beetle was launched, it commanded a much higher premium than cars in that segment.

Furthermore, the advertising gave reasons why the Beetle was so inexpensive. For one, it avoided the annual design changes that were standard in the automobile industry. The typical headline of a Volkswagen Beetle ad, read 'The 1970 Volkswagen Beetle will stay ugly longer'. Perhaps there is a lesson in here for brands like Nano.

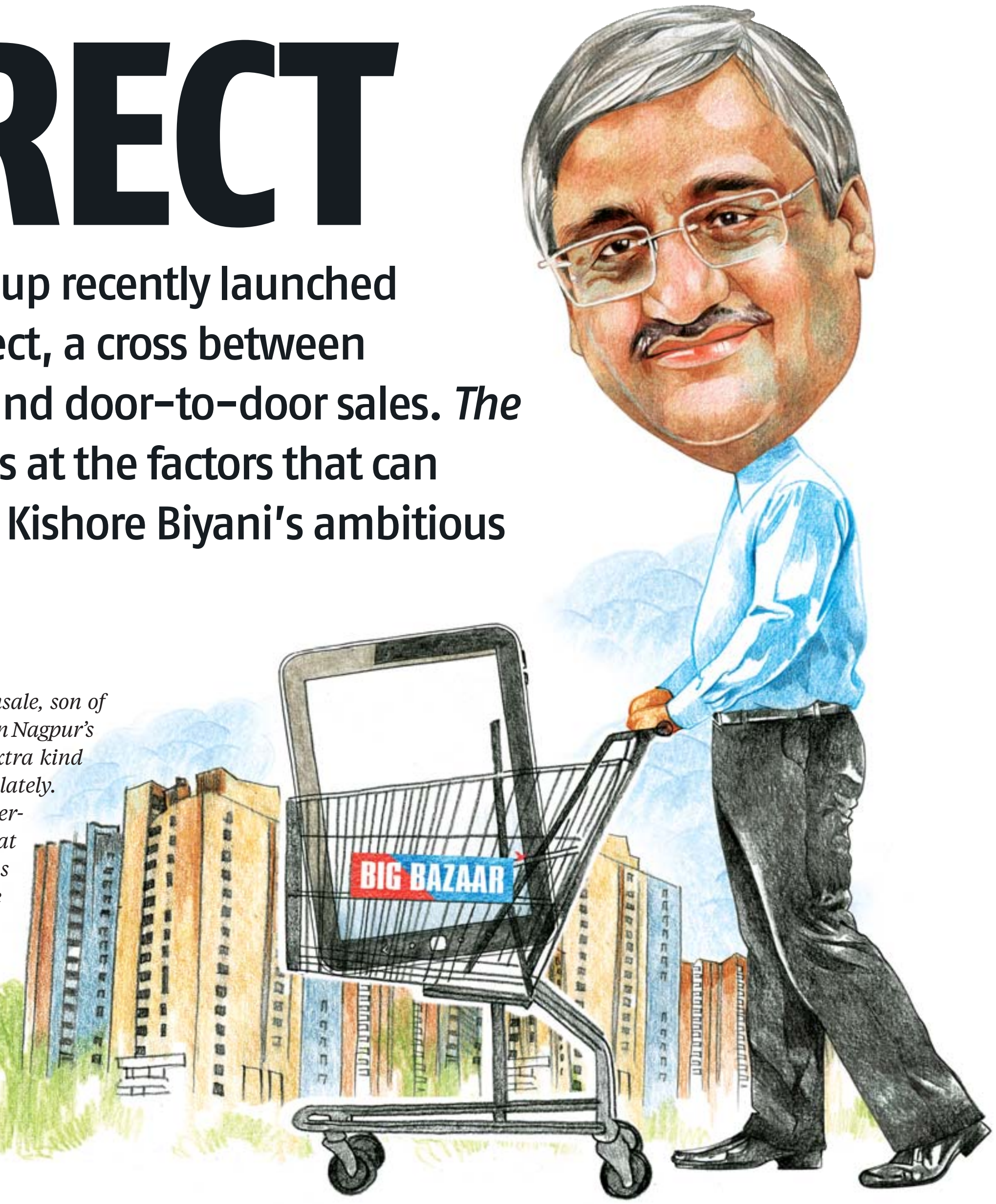
"Positioning the Nano as a youth vehicle doesn't change its perception as a cheap car. Actually it deepens those perceptions by suggesting that young people can't afford something better," says Ries. "Ratan Tata should do two things. Figure out a positive positioning for its Nano brand and then change the brand name to heighten those positive perceptions," he says.

That said, a repositioning exercise might not even have much to do with a brand at times; the market may have changed, for one. Consider smartphones. BlackBerry with its keypad was once a dominant smartphone brand. But the introduction of the iPhone changed consumer perceptions and everybody wanted a touchscreen smartphone. So BlackBerry introduced a slew of touchscreen smartphones that failed to take off because the perception of the brand (the keypad) was so strong. What BlackBerry could have done, according to analysts, is introduce a touchscreen smartphone with a new brand name.

The lesson: Perhaps a brand shouldn't try to change strongly held perceptions.

And for brands like Nano and Gems, it is currently a wait and watch game.

UNRAVELLING BIG BAZAAR DIRECT



The Future Group recently launched Big Bazaar Direct, a cross between e-commerce and door-to-door sales. *The Strategist* looks at the factors that can make or break Kishore Biyani's ambitious new venture

ROHIT NAUTIYAL

Thirty-year-old Ramesh Bhonsale, son of the owner of a big kirana store in Nagpur's Byramji Town, has become extra kind towards his father's customers lately. He often draws them into conversations explaining at length that they can now order groceries online and pay by cash. The delivery will be done within three to seven days. While most of the loyal customers of Bhonsale senior have heard his son out, a handful have placed orders on the tablet by routing a small portion of their monthly grocery budget to Ramesh's new venture. In the following days, *as more people in the locality warmed up to this unique e-direct selling model, Ramesh had to face his father's wrath for poaching customers, something he hasn't intended doing.*

The names have been changed but the story is real. This happened during Big Bazaar Direct's (BBD) pilot in Maharashtra's eastern region of Vidarbha. BBD is the brainchild of Future Group CEO Kishore Biyani who claims, "If it works, BBD will be bigger than Future Group's flagship store Big Bazaar."

The big idea

Attention readers: This model has no precedence globally. So we were not sure whether it was direct sales or e-commerce. To decode this model, **The Strategist** met with a BBD executive after filling up the franchisee registration form on its website. At its heart, BBD is a franchisee-based model where the franchisees are expected to personally visit consumers and take orders. This will be done over a tablet which is integrated with the back-end to avoid discrepancy in product demand and availability.

Now the tablet has a catalogue with 1,000 deals (other than the ones available at Big Bazaar stores) on select products like groceries, electronics and furniture. As of now, no perishable items — such as fruits, vegetable and dairy products — are part of this catalogue. BBD's catalogue on a franchisee's tablet can be updated on a daily basis to reflect changes in the deals and prices. BBD can send training modules on the tablet from time to time to test the awareness level among franchisees.

To become a franchisee, one has to make an upfront investment of ₹3 lakh. The break-up of this amount is like this: ₹1 lakh is the refundable security deposit; ₹1 lakh is the set-up charge for the BBD tablet, initial branding, a year's training, launch material etc; the last ₹1 lakh will be a franchisee's e-wallet, which will be used for placing orders. The moment an order is fed into the tablet, the order value will be deducted from this e-wallet. The customer will get an SMS confirming the order immediately and the delivery will be done within seven days (maximum). The customer will pay the franchisee when she places her order and gets an SMS confirmation. There will be additional shipping charges if the total billable amount is ₹500 or less.

Unlike brick-and-mortar stores, there will be no territory demarcation for franchisees while placing orders. For instance, a franchisee based in Nagpur (Maharashtra) can take an order for a customer in his network from Bhandara (Maharashtra). All she has to do is punch in the correct area code.

What's in it for the franchisee? The franchisee will earn commission ranging between 3 and 20 per cent on every product sold. While grocery items will earn her commission of 3 to 6 per cent, electronics and furniture fall under commission slabs of 3 to 7 per cent and 8 to 20 per cent, respectively. The total commission earned every month will be credited to the franchisee's account by the 5th of the subsequent month. BBD's relationship managers will support franchisees on matters relating to marketing and communication. BBD will also conduct knowledge seminars from time to time to educate franchisee on the various aspects of this new business.

Since the Future Group has its national warehouse in Nagpur, it decided to kick-start the pilot from that city. After wrapping up the pilot across Nagpur, Amravati and Bhandara, Future Group will head to Gujarat to test waters. By the end of 2013, BBD aims to achieve a national footprint.

Based on the lessons learned during its pilot, BBD is open to tweaking the business model. So what you just read above is not to be interpreted as the last word on the company's plans.

