

# Big is bountiful

There are several reasons why Gordon Reid loves the concept of *kirana* stores in India. “Their service is second to none,” says the chief operating officer of Trent Hypermarkets, the business that manages the Star Bazaar retail brand. “You have to really appreciate the fact that they will deliver just eggs, bread or something equally small to your house. And they operate on credit.”

Having said that, Mr Reid is confident that modern retail formats such as hypermarkets have a future in India and will exist alongside the neighbourhood *kirana* store. The format offers a diametrically different shopping experience — large and clean spaces, shelves stacked with a wide range of products and brands, special discounts and offers — that he believes will appeal to customers and drive the business forward.

Hypermarkets are a relatively new phenomenon in India, but already the business has seen several players who have opened dozens of outlets and then been forced to shut down or downsize. “Realisation has dawned that this is not an easy business,” says Mr Reid. “People thought that they could expand rapidly, but the key is getting the model right.”

That has been the Trent endeavour from the beginning. From the launch of its first Star Bazaar store in Ahmedabad, in 2004, the company has been guided by the rationale that the business model is what’s critical to success. It has been circumspect about scaling up, preferring to spend more time on evolving a sustainable model. That’s one reason why Trent has taken time to launch new stores in Bangalore and Mumbai.

## Building the model

The tipping point for Trent’s hypermarket business came in August 2008, when it announced its exclusive franchisee relationship with British giant Tesco, the world’s third-largest retailer. The alliance allows Star Bazaar



## Star Bazaar

**Format:** Hypermarket

**Launch:** 2004, in Ahmedabad

**Selling proposition:** Value for money

**Store size:** 50,000-75,000 square feet

**Key categories:** Food, grocery, general merchandise, clothing

**Presence:** Five stores in three cities

**Plans:** Four stores in the current financial year; 50 stores in the next five years

to leverage the retail expertise and technical know-how of Tesco to provide customers with a world-class shopping experience. Going forward, Star Bazaar proposes to source its merchandise primarily through the wholesaling operations being established by Tesco in India.

The tie-up allows the two companies to bank on each other’s strengths and rapidly develop a modern supply chain. Trent Hypermarket has started accessing Tesco’s extensive retail expertise and technical capability, including processes and best practices. “It will take some time for all of it to come together, but there has been a lot

of progress and that is very encouraging,” says Mr Reid.

As with all Trent’s businesses, Star Bazaar follows the mantra of first developing a model that works smoothly and is sustainable before getting into expansion mode. “There is no point rushing to open hundreds of stores, like many of our competitors have done,” says Mr Reid. “Tesco is present in 13 different geographies around the world and we always take time to get the model right. Both Trent and Tesco share a common philosophy: not to be the biggest but the best. The scale will happen once we get the model right.”

The results are already visible. Business has increased in the last one year and Star Bazaar now contributes about 25 percent to Trent’s revenues.

### New experience

Trent launched its fifth Star Bazaar store in April 2009 in Thane, a suburb of Mumbai. This store is the first one to have a single-floor plan and is spread over 50,000 sq ft. The interiors, colours and lighting are appealing, and the simple layout and large signage makes it easy for customers to find the merchandise they are looking for.

“The shopping experience is really about how you structure your store, about customers easily getting what they want,” says Mr Reid. “Of course, it’s not possible to have every item, but if customers can’t find half of the things they want, then they won’t come back.”

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**Gordon Reid**

The large store area ensures shelves and aisles are not crowded, and there is ample parking space available.

The model is based on intensive customer research, which revealed, for example, that a customer’s biggest ‘pain point’ is usually the queue at the checkout (this led to a layout design that has up to 26 counters). They are also working on speeding up the credit card payment processes to reduce queue build-up.

While it has an extensive product range that includes cutlery, crockery and garments, Star Bazaar has clearly positioned itself as a food retailer. Its bakery and deli offer a variety of products; the fruits and vegetables are clean and fresh; and more than 30 loose staples, from sugar to rice to pulses, are offered at great prices. Every week, the price of a basket of goods is measured against the competition to ensure value

for money for customers.

“People have responded well to the range we offer,” says Mr Reid. Nearly 200,000 people pass through a Star Bazaar store each month; on a weekend, the stores usually see an average of 10,000 footfalls each. “I think Star Bazaar is probably the closest to the modern supermarket or hypermarket that is seen worldwide. If I take a Star Bazaar store and

put it on a street in Britain, it would fit in perfectly.”

### Looking ahead

Retail is still a young industry in India and the hypermarket business has its own challenges, particularly with supply-chain management, an aspect that Star Bazaar is trying to address. Most of the products sold at Star Bazaar come from big suppliers; fresh food and staples are generally sourced from local suppliers and Tesco’s international sourcing team is tapped for products whenever required.

Star Bazaar is now looking at further expansion in India. “Getting the store in the right location is the key to success,” says Mr Reid. “Our research shows that almost 95 per cent of customers visit a store within a 3-5km radius of their homes. This is the kind of insight that will decide where we set up our stores.”

All said, 2008-09 has been a successful year for Star Bazaar, which has concentrated on improving its business and making individual stores profitable. The plan is to open five stores this year and another ten in the next year, with the long-term goal being to grow to 50 stores within five years.

Recessionary trends apart, Mr Reid is confident Star Bazaar will reach its stated target. “Over the next five years we will get to a point where the business is profitable. We are making things work and have reached the stage where we believe that we will be successful. And that’s exciting.” On hindsight, aiming at being the best, rather than the biggest, has been rewarding. ●

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