Right time, right place

It is easy to see why BBD is such a big deal for the Future Group and why the Group's accent is on Tier II and III markets. The

5 THINGS BIG BAZAAR DIRECT WILL DO WELL TO REMEMBER

DANIEL R PRANJAL

CHIEF STRATEGIST, STRATEGY INDIA

The bigger the brand, the more the expectations and, therefore, to make it worthwhile for its franchisees, the Future Group should plan for every contingency. It is important to have confidence in the business model to survive in the direct selling arena. Following through with the right kind of resources will ensure survival. The key areas to focus on while starting up a direct selling consumer distributor or franchisee company are:

■ Product mix

The company should identify the flagship products on the basis of the target audience and make sure that the products have great USPs and competitive pricing. These products would help the distributors/ franchisees get a foot in the door. Products which are used every day (essentials like soaps, shampoos) work best for this category

■ Franchisee selection

At this juncture it is crucial for the company to be selective in choosing partners by limiting itself to a particular area where it is confident of providing full-fledged support. That said, logistics support is the differentiator since people are used to getting the product first and then paying for the same and not the other way round. Therefore, the customer should be made aware of the delivery schedules well in advance and alternatives must be chalked out for the franchisee. Besides, low turnaround time, designing workflows to reduce picking and packing errors would reduce unnecessary waste of money and precious man hours

■ Cash flow management

Cash handling may be replaced by prepaid coupons, which can be sold by the franchisees/distributors to the consumers by offering a certain discount up front from the face value

■ Compensation design

Ensure that the franchisees are compensated well and have more to look forward to. Recognition is an important element in a direct selling business. Make sure that the achievers along with the family members share the platform. Chances of success increase if the entire family buys in

■ Competition

There are more than 150 companies in direct selling in the country today promoting different product categories. It will be a good idea to have an insight in their operations to understand the best practices.

Indian retail market is estimated at $490 billion with only the organised segment making up just about 10 per cent. In a slowing economy, a large chunk of the organised segment is bleeding thanks to rising operating costs. Technopak's latest retail report says that since more than 85 per cent of the transactions are in cash, under-invoicing and non-reporting of sales is the order of the day. High credit in the system translates into high distribution cost and an inefficient supply chain.

In this scenario, an architecture combining the best of e-tailing and direct selling appears an attractive alternative model for expansion. By itself, e-tailing, which is only 0.2 per cent of the overall pie and expected to reach 6.5 per cent by 2023, is a huge opportunity. On its part, there are close to 150 direct selling companies in India currently. While about a thousand such ventures are started every year, only a couple survive. That said, network direct selling is a $1 billion market annually.

Interestingly, this business model will also result in higher working capital for the company. Imagine the amount the company will mop up if even 1,000 franchisees sign up with a security deposit of ₹1 lakh over the next six months.

Going forward, Biyani's mega game plan will need flawless execution. Experts have always said that the simplest way to succeed in a new venture is to avoid mistakes made by others in the past. Some experts point at a similar pilot by another retail chain in Thane with around 70 franchisees. In the product catalogue, it ignored essential FMCG products and focused more on high margin items like toys and plastic wares. The pilot did not go as planned and the venture was canned. Surely, BBD has picked up valuable lessons and will focus on the right product mix.

Other than that, the importance of touch and feel cannot be ignored for categories like furniture and electronics. While BBD will provide publicity materials like posters and pamphlets to franchisees, stocking a few products will be a good idea. As part of its e-franchisee model, jewellery manufacturer Gitanjali Group, for instance, allows franchisees to stock jewellery worth ₹5 lakh or so at a place where they can be exhibited and take orders on a tablet. If required, the franchisee can sell jewellery on the spot.

Love thy franchisee

BBD is in no hurry to increase its franchisee network. In fact, a rigorous pre-selection scanning procedure is already in place to understand the potential of prospective franchisees. This is the tricky part. There is no guarantee that roping in a candidate with a direct selling background will make things easy.

Therefore, the Group is looking at people who have a customer base already along with a certain level of selling skills, says a BBD executive looking after the Vidarbha pilot on condition of anonymity.

Second, unlike network-based direct selling players like Amway, Avon and Alfa Metalcraft, a BBD franchisee can choose to fix monthly targets according to her convenience. This could be a problem for the franchiser. If at an Avon a senior sales manager keeps goading distributors to deliver higher sales figures, at BBD, the franchisees are not 'accountable' in that sense. One of the

ways to engage a franchisee would be to offer some sort of an incentive. This will be a win-win for both the franchisee and the franchiser.

At the end of the day, however, everything will hinge on keeping the delivery promise. Achieving this will be a mammoth task considering that BBD's delivery operations will be handled by Future Group's national and regional warehouses that already cater to Big Bazaar's brick-and-mortar stores. A logistics expert says on a light-hearted note, "They can take a cue from Domino's by returning the billed amount if the order arrives later than seven days."

So far, the Future Group was handling business to business logistics by ferrying goods between its warehouses and physical stores. With BBD, the Group will learn the ropes of business to consumer logistics. Experts suggest that BBD should work towards bringing down the delivery time to 48 hours at some point.

Experts also say the largest chunk of orders placed will be for FMCG products and no consumer is willing to wait for their FMCG supply for more than a week. Going by the shopping trends across metros (that are not on BBD's radar currently), most of the orders are likely to be placed in the evenings, after people return from work. Initiating the delivery process in the evening right from order aggregation at the warehouse to the last mile home delivery is a task easier said than done.

Since we are still a few years away from complete warehouse automation, one can assume that the job of aggregation will be done manually for now. Once this is taken care of, the parcel will be moved to vans, the next hurdle. Currently most of the e-commerce companies in India deal in low volume deliveries. Books, cameras, apparels, and mobile handsets are the typical products. Such products are loaded into jumbo bags that are then mounted on motorbikes that do the last mile delivery. If one is looking at bulk deliveries, one will require bigger vehicles and the issues relating to the time required to carry even a single customer's monthly grocery to her doorstep and then parking the vehicle need to be thought through. This high manual play could be mind-boggling for courier vendors. Then residents living in gated housing societies across metros have to adhere to delivery timings fixed by welfare associations and residential societies. So BBD may be forced to wrap up deliveries within a short time window.

Currently e-commerce players are witnessing high return rates, especially the ones dealing in apparels. While experts are unanimous that FMCG products will have the lower returns, BBD will have to be prepared with its reverse logistics strategy anyway. At the same time, the technology side of this architecture will be relatively easier to put in place and use subsequently since all the information on the franchisees will be on a centralised database.

The challenges are many, but then Kishore Biyani is called the Retail Raja for a reason.

The article has been written with inputs from Kishore Biyani, CEO, Future Group; Devangshu Dutta, CEO, Third Eyesight; Ankur Bisen, vice-president, retail and consumer products, Technopak; Samarjeet Singh, co-founder, Iksula, and Vineet Kanaujia, VP, marketing, Safexpress

MARISSA IS WRONG

Work-from-home can be a win-win if an organisation puts in place an effective tracking and rewarding mechanism for its employees

ROHIT NAUTIYAL &
RAJARSHI BHATTACHARJEE

Thirty-one-year-old Prashant Srivastava is employed with a multinational IT services corporation and understands the significance of the work-from-home (WFH) option he enjoys. He is responsible for driving the below-the-line initiatives at the international level for the organisation. While his job involves fortnightly trips across India and some countries in the Asia Pacific region, whenever he is in his base location this arrangement allows him to spend time with his two-year-old son who returns from play-school by 3:00 pm. For the company, this translates into savings of about ₹25,000 a month, which includes the rent it would have had to dole out for an additional workstation at its India headquarters. "I am glad my boss is not called Marissa Ann Mayer," he says in mirth while waiting for his supervisor to join him in a conference call from Singapore.

Recently, Mayer, president and CEO of Yahoo! drew a lot of flak from within the IT industry and outside, particularly from some of Yahoo's 11,500 employees as she revoked the WFH option. The internal memo regarding this, which was leaked by irate employees, has become a hot topic of debate in the last few weeks. "To become the absolute best place to work, communication and collaboration will be important, so we need to be working side-by-side... That is why it is critical that we are all present in our offices," the memo said. By June, all employees, especially those who have been working remotely full-time, are expected to report to a Yahoo! office. Contrary to earlier expectations, corporations like Google and IBM that also offer the WFH option to their employees did not follow suit. But at the same time, it raised a pertinent question: do companies compromise on productivity when they allow employees to work from home?

To make work-from-home successful, the HR department must work out a check list of the desired home infrastructure

Before we proceed, a clarification. We understand Mayer is the custodian of Yahoo's health and we respect the fact that she has taken a decision based on hard facts. What we are saying here is, there are a whole host of companies that have made work-from-home work. So if you are a manager considering whether to follow in Yahoo's footsteps remember you could be throwing out the champagne with the cork.

"Remote working is better suited for experienced workers"

In order to manage remote workers, managers need to take into account the following measures to have a productive workforce:

Make sure the performance evaluation criteria is "clear and explicit" about expectations and work outcomes.

Offer remote working/ telecommuting as a choice. Employees like to have autonomy in their workplace.

AMIT K NANDKEOLYAR
ASSISTANT PROFESSOR, ORGANISATIONAL BEHAVIOUR, INDIAN SCHOOL OF BUSINESS

Build trust with your remote workers. High level of trust helps avoid the need to have close monitoring.

Create mechanisms so that your employees are "in the loop" and feel connected with the organisation. These could be via formal and informal communications.

Develop high quality relationships with your direct reports. When workers feel a strong connect with their bosses, they end up giving back to the organisation in terms of higher commitment and productivity.

Remote working is better suited for more experienced workers who are well socialised in organisational culture and who have stabilised in their career. Alternatively, "mentor" newer employees taking up remote work so that they understand the organisation culture and have clarity in terms of what is expected from them.

Have mandatory days for face-to-face meetings. This could even be days to have working lunches or informal get-togethers. These activities help in maintaining collaboration with other colleagues and creates "face-time" to resolve outstanding issues.

> ***Yahoos,***
>
> ***...To become the absolute best place to work, communication and collaboration will be important, so we need to be working side-by-side...***
>
> — A memo issued by Yahoo!
>
> MARISSA ANN MAYER
>
> PRESIDENT & CEO, YAHOO!

> ***Work-from-home works in favour of both individuals and companies. For us, what matters is what you deliver and not where you deliver from or how***
>
> SRIMATHI SHIVASHANKAR
>
> AVP & HEAD, DIVERSITY & SUSTAINABILITY, HCL TECHNOLOGIES

Need versus want

The trend of remote working was started by Silicon Valley companies like IBM, Google and Yahoo!. And over the last few years, many other companies, including some home-grown ones like Airtel and HCL, have allowed a chunk of their workforce to choose the option of working from remote locations. Indeed, the practice has become so commonplace in markets like the US that people entering the workforce now see it as *de rigueur* (according to a recent Cisco study). And employers are beginning to see it as an incentive to retain the best people and keep them engaged.

Until, of course, the Mayer memo roiled the waters.

So where does India stand in this debate and was work-from-home a bad idea to start with?

The Strategist spoke to a range of companies across industries and found that while a large chunk of companies do not offer a WFH option to its employees, those that do have put in a lot of effort to design an efficient WFH plan, to put checks in place to track employee output and, at times, customise the option for employees based on their needs and the organisation's requirements. The takeaway is simple: an effective WFH policy means a lot of hard work for the human resources department of a company. It involves a lot of to-and-fro between the HR manager, the supervisor and the WFH employee and requires frequent re-examination. And if you can fix all of this right at the beginning, chances are you won't be looking over your shoulders and will have a greatly engaged workforce.

This also means keeping the people who work from office in the loop. Dhruv Desai, senior vice-president & head, HR and Leadership Academy, **Angel Broking**, says, "It is one thing to know that such options don't exist for all and it is another to know and see that some staff has such an option. When one set of people enjoys such options it may demoralise the other set and create uncomfortable atmosphere within the workplace." So, as an organisation, the best place to start is to be transparent.

The torch bearers

Take offshore IT services and software development company **HCL Technologies**, which sees telecommuting as an important part of its inclusive culture. All of its WFH arrangements are worked out through workshops dubbed 'co-creating balance in workplace'. The workshops attempt to understand the scenarios in which an employee seeks the option of telecommuting. The first check is to see if the employee's regular job can be done remotely. While an HR or a marketing executive can avail of this option easily, an employee who is responsible for network security will not be offered the chance to work from home. The latter has the option of changing the job profile if telecommuting is a pressing need for him/her. For example, one can choose to shift to a project that does not involve working on a customer network directly. On the other hand, project managers can work from home as their main job is coordination.

To ensure smooth coordination, you need to have some basic infrastructure. So, besides having a frank and open discussion about the options before the employees, the HR department must work out a check list of the desired home infrastructure, such as internet connectivity, availability of printers, video conferencing etc. Mind you, this is the easier part. What sometimes proves more difficult is dealing with what many experts call the "culture issue".

Sometimes, Indian homes are not conducive to a WFH arrangement. "Mostly Indian homes have too noisy backdrops to allow telecommuting," says Srimathi Shivashankar, AVP, diversity and sustainability, HCL Technologies. "Concepts like home offices are rare in India; and even if you overcome this by explaining the facilities the employee needs to put up, Indian families have difficulty coping with people who work from home. If you are seen in the house during the day, family members assume you are jobless; in short, available," she says. Here, it is up to the individual employee to work it out with his/her family members. The facilities that an employer needs to offer — or an employee needs to put up — are a function of the deliverables. At e-commerce firm **Yebhi.com**, while employees have their deliverables defined right at the outset, there are in-house apps specific to roles that have been created to provide a virtual connect between peers, supervisors and customers, says Nikhil Rungta, the company's chief business officer. Such connectivity is important if the supervisor is to effectively mentor his subordinate and get the most out of him/her.

Jyorden T Mishra, founding member and MD of executive search consulting firm **Spearhead InterSearch**, points out that companies run the risk of losing productive employees if there is a problem in communication.

"A structured communication policy is crucial for smooth functioning. Collective output comes down when there's no one-on-one interaction. Also, employees lose out on the benefits of mentorship," he adds.

At public relations firm **Genesis Burson-Marsteller**, employees seeking to work from home are allowed to do so three days a week. They must come to office twice a week to discuss weekly deliverables with their supervisors. This is followed by a session to understand the available support system at the employee's home, including details on domestic help and the availability of family support. Informal checks are conducted, work documents are saved on the intranet to make it accessible for other team members. "We do not look into the system from time to time. We try not to be too anal about the work flow. As long as employees accomplish their targets by end of day, we do not dictate timings," says Deepshikha Dharmaraj, the company's chief officer for growth initiatives.

Beverage company **Coca-Cola**'s offices in India have a similar model. But

A work-from-home programme can be successful if it is planned well. As long as employees accomplish their targets by the end of the day, we do not dictate timings

DEEPSHIKHA DHARMARAJ

CHIEF OFFICER, GROWTH INITIATIVES, GENESIS BURSON-MARSTELLER

WFH is a short-term flexibility allowed to employees, wherein one has to agree with his/her manager in terms of the work, the working hours to be put in and the results. Once agreed, the proposal comes to the HR to ensure feasibility. The next stage is enablement. This is driven by IT support — in terms of remote logging in, WFH applications are loaded and the right security accreditations on home computers. "Employees feel more committed when the company is able to provide them the flexibility to accommodate their needs," says Sameer Wadhawan, vice-president, HR and services, Coca-Cola India and South-West Asia.

Measurability has never been an issue at Coca-Cola — whether the executive is working from office or elsewhere.

The company clearly demarcates the key result areas for each one of its employees. Then it has various tracking and review mechanisms — monthly reports and quarterly reports, depending on the nature of work an employee does. "With a close engagement with the manager, review and tracking, one can empower one's employees. If you invest in the process right at the beginning and explain to the employee what you want in terms of deliverables, and that based on this, the employee's performance will be measured, you can easily cut out the ambiguities," adds Wadhawan.

In all this, the supervisor of the employee who is seeking a WFH arrangement plays a pivotal role. "The supervisor should be free of prejudices and the onus lies on him to treat both sets of employees (in-office workers and remote workers) equally," says the HR head of a Top 10 advertising agency. "Each member in the relationship has to be invested really," he sums up.

RIGHT AT YOUR DOOR

HP has used a combination of price cuts and home delivery of cartridges to arrest market share erosion in the printer business

MASOOM GUPTE

After decades of market domination, if a brand faces the spectre of sliding sales and eroding market share, the first reaction of the brand's custodian would be ask if his star product was the right product for the market after all. And look for answers in the changing consumption patterns or to find out what the competition is doing right. However, the answer sometimes lies elsewhere. Rather that overhauling the product, it might be a good idea to check if there are any bottlenecks at the supply end. Indeed, getting your product in the hands of even one customer can make a world of difference.

That's exactly what printer market leader **Hewlett-Packard** (HP) found when it flagged off home delivery of cartridges in 2010. In one go, the move arrested the slide

in its market share and helped HP wrest the initiative from grey market products that were eating away sales of its consumables. Check these figures for proof. Between 2010 and 2012, HP managed to better its share in the inkjet consumables market from close to 80 per cent in 2010 to upwards of 83 per cent in 2012. Arch rival Canon has stayed at nine per cent whereas Epson has slipped from 11 per cent to settle at six per cent. What's best, it has achieved this without making huge investments either in putting together an in-house delivery network or a cluster of warehouses.

Before we discuss how HP laid out the delivery plan, here's a look at how the market had started shifting from under its feet. HP's monopoly in the printer market in India (it had more than 80 per cent share in the early 2000s) came under attack from the year 2003 and became worse as the decade wore on. By 2009, most players in the market took a serious hit. The first half of 2009, each of the top five vendors in India's printer, copier and MFP (multi-functional products) market recorded a steep fall in sales — the only player to buck the trend was Canon.

HP shipped 562,300 pieces in total, a decline of 18.7 per cent compared to 692,100 in 2008. Worse, rival Canon improved its market position with 178,100 pieces, an increase of 22.2 per cent compared to the first half of 2008. While HP remained the leader with 49.8 per cent market share in the first half of 2009, its performance was worse than ever before. This was a reflection of the slowdown in the market — according to a **Gartner** report, the shipments of combined printer, copier and multi-functional product market in India declined by 12.7 per cent in the first half of 2009—but HP was ready to take the bull by the horns.

HP has leveraged its existing set up, channel partners and call centre for home delivery of cartridges

As a first step, it commissioned a study to understand why the market was slacking off. The findings showed the opportunity that was waiting to be tapped. The study showed that while institutional buyers were moving towards laserjet printers, for individual buyers printers were a low priority item. "Inside a home, while a personal computer is a prized possession (like other valuable assets such as car, television etc), a printer is a dispensable peripheral," says Mohit Raizada, senior market analyst at **IDC**. "Despite end user promotions and heavy marketing campaigns, peripheral products such as printers remain a secondary product for Indian consumers," he adds.

For HP, the low penetration of printers at homes — it was a third of the total PC penetration — meant big opportunity. PC penetration itself in India was 10 per cent at that time and the opportunity for printers as a category suddenly seemed endless.

Now, the other side to the printer business is that of consumables, the part that keeps the business going so to speak. The consumables market for inkjet printers is almost three times that for laser toners. Also, this is the business where the volumes and the margins lie.

Armed with this insight, HP embarked on its way to charting a new course for the future.

One step at a time

The research showed that the average consumer regarded the cartridge prices prohibitive. Not surprising, given the culture of running down to a neighbourhood cyber cafe for a ₹5 -7 print out.

HP tackled the pricing issue at two levels. One, by making its products more affordable: today (since 2012) its inkjet printer range, christened Inkjet Advantage starts at around ₹4,500, where it began at ₹7,000 earlier. The top end model in the category is priced at around ₹8,000 now. Even the cartridges, priced between ₹900 and ₹1,000 previously, are now available between ₹450 and ₹475. HP has a campaign around this price point, assuring 550 pages for ₹450.

Bringing down the price point of cartridges was, however, not sufficient for the company. Unlike before, where each piece of hardware required a unique cartridge, today there are third party cartridge manufacturers in the market that can beat HP at supplying the consumables for its hardware. And then there is the issue of dealing with counterfeits. HP's response to contend with both these is a first in the industry — enabling consumers to order a cartridge as easily as ordering pizzas.

The home deliveries are facilitated via two initiatives — dial-a-cartridge and click-a-cartridge. Globally, HP offers both these services, though the latter is predominant. Dial-a-cartridge is present in a handful of markets (like the West Asia where it was introduced in 2007) and focuses on small and medium enterprises.

The home delivery model, however, has been tweaked for the Indian market. It is focused more on individual homeowners. That explains the variation in the time frame within which deliveries are assured. For example, in West Asia, where the service was first introduced, deliveries were assured within 24 to 48 hours. In India, deliveries are guaranteed within four to six hours. The initiative, kicked off in 2010, has gained momentum. It first began in four metros with 25 partners for fulfilment; now, the numbers have risen to cover over 100 cities with 180 partners.

To set the ball rolling, HP leveraged its existing set up, including the channel partners and its call centre. The channel partners here are the original cartridge stores (OCS) that sold HP cartridges. These also include the mom-and-pop stationery stores. "A bulk of these partners is concentrated in the metros. Though we also offer the dial-a-cartridge service in tier 2 and 3 cities and towns, the mainstay of the initiative are the metros," says Nitin Hiranandani, director, printing systems, HP-Printers and Personal Systems, India.

The cornerstone of the entire system — the recruitment of the OCS partners — is led by the sales team, but it is also a key concern for HP because it guarantees end user satisfaction. "The on-field sales agent is entrusted with the job of identifying the OCS partner for deliveries within his area of operation," adds Hiranandani. HP does not assure its OCS partner of a particular volume of sales through the initiative — the reason why the OCS partner need not have a dedicated team to handle deliveries for HP.

UNIT SHIPMENTS (IN MILLION)

	2010	2011	2012
Inkjet cartridge	6.89	6.56	6.67

Each OCS partner must deliver products within an area with the radius not exceeding five kms. A single OCS partner usually services the entire area, eliminating any chances of conflict with regard to servicing a single order.

The entire equation is driven by the relationship between the sales agent and the OCS partner, which makes both parties take the initiative doubly seriously. Apart from identifying the OCS partner, the sales agent must ensure that the partner is well stocked and the dial-a-cartridge system works like a well oiled machine.

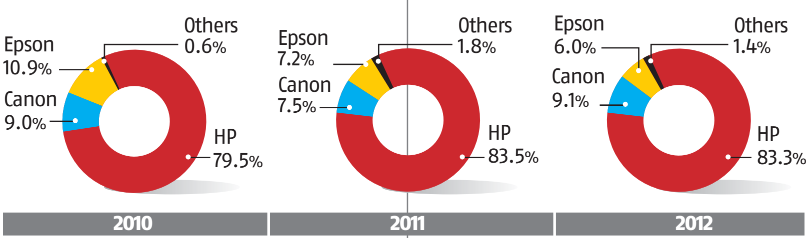
What's the incentive? "Delivery partners get assured inbound traffic. We route our orders to them. The business' visibility goes up to that extent," says Hiranandani. The company also adds that with home deliveries one is selling at the maximum retail price (MRP), whereas with in-store sales there is a chance that the consumer may ask for discounts. Industry players also say that with the delivery mechanism in place, HP is reducing the possibility of channel partners pushing competing products.

Most of the communication between the call centre agent and the OCS partner happens manually. The only serious technology intervention is the usage of Google maps to locate an OCS partner closest to the order location. There is no mechanism in place otherwise for the call centre agent to view the stock levels with the partner electronically. Perhaps that's why the company concedes that "we are no Domino's with a 30-minute-or-free promise".

In short, the entire process is evolving and, as the company admits, there is scope for improvement.

SOURCE: IDC

MARKET SHARE INKJET CARTRIDGE



NEED FOR SPEED

In a slow market, FMCG companies are using handheld devices to shorten their stock replenishment cycles and keep costs on a tight leash

(Clockwise from left) Sales executives from Cadbury, Dabur and Marico using handheld devices to take account of stock at retail stores

MASOOM GUPTE

Smartphone and tablet manufacturers have an interesting source for bulk orders these days: fast moving consumer goods (FMCG) majors and healthcare/pharmaceutical companies with widespread retail channel networks. Reason: In a hyper competitive environment where consumer loyalty is increasingly becoming a myth and availability — and not the brand per se — is the key determining factor for a sale, these devices are serving the need for speed on the part of the manufacturers.

FMCG, healthcare and pharma companies are equipping their in-field sales teams with handheld devices such as smartphones and tablets for faster relaying of sales data and information from the field to the distribution centres. The practice has been adopted with much rigour by companies such as Hindustan Unilever (HUL), Johnson & Johnson (J&J), Marico, Dabur and Cadbury Mondelez India to make their last mile delivery more effective. Some like HUL started experimenting with new technology for the last mile back in 2008 whereas others like J&J India are more recent adopters (2012-13).

The availability of devices at prices as low as ₹5,000 and deepening wireless networks has contributed to the widespread usage of technology. So for Dabur India, with sales force of 2,000, at a price point of ₹5,000, the investment in devices would be a crore, even if you don't factor in a bulk discount. The IT solution sought

entails a bigger investment, but the overall return—in terms of the cost and time saved—more than makes up for the upfront investment.

The sophistication of the device and the range of functions the device can be used for depends on the employee role mostly. For instance, at HUL multiple grades of devices are deployed depending on the role. Distributor salesmen and merchandisers have smartphones, while supervisors have tablets. Shakti Ammas (rural sales representatives recruited through local self-help groups) have entry-level phones. Devices and applications have been designed to suit the needs of individual users. For example, the device serves as a selling aid to allow a salesperson to make an intelligent sales call. The sales supervisor on his part uses it to track performance of salespersons and the key sales metrics. In the case of people focused on task execution, the mobility solution is used as an execution tracking and recording aid. The Shakti Amma uses it as a mini enterprise resource planning (ERP) solution for all her transactions.

How it is used

The barebone functions remain the same across the board: the sales agent goes on the field, notes down the order using his handheld device. The information is relayed instantaneously to the company's central warehouse or area distribution centres, kick-starting the process of dispatch of goods to the retailer, possibly even before the sales agent has left the said store. This is quite unlike the pre-handheld device days, when the agent went back to his workstation, filled in the orders manually (mostly at the end of the day, after all his sales calls were done), which, in turn, delayed the dispatch process significantly.

Madan Mohan Pandey, head sales, **Marico India** says, "Earlier, the (stock) replenishment cycle would be close to a week — seven or eight days. In the current scenario, the replenishment takes a couple of days only. The super-distributor will factor in the closing stock as the data is readily available and dispatch the order. With data availability across the system, the depot can replenish the stock to the retailer circumventing the distributor in extreme cases. This can further cut down the replenishment cycle time. The fill rate goes up for Marico and the closing stock at the distributor goes down."

Pandey further adds that the automated nature of the current system vis-a-vis the earlier manual system ensures that accurate information is uploaded real time thus eliminating the chances of spillage or wastage during the process. Take Marico, which has completely overhauled the system in Bangalore, Chennai, Mumbai and Delhi. Under its new JIT (just in time) delivery model, the timeline is broken down in the following manner: the depot will dispatch the stock to the distributor (as soon as the sales agent uploads the order entry onto his device) and the distributor then supplies the stock to the retailer. Both the links will take a day each.

Data from handheld devices can keep track of stock freshness

GEORGE ANGELO
EXECUTIVE DIRECTOR, SALES, DABUR INDIA

Besides cutting down the stock replenishment cycle, the usage of handheld devices is helping the companies make their sales calls more effective by literally putting all the available information on a particular retailer at the sales agent's fingertips. **J&J India**, which distributed Android devices to the company field force in 2012 and tablet-based solutions for distributor team salesman in February this year, concurs. "The usage of handheld devices helps in keeping the distribution teams updated about information on distributor selling and inventory, salesmen performance measurement, training tools etc," says Mudit Mathur, GM - customer development, Johnson & Johnson (consumer). "With the help of the 'handy' (handheld device), the company representative has the most updated information at his finger tips, helping him stay connected with the organisation, analyse his business and take timely actions to capitalise on opportunities."

Here's how **Cadbury** does it: The smartphone device has a list of retailers, the salesperson is scheduled to visit to book order for the day. The smartphone device also records the past purchase data for each retailer. The device has colour coding wherein, the outlet that has not purchased stock during the month appears as red and those that have bought appear in green, says Sunil Taldar, director, sales and international business, Cadbury Mondelez India.

Another way of making the sales call effective is to have information at hand about what sells at the particular store. While the sales agents may know this, data analytics can provide a scientific basis to his pitches.

George Angelo, executive director, sales, **Dabur India**, explains, "Dabur has a portfolio around 1,200 fast-selling SKUs. Managing all these SKUs is a highly complex task. Today, our dashboard presents us real-time information on all dimensions in terms of population, SEC, geography, even localities and SKUs bought and sold. So, when an order is booked, we know what is the demand pattern, which product and SKU sells more in which geography, etc. Even buying patterns of retailers are available and tracked real-time."

Beyond stock keeping

As companies and their workforces get more comfortable with using handheld devices for basic functions like order booking and stock keeping, companies are mulling new ways to monetise the technology and the data available at hand. Dabur, for instance, is using it to keep track of the 'freshness of their stock'. "Under this system, a merchandiser enters the expiry date and the condition of the packages and ensures the process of return is initiated immediately, if required. This also helps the supervisor rearrange the items in such a way that older products move faster," says Angelo.

Equipping the sales force with handheld devices also means putting mobile electronic promotional material at their disposal. This augurs well for rural markets where the reach of television and digital campaigns is limited. Companies like J&J India are making product-related material and marketing campaign information to be stored in the handheld devices of their sales teams. The availability of information, combined with technology can open up new opportunities on the distribution front for companies. For instance, Marico says that access to the fill rate data across the different retail touch points and distributors, helps them take better decisions relating to mapping the dispatch, cutting down on the time significantly. "It is possible to map the retail touch points across geographies using Google Maps. Marico designs the ideal route map for distribution factoring in the exact location of the outlets and the traffic congestion. It is dynamic and can undergo change on a daily basis. We call it a dynamic route plan, or the most efficient route planned for distribution," says Pandey.

Automated nature of the system eliminates spillage or wastage

MADAN MOHAN PANDEY
HEAD SALES, MARICO INDIA

Evidently, technology has emerged at the key pivot on which FMCG companies are deploying their supply chains, especially to make the most of the huge rural opportunity. The *kirana* stores and the *paan-wallas* in urban as well as rural markets may not drive value, selling mostly smaller packs, but they are key to driving trials and building a future customer base. And yet, by their intrinsic fragmented nature, rural markets pose a big challenge.

"Reaching out to new stores is a challenge for most FMCG companies. These new stores have witnessed the highest growth in rural India and the intervention of technology will be key to track sales in rural market. It will also be helpful in driving efficiency in the rural retail space and to ensure the customer service in small towns is on par with the urban markets," says Taldar of Cadbury, indicating the key role 'handys' have come to play in their supply chain.

STRETCHING THE ASSEMBLY LINE

To take full control of its supply chain, auto market leader Maruti Suzuki is slowly transforming the assembly lines of its vendors

ROHIT NAUTIYAL

As much as 80 per cent of an average Maruti Suzuki vehicle is made of vendor supplied parts. While the number of quality checks per quarter varies from vendor to vendor depending on the maturity level of the said vendor's systems and processes, the company has regular monthly interactions with its 300-odd vendors. This is over and above the annual vendor conference organised by the company. Easy to understand why the country's largest car maker has a 500 employee-strong department to manage relationships with its suppliers including looking at functions such as supply chain management, engineering, quality control, human resource etc.

What if the company were able to extend control backwards and manage the assembly lines of its vendors? The company surmises that it would improve its cash flow, cut down the number of rejects substantially and reduce its time to market. That is precisely what the country's largest automaker has been doing over the past few years. The process of revaluating the supply chain was kicked off five years back and the results have started trickling in. Despite a fluctuating rupee, the company was able to save ₹80 crore in raw material costs in FY 2011-12 and over ₹200 crore in the last fiscal. "It is no rocket science. The entire supply chain needs to be monitored to get the best quality," says IV Rao, director, Maruti Center for Excellence (MACE).

Of course, the task isn't easy and the five years could have been better spent. So why would Maruti want to interfere so fundamentally with the systems and processes at the dealer end?

The answer has to do with the company's experience in its early years.

When Maruti began its operations in the country more than three decades ago, it was hamstrung by issues related to the quality of components with challenges related to localisation. With the primary objective of upgrading operations at the component suppliers' end, Maruti Suzuki established MACE in 2004 with the company and 21 vendors pooling funds for seed money.

As things stand, Maruti classifies its vendors as Tier-I and Tier-II. While around 300 Tier-I vendors supply components directly to the company, a handful of Tier-II vendors supply assembly parts of various components to the Tier-I vendors. Let us understand this with help of an example. Lumax supplies lighting systems to Maruti and works with a Tier-II vendor, Superfine, a company manufacturing small fasteners and turn components used in the lighting system. The Tier-II vendors are not always at the fag end of this chain. At times, this set further outsources certain child parts from Tier-III vendors.

Even after following the best quality check systems, it is impossible for the manufacturer to check each and every component going to the assembly line. Random checks are done at Maruti for every fresh batch of components. In this scenario, the importance of monitoring the manufacturing facilities of vendors increases. Apart from churning out 90,000 vehicles every month, Maruti's factories at its Gurgaon and Manesar facilities also turn into a testing laboratory where no stone is left unturned in the pursuit of time and cost efficiency. The key learnings from these facilities are taken to the suppliers' facilities.

Two-step process

So how does the whole chain work?

For convenience's sake, let us look at the assembly line in two parts—one at Maruti's own shop floor and the other at the vendors' end.

First, let's look at Maruti's own shop floor. Maruti's production system in the country draws on the best practices of parent company Suzuki Motor Corporation. In essence, Suzuki Production System's lean manufacturing system stands on the four pillars of Man, Machine, Materials and

EXPERT TAKE

Love thy vendor

Maruti is not alone in professing vendor quality management. It is the demand of the times and many others are putting in similar efforts

Since early 1990s, the automotive industry has been under pressure to respond to the fast-changing customer requirement. Some companies, particularly the Japanese and the Korean ones, grew in the last two decades because they were able to respond to the market requirements quickly at a lower cost. Unlike in the era before the eighties, when the auto assembly lines were based on the mass production concept, today, the assembly lines are more flexible to be able to respond to the dynamic nature of market demand.

Today, for a majority of auto makers, the supply chain extends to Tier-III vendors. Any change in market demand causes a ripple effect among these vendors leading to higher costs and delays in delivery. Under these circumstances, it becomes imperative to improve the performance of these vendors for cost reduction and on-time delivery.

KULDIP SINGH SANGWAN

HEAD, DEPARTMENT OF MECHANICAL ENGINEERING, BITS PILANI

Usually, such vendors are small and medium enterprises (SMEs). These SMEs neither have the knowledge of best practices nor the resources to proactively implement these best practices. Little wonder, the big auto makers have taken the burden of improving the supply chain on themselves.

Big automakers are training vendors in lean management. They are also providing human resources in the early stages to implement lean tools and techniques. That apart, a large number of product recalls in recent times from many prominent auto makers have threatened to dent the image of these companies. Therefore, 'zero defect' is another concept which is rigorously targeted at the vendor's end. This practice also reduces cost and improves delivery performance. They are painstakingly doing root cause analyses for the vendors and suggesting kaizens (Japanese term for 'improvement' of processes in manufacturing) at their locations to reduce defects.

Methods or 4Ms. The idea is to eliminate employee inconveniences at the shop floor, all forms of wastages and inconsistencies in quality from the system so that cost, quality, productivity and safety are under control. The belief is, if managed well, this will together improve yield.

With the objective of yield improvement, Maruti has made two changes here. First altering its stamping technique, steel sheets are now cut in a manner that results in reduced scrap. Next to maximise steel sheet utilisation, this scrap is now sent directly to small vendors who manufacture child parts. Says S Maitra, managing executive officer of supply chain at Maruti, "In 2012-13, 31,000 tonnes of steel scrap was sent to the suppliers which translated into savings of ₹10 crore."

As mentioned above, for Maruti it is not only about monitoring its own assembly line but that of the vendors' as well. In last five years, MACE has channelised all its efforts in upgrading Tier-II vendors. Says Rao, "While we were upgrading Tier-I vendors, it was noticed that they were not taking up similar initiatives with Tier-II suppliers. We stepped in to fill this gap."

Today MACE counsellors visit vendors on a monthly basis to provide suggestions on manufacturing process upgradation. These counsellors have worked with vendors in component development during the initial days of their careers. Interestingly, knowledge sharing happens in clusters. Now let us assume that one Tier-I vendor works with 20 Tier-II vendors, one of whom is struggling to bring down the wasteful movements made by its operators on the assembly line. Before sending its counsellor to the site, MACE gives a shout to other Tier-II vendors attached with various Tier-I vendors, inviting them to join the knowledge session. "The cluster approach has been very effective. Since we do it on rotation, all the vendors are covered from time to time," adds Rao. Once the solution is implemented, MACE counsellors visit the vendor's facility again to take a stock of the situation.

It's a win-win really. With this mentoring process in place, Maruti's relationship with its vendors has evolved over the years, which in turn has cut rejection rates.

Look at **Motherson Sumi Systems**, which began its association with the company from Day 1 of its operations by supplying the wiring harness, an assembly of cables or

ILLUSTRATION: AJAY MOHANTY

wires that transmits signals or electrical power in a vehicle. Today Motherson Sumi Systems is supplying a range of components to Maruti including grills, door handles, mirrors, lighting systems and cutting tools used in the machine shop. The component manufacturer has also taken many steps to ensure quality output in its factories. It is important to understand that component rejection can either happen internally or at the customer's end.

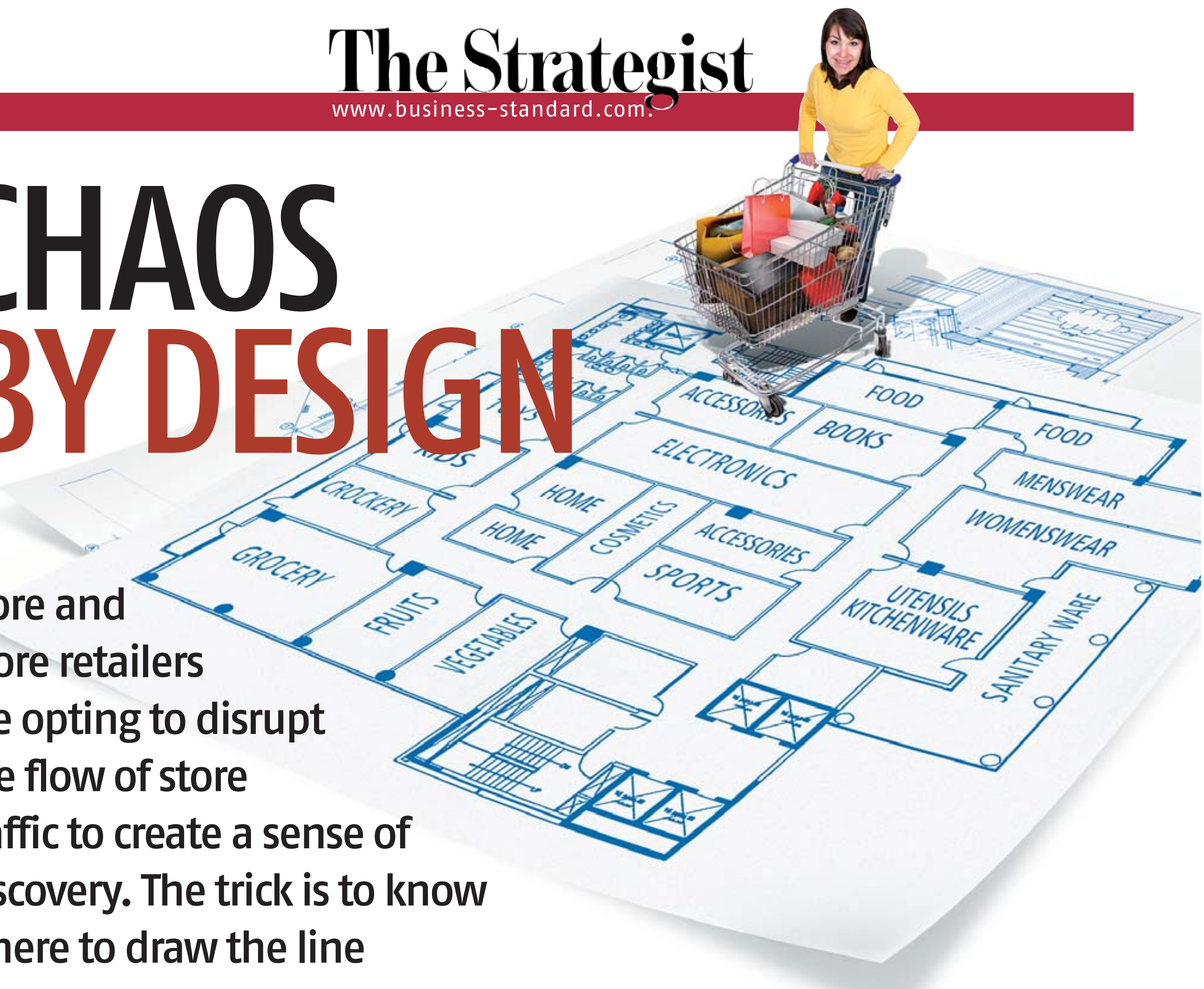
Says Pankaj Mittal, chief operating officer and director, Motherson Sumi Systems, "One of the ways of delivering quality component is by conducting high-volume production trials." Picture this. If Maruti were to bring a new hatchback in the car market within the next few months. To assess its manufacturing capability of delivering a large number of units, Maruti will run its assembly line on full capacity. Making more cars will also result in increased demand for components. Only when both Tier-I vendors and Tier-II vendors run their factories for high-volume production trials, that problems arising on each assembly line can be identified. "Because everybody in the chain works closely, all of us are well-prepared to meet deadlines. Now we set targets for next three to five years," adds Mittal.

The Tier-II vendors participate in such programmes because of the benefits they entail. Superfine Components, a Tier-II manufacturer that supplies small fasteners and turn components to tier 1 vendor Lumax, has gained immensely from the expertise provided by MACE. Rajat Khattar, director of the company, observes that support of manufacturers and tier 1 suppliers are indispensable to the existence of tier 2 suppliers. "MACE's monthly visits have resolved many quality issues and improved our productivity," he points out.

Seven years back when **Superfine** started working with MACE, its annual rejection rate was 4 per cent at the customer end. This translated in parts-per million (PPM) of 0.0004. To put it simply, PPM means one defect in a million units. The company kick-started its '0 PPM' drive by implementing Maruti's Quality Circle (QC) in its factory. As part of QC, around eight workers in the factory directed all their attention to resolving one problem on the assembly line at a given time. Since a large number of Tier-II suppliers are small and face intermittent cash flow issues, the need for controlling manpower and raw material cost is even more pressing. If the supplier is not in a condition to implement a capital-intensive solution suggested by MACE, the focus then shifts to using low-cost automation. This happens by seeking suggestions from employees on cost savings. For instance, earlier at Superfine's factory, the motor to drill machine ratio was 1:1. Now the company runs two drill machines on one motor. This initiative resulted in a 50 per cent cut in the factory's electricity consumption. Over the last three years, Superfine has been able to maintain a '0 PPM' rejection rate vis-à-vis its supplies to Lumax. Another Tier-II supplier Interface has maintained a '0 PPM' rejection rate vis-à-vis its supplies to tier 1 vendor Subros. "Today close to 22 Tier-II suppliers maintain '0 PPM' rejection," says Rao.

So if you are seeking ways to improve your vendor quality control without having to dive headlong into a new way of doing business, take heart. There is an option that relies on the basics of upholding quality and establishing relationships. This sounds like a no-brainer — it's not. Because you may be dealing with hundreds of vendors, who in turn deal with several hundreds more. But while implementing a vendor quality control programme — and enforcing it consistently — is not easy, the potential benefits make the effort worthwhile. They can keep your overall costs in line, improving your bottom line while enhancing long-term customer satisfaction and the lifetime value of your customers.

CHAOS BY DESIGN



More and more retailers are opting to disrupt the flow of store traffic to create a sense of discovery. The trick is to know where to draw the line

MASOOM GUPTE

Prevailing wisdom in retail design dictates that retail spaces should be organised well. Display should be orderly. Think squares, cubes, rectangles when it comes to laying out the shop floor. In short, the dyed-in-the-wool retailer will go any lengths to arrange the world for his consumer — make it neat and predictable, well-balanced and completely without surprises.

Like it or not, as a shopper you may be in for some big changes. Thanks partly to the new bunch of international retailers that have entered the Indian market, home-grown retailers are using new tricks to keep the shoppers engaged. They are tinkering with their shop format and store blueprint and are moving things around with unfailing regularity. The idea is to disturb the order a wee bit — to maintain sufficient predictability and structure, but not so much that the world becomes frigid and inflexible. The idea is to make sure there is just enough chaos so that the shopper is gently pushed to explore a little more, but not so much that she loses patience and walks out.

But why disturb a formula that seems to be working fine? The new thinking is: the shopper may actually find comfort in chaos. Consider the average shopper today. She knows what she wants, puts it down in her list, and heads to the place where she will get everything under one roof preferably or to someplace where she will get all the stuff in the same vicinity. This type of shopper is possibly every retailer's dream as she visits your store regularly, say twice or thrice a month, and may even be on your best customer list. So what's the problem?

The problem is that she is extremely comfortable with your store and its layout. Hence, she is usually in the 'auto pilot' mode where she probably enters the store with a definite path to purchase in mind, steers her way around, strikes off the items on her list as she puts them in her trolley, pays and walks out. That's probably how she likes it, but is the retailer really happy? How does the retailer ensure she explores a bit more, browses previously unattended sections, finds out about the new brands/products, which the store has started stocking? Or simply about the new options she really has? The issue boils down to one simple insight: The aisles are designed around the way that the retailers categorise their range rather than helping customer discover or browse. The solution is also quite simple. Stopping power is necessary to get noticed in-store; so adding a bit of chaos to your design may actually serve the end quite well. It may break the monotony for the shopper and add variations to her path to purchase.

"In such a scenario, secondary category locations as well as point of sale materials strategically placed near affiliate categories or other locations must be communicated clearly to the consumers to disrupt their normal path to purchase," says Rima Gupta, executive director, **TNS Consult**. "To influence brand choice (in the auto-pilot mode shopper's case), one needs to move beyond the run-of the-mill price offs and discounts etc," adds Gupta.

Stop them in their tracks

That retail is the moment of truth is undeniable. And sometimes, the best of brands may find themselves failing on the count: Audi needs no introduction. So one wouldn't imagine sales being an issue with the brand. Yet, the company found that less than 50 per cent Audi buyers came back a second time. The problem wasn't the product, it was the dealership experience. The company hired a specialist agency that suggested multiple features like giant screens for buyers to navigate through the car's features, small desks for one-to-one interaction with sales personnel, specialised stations for one to experience different materials and so on. The result is yet to be seen. But the idea is simple. A great product can get you a consumer. The environment where the product is sold may, however, be your make or break moment, where the consumer undertakes the journey to becoming a shopper.

That explains why shopper behaviour analysis has emerged as a serious area of study. Piyush Kumar Sinha, professor, retail and marketing, and chairperson, Centre for Retailing at **IIM-Ahmedabad**, puts the retailer's dilemma quite succinctly when he says, "The same person may be a consumer as well as a shopper. And yet, she may have a different persona outside the store as a consumer and inside as a shopper. Moreover, each time she takes a trip to your store as a shopper, she will come with a different agenda. The question before the retailer is how do you successfully marry her varied agendas with her shopping experience every time?"

A recent study, titled 'Shop Talk' by IIM-A, TNS, KiE Square and Ogilvy Action, compares shopper behaviour trends at two hypermarket chains, namely Big Bazaar and Hypercity at two ends of the price spectrum. The study has thrown up some intriguing insights into not just the shopper's approach in these two chains but also challenged the basic understanding of 'who' the shopper really is. Commenting on the study, Rahul Saigal, VP, retail, **OgilvyAction**, says, "It seems like shoppers in India find comfort in chaos; most people familiar with urban India shouldn't be surprised with this."

One explanation for this could be the dominance of traditional trade in the Indian market and that a large chunk of shoppers have grown up with it. The local *kiranas* have almost made a virtue of thriving in chaos.

Another finding of the study has long-ranging repercussions for retailers. The average age of a hypermarket shopper is 32 years. And the youth (even from SEC B, C and D) are far less intimidated by hypermarket formats. They also visit hypermarkets as part of a casual outing or on an impulse.

The "casual outing" and "hypermarkets as entertainment options" are interesting notings in the study. It should explain, in part, the need for retail spaces to be slightly chaotic and, by that extension, sociable.

BROWSING NOT EQUAL TO BUYING MORE

Browsing leads to discovery and discovery leads to higher sales — but that may or may not be the case always. As the following table shows, a host of factors — like whether the shopper is male or female; whether she is shopping alone or with spouse etc — influences sales. A study of two specific retail brands reveals who is browsing the most and who is browsing the least

BIG BAZAAR	Male		Female	
	Spend (₹)	Items examined	spend (₹)	Items examined
Spouse	2,007	614	2,447	291
Child	1,681	158	1,972	387
Spouse+child	2,096	63	2,250	43
Alone	1,393	975	1,880	908
Others	1,453	456	1,224	663

HyperCITY	Male		Female	
	spend (₹)	Items examined	spend (₹)	Items examined
Spouse	2,268	173	2,733	49
Child	1,896	65	1,990	99
Spouse+child	2,362	23	2,918	8
Alone	1,055	423	1,794	503
Others	1,116	109	2,565	147

Source: Shop Talk, a study done by IIM-A, TNS, KiE Square and Ogilvy Action

Layouts that employ surgical precision in their design will achieve the opposite effect.

Look towards the hospitality industry for reaffirmation. For Continuum, a US-based firm specialising in design, one of their most important projects till date has been the reorganisation of the lobbies of 1,243 Holiday Inns to create a more social space. What the design firm did was arrange the bar and food areas so that they offered less 'open' spaces. Their reason: if people "bump" into each other, it would precipitate friendly conversations among strangers, lighten the mood and encourag guests to sit down for a drink.

How much is enough

Among the many pillars of retail design, adjacency analytics occupy a position of great import. Traditionally, adjacency analytics dictates that we place things like dog food next to cat food, wine next to beer and vegetables next to fruits—that is, allied categories should be close together. The low item-value in grocery shopping has been a key factor in keeping change at a distance. Then, there are retailers that have reimagined even what is common-sensical.

Take the convenience store chain, 7-Eleven in Japan. It has focused on clubbing associated categories according to the time of the day — for instance, the breakfast-type adjacency consists of fresh orange, milk, coffee, cereal and bowls, etc clubbed in one fixture. Buying groceries might not be an experience that people are willing to invest themselves in, but that doesn't mean groceries are low-priority. Retail consultant Brenda Soars explains in her essay on the subject: "Such time-of-day shopping strategy finds magazines first in flow in the morning; rice bowls at midday; and videos, beer and sake in the evening." Not strictly chaotic. But certainly not what the shopper is used to. It may be just enough to shake her out of the "auto pilot" mode for sure. Of course, Indian retailers are yet to take things that far.

They also understand too much of any-

EXPERT TAKE

"Shopper research is making retail design scientific"

Marketers want to develop strategies and tactics to influence shopper behaviour to drive brand and category growth via packaging, promotions and pricing, point-of-sale and in-store marketing, shelf layout and assortment optimisation, secondary displays, store layout and category adjacencies and new product development. They realise that shopper research can provide this input.

The research tools are a mix of quantitative and qualitative tools and techniques that can be customised and integrated to answer any brand/category questions taking into account the local trade structures.

RIMA GUPTA
EXECUTIVE DIRECTOR, TNS CONSULT

Type of questions fall into three sets:

1. Understanding the shopper landscape in terms of who, what, where, how and why – this is usually done via shopnographies; accompanied shopping; mystery shopping; face to face interviews and intercepts etc.

2. Figuring out what triggers and barriers there are to purchase at each stage? Actions to improve the search process focus on shelf layout, visibility, findability and are different from actions to improve the selection process, which focus on information, price and value proposition. Insights from this are used to inform plan-o-gram, shelf layout and assortment to optimise the category search process, plus POS, in-store communication, packaging and promotions/pricing to optimise the brand selection process.

The research can be complemented by in-store eye-tracking to understand visual cues, shelf position and pack stand out, POS and in-store communications

3. Testing ideas born out of shopper insights research: This is essential to gain confidence that shoppers will respond as expected, manage risk, quantify potential gain, gain buy – in from retail partners with solid proof of concept etc. Research incorporates actual shopper purchasing from the simulated shop, shopper behaviour (for example, time spent at shelf, product interactions, conversion) and shopper motivations (from integrated questionnaire). Tests are compared to a control cell, allowing the marketer to quantify the likely impact of changes.

The methods are:

- Tests in real stores: Getting tests done in real stores is a terrific way to check 'real' response. However, this requires retailer co-operation, real product to be manufactured, we have little control over the sample walking past, and we won't get a variety of different tests with different packs or aisle locations approved. The process can be very slow and very expensive.
- Virtual reality shopping environments: There is a growing demand for virtual reality shopping environments.In this method, 3D virtual aisles are accessed over the internet by respondents from their home computers. Respondents conduct a simulated shopping trip, then complete a post-shop questionnaire for additional feedback. Eye-tracking is incorporated and respondents can shop whole stores, giving feedback on a range of executions.
- Marketer built 'fake' shelves in a warehouse or mini-fake store environment: This can be quite effective at presenting options in context, but the marketer still needs to manufacture product and recruit respondents to attend their central location. Shoppers do get to pick up, touch, feel and read packs and this can be an important factor for success.
- Showing photographs of product in a 2D scenario – not realistic, but shows the product in context, and this is much quicker and easier to execute and sample can be selected as in any online method. In India, currently 3D is not so common but marketers will soon be demanding those as modern trade expands.

thing is never too good. And unabashed concentration on chaos may prove rather disconcerting for the average time-strapped shopper. Some of the retailers that **The Strategist** spoke to suggested disturbing only 25-30 per cent of the store to start with, an increasing the percentage gradually. The idea is not to alienate the loyal consumer.

Take this case quoted in an essay in the *International Journal of Retail & Distribution Management*: "When Carrefour opened their first hypermarket in Tokyo, customers were quite happy to queue at first as it was a novel experience shopping in a hypermarket, but within six months they stopped shopping there, as they got tired of queueing and could not deal with the size of the store."

The essay goes on to highlight how people behave across a variety of retail environments and found that the store format tended to drive the behaviour more than culture, although culture did account for the spatial dynamics: "In the US, the spatial scale is different — shoppers are happy to drive a long way to a hypermarket to do all their shopping, whilst UK shoppers prefer to generally get most of their needs in five-six outlets — hence different behaviour to the US." Such understanding of shop floor-level specifics can help one understand the limits of chaos one can unleash upon shoppers.

While chaotic shelves may have a positive impact, one must keep aspects of design like the breadth of shopping aisles, number of check-out counters etc out of the ambit of chaos. The two are fairly different — one gets shoppers to buy more and push up their average time spent in the store whereas the other will bring down the shopping experience drastically. The reason is simple: nobody wants to bump trolleys all around the store or stand in serpentine queues.

But remember the rules of retail in India are far more different when compared to those abroad. So make a few of your own as you go along the way. Note this: hoteliers who lease their premises for exhibitions and conferences often get creative around closing time. They up the volume of the background music to drive out the stragglers. Similarly, as a retailer, all one needs is some relevant data and a whole dose of creativity.

THE RIGHT PICK

When is an outsider CEO a good choice?

ABHILASHA OJHA

The year's biggest suspense drama came a close last week when Microsoft unveiled insider Satya Nadella as its new chief executive. He was chosen over two other candidates who were in the lead positions to take over as CEO — Ford CEO Alan Mulally and Pichai Sundarajan, who had worked in McKinsey & Co before joining Google in 2004. Most agreed Nadella's background in creating Microsoft's Internet-based — or 'cloud' — computing services makes him a safe pair of hands to take the company forward.

Compare the event with India Inc's big story last year: PepsiCo roping in former Nokia head for emerging markets, including India, D Shivakumar, as its chairman and CEO, India region. As the strategy head of a consulting firm puts it, the global beverages and snacks major was looking to "infuse a fresh perspective in the way the teams operate and deliver to the end consumer". It is another matter that corporations like Britannia, ICICI Bank and the Tata Group have traditionally groomed internal candidates to take on leadership positions over a period of time and do all of that — infuse freshness, push for growth etc.

While Microsoft's or PepsiCo's decision is unlikely to be the last word on the succession debate, the events bring to the fore one of the hotly debated topics in corporate management: should a CEO be chosen from within a corporation or hired from outside?

Why is this debate so important? First, because identifying and grooming a great successor is one of the most important accomplishments of an incumbent CEO. Second, planning a succession continues to be a subject of concern that at some point will come to occupy the attention of decision makers. Indeed, the heated pay-for-performance debate of the last few years has induced boards of directors to increase the rigour of the CEO selection process.

So should you develop an internal or an external successor? More importantly, what's best for your organisation, and for you?

EXPERT TAKE

Avoid that costly mistake

NISHCHAE SURI
PARTNER & HEAD, PEOPLE AND CHANGE, KPMG INDIA

What are the possible pitfalls?

- Selecting the right external leader for the role requires sound judgement especially given that the organisation has a limited time period to observe and assess the candidate. Organisations rely heavily on "resume value" (how successful the individual has been in his/her previous roles and the contribution he/she made to the organisation) as well as the feedback they receive through reference checks.
- While many organisations are quick to identify the right technical or functional competence needed for the role, they overlook the importance of getting the right fit in terms of culture. This creates an environment where the individual's preferred style of working, values etc are often in conflict with that of the organisation.
- A leader parachuted from outside is resented by those who believe that they lost out on the leadership position primarily on account of this person. Such resentment could manifest itself in many ways including the lack of support and collaboration, much needed for the success of this leader.
- If the very reason for which the individual is hired is not clear, either to the individual or to the organisation, or even both, the end outcome of such an association is sub-optimal. Neither the leader nor the organisation stand to benefit in such a situation.

How can I avoid them?

- Drive transparency and build trust. Companies need to develop robust internal employee development processes and have a transparent system of promotion. This at one level results in reduction of the need for external hires and at another level, reduces a 'sense of loss' for those who do not get promoted on account of the external leader coming in.
- Be clear what you need to hire for – the core competencies and behavioural attributes that are needed for the role
- Assess whether the right person is available internally before looking for an external candidate.
- Build the case of hiring an external candidate with all stakeholders such that there is complete buy in before the person is brought on board.
- Ensure the right people are involved in the hiring process.

Ask the right questions

Expert opinion is divided on the subject: Intuitively, internally promoted executives know the business, fit the culture and understand the organisation's strategy and vision. Then, externally hired executives don't always get "intellectual buy-in" from employees required to be effective over time. But experts also say that when a fundamental strategic shift is needed, outsiders can — and should — be hired because they represent change, are not tied to any culture or strategic 'past', can question assumptions that have long been taken as given and can bring in new skills while acting as a catalyst for ambitious growth. But given that hiring CEOs from outside is a more expensive proposition (research shows it can cost roughly 50 per cent more than when you hire an insider for the top job), even riskier at times.

That said, published research suggests companies increasingly look outside to hire their CEOs. The CEO Succession Practices (2013 edition) report released by The Conference Board shows in 2012, 27.1 per cent of S&P 500 companies that faced a CEO succession hired an outsider for the top job. While the rate confirms a trend recorded since the 1970s, it is much higher than the 19 per cent reported in 2011. The growing percentage of outsiders chosen as new CEOs may show that directors don't always like what they find within the companies' ranks. However, a number of companies that underwent a succession event in 2012 selected a director from their own board as the new CEOs. The director-turned-CEO succession model provides companies with a chief executive who is familiar with corporate strategy and key stakeholders, thereby reducing leadership transition risk.

Whatever the case be, let's look at why companies seek leaders from outside in the first place. Sheen Sunny Akkara, executive director, human resources, **Nielsen**, India Region, suggests a possible reason: "It all begins with the decision of the organisation on whether — and how — it wants to transform." In his view, when companies look to expand into new services, to increase sales/market or identify leadership gaps they tend to look outside for direction.

"When you prepare for a big jump that is the time when you need disruption, something that the outsider can get done," adds Harit Nagpal, CEO, **Tata Sky**, who joined the direct-to-home provider from mobile service operator Vodafone. Nagpal, who has worked in companies like Lakme, Marico, Pepsi, and Shoppers Stop, introduced interesting changes after he joined Tata Sky. He branded packages based on genres such as movies, sports, kids, music etc instead of the earlier 'gold', 'silver' and 'platinum.' The earlier branding of packages never really explained to the consumers what was included in the package they bought.

Mittu Chandilya, the youngest CEO in aviation globally, agrees that when a CEO is hired externally he can bring with him valuable insights. As chief executive of **Air Asia India**, Chandilya entered the aviation industry in the midst of turmoil. It didn't matter to Air Asia that Chandilya didn't have prior experience in the aviation industry per se. (His LinkedIn profile lists head of Services Practices for APAC at Egon Zehnder International, General Management at Ingersoll-Rand Company, founder and director at S.O.S under his past experience.) The company insiders feel that the young CEO, with his previous successes in start-ups and with his ability to take risks, will be a great asset for the new brand.

For the company this meant a freshness of perspective that would allow Chandilya to frame a well-rounded commercial strategy from ground up. "Aircraft is a heavy asset because the moment it touches the ground, it begins having an impact on the balance sheet of the company," says Chandilya. "I think if the company had hired an insider, mimicking another airline company's strategies would have been the natural outcome." He says his experience has given him a risk appetite, which he has infused in the Air Asia culture. "Given the kind of independence the promoters have given me, I have been able to translate my perspective into a reality. We have increased the size of the fleet than originally envisaged, the sector's cash-strapped status notwithstanding," he adds.

But for externally-hired leaders to make an impact, companies and their boards should identify the hurdles in the way and remove them. One bad decision at the leadership level, especially when the hiring is done externally, can spoil the show for the entire company as people become wary which in turn erodes team spirit. According to Nishchae Suri, partner and head, people and change, **KPMG India**, hiring disasters happen when companies rely solely on the external leader's 'resume value', there may be a collision in culture fit wherein the leader's personal style of functioning collides with the ethos of the company's.

The board can jinx the process by not keeping the existing team in the loop, when there is zero transparency with regard to the board's plans to hire an external leader. The final straw would be not giving clear direction or enough time to the leader to adapt.

If Air Asia had hired an insider, mimicking another airline's strategies would have been natural

MITTU CHANDILYA
CEO, AIR ASIA INDIA

Look at the big picture

But those who have successfully managed to steer the ship as a captain hired from outside, swear that it is actually the overall boardroom strategy that determines whether the company will wade through choppy corporate waters or sink. Amit Shukla, head, **Strat Team Advisors**, feels that external hiring can be a healthy move for both the individual and the company if done correctly. He even recommends companies try out cross-industry experience to allow for copying of skills (reworking solutions and customising them from one industry to the other), to revamp a business model, spot opportunities, and be more value-seeking.

This blueprint, however, requires some time to succeed, so that the new CEO can complete what Vivek Gambhir, MD, **Godrej Consumer Products**, calls a "bridge-building exercise". Largely, Gambhir is in favour of hiring leaders organically. In his view, outside CEOs are under tremendous pressure to prove and perform in record time. That confusion is what leads to "the big mistake", of listening less and talking more in the first six months whereas it should be the reverse. Gambhir joined Godrej as the strategy chief in 2009 when the company was looking at its next phase of growth not so much through an entrepreneurial, instinct-led approach (which was the case then) but with a more structured focus on its various verticals. Gambhir, an outsider then, not only found time to absorb the company's core values, he could also made an effort to bond with employees, to be accepted as part of the team. In 2012 Gambhir was named successor to managing director A Mahendran, who was due to retire in 2013. A well-thought-out career dialogue with the chairman and a solid time frame at hand, says Gambhir, allowed him to transition into the leadership position.

An outsider has the ability to go against the industry norm and bring new ideas

VIKRAM RAIZADA
CEO, RETAIL, TARA JEWELS

Others like Vikram Raizada, executive director & CEO, retail, **Tara Jewels**, believe that hiring externally works better because it allows changes to take place in a sector that wouldn't otherwise move beyond the tried and tested. Raizada, who joined the jewellery manufacturer from IMG Fashion (he was also head of marketing at Murjani Group and vice-president of marketing at MTV Networks), focused the company's attention on an younger audience bringing more contemporary designs and even changing the grammar of how jewellery is sold. Instead of having salespersons take out jewellery trays and show one piece at a time to the potential customer as is the norm, the company hung its jewellery pieces on the store walls. "It's simple," he says, "you can reduce your inventory sharply by putting jewellery on display rather than hiding them inside cupboards and showing them one by one. Because in retail, particularly jewellery, inventory is expensive. The focus should be on increasing sampling and sometimes only an outsider can do this objectively."

At the end of the day, however, the company needs to look at what stage of evolution it is at and what it seeks to achieve in the future. The bottom-line is simple. Whether hiring leaders externally or internally, the exercise works only if the company and the individual are willing to give each other time—time to build faith and trust and then go for growth not just in terms of meeting targets but also building an internal leadership pipeline (it is non-negotiable, as experts will tell you). Once the vision is shared, the CEO can inject his or her learnings and insights and replicate the success stories for your company too.

That really is the secret sauce.