LEADING THE CHARGE
In the overall Indian retail market, consumer durables (Rs.57,500 crore) is the fifth largest category. In the Organised retail segment, Consumer Durables with 9.1 per cent market share is at the fourth place (Rs.7,110 crore). Consumer durables and the mobile phone and accessories categories have both grown faster in 2007 as compared to 2006.

**KEY COMPANIES**

**SONY**

Sony has established itself as a value leader across its various product categories of audio/visual entertainment products, information and communications, recording media, business and professional products with brands names such as Bravia, Xplod, Sony hi-fi, Handycam, Cyber-shot, Wega, Vaio, Walkman, Memory stick, PlayStation and Aiwa.

The company started its India operations in November 1994, focusing on the sales and marketing of Sony products in the country. In a span of 12 years Sony India has exemplified as one of the best in the world of digital lifestyle companies becoming the country’s foremost consumer electronics brand. With quality, dedication to customer satisfaction and service, Sony India is now recognised as a benchmark for new age technology and consumer service industry alike.

In India, Sony has its footprint across all major towns and cities through a strong distribution network consisting of over 7,000 channel partners, 215 Sony World and Sony exclusive outlets and 21 direct branch locations. Sony’s exclusive stores ‘Sony World’ are already one of the favourite consumer electronics retailers in India. Sony India also has a strong service presence across the country with 21 company-owned and 172 authorised service centres.

**VIDEOCON**

Started in 1985, Videocon has grown to become one of the leading manufacturers in India of consumer electronics and home appliances such as air conditioners, microwaves, refrigerators etc. Over the years it has diversified into other areas such as Oil and Gas and today the group has stepped into the booming retail sector as well with its Next, B Roland and Planet M formats. The company plans to make an investment of Rs 4000 crore towards expansion of its retail businesses in the next five years. Company also has plans to enter the global retail markets in the future, as well as develop malls in the country.

Videocon acquired the consumer durable chain Next from Raymond. It was then called ‘Plug-in’ and was launched into the market in 2002 as a consumer durable chain, but the venture didn’t quite take off. Revenue from Next was Rs.800 crore last year, with Rs.1,500 crore expected this year. The number of Next outlets will increase from 400 to 650 in the next three years. Company plans to invest Rs.800 crore to expand its Next and Planet M formats.

Recently, Videocon entered into a joint venture agreement with Japanese company Mitsin and Hitachi to provide back-end support to their retail ventures Next and Planet M in warehousing, transportation, IT and inventory control.
**EZONE**

EZone is an electronics specialty retail format from Home Solutions Retail, a part of the Kishore Biyani-led Future Group, offering a wide range of consumer durables and electronics goods. EZone was first launched in 2006 with a single store opened in Indore and followed with the second one in Bangalore. EZone offers personal products such as computers, laptops, handy cams, MP3 players and mobile phones; entertainment products such as plasma/LCD, flat TVs, home theatre systems, DVD players, and stereo systems; home products such as refrigerators, air conditioners, washing machines and microwave ovens among other kitchen related appliances. EZone is present in 14 cities viz. Mumbai, Siliguri, Bangalore, Delhi, Kolkata, Agra, Ahmedabad, Bhubaneswar, Hyderabad, Indore,Lucknow, Noida, Pune, Surat. In these cities, eZone has 26 stand-alone and 12 shop-in-shop outlets with an average store size of 10,000 square feet, while for expansions the company has already acquired space in eight cities across India. With an investment of Rs.500 crore in the next two years; the company is expecting to achieve a turnover of Rs.700 crore in the consumer durables segment by this financial year-end.

**RELIANCE DIGITAL**

Reliance Digital is the Consumer Durables and technology division of Reliance Retail. Currently, the stores are operational in Gurgaon, Ghaziabad, Navi Mumbai, Bangalore and Hyderabad.

Categories offered at Reliance Digital are consumer durables; home appliances; telecom and gaming. Reliance Digital offers consumers a one stop solution to all their technology needs, delivered to them in a demystifying, enjoyable and experiential ambience supported by the highest quality of service and value.

**ISTORE**

Reliance Digital’s iStore, the ‘Apple’ specialty store, has been launched 6 stores in Bangalore, Hyderabad, Mumbai and Jaipur and Ludhiana. This format is an offering from Reliance Digital, the consumer durable information technology arm of Reliance Retail.

iStore houses the entire range of ‘Apple’ products for the professional and consumer segments such as iMac consumer desktop computers, MacBook consumer notebooks, Mac Pro and MacBook Pro, iPods and the entire suite of Mac software along with over 500 accessories and peripherals complementing Apple products.

**VIVEK’S**

Viveks Ltd is one of the largest consumer electronics and home appliances retail chains in India founded by B A Lakshmi Narayana Setty who set up a small shop of 200 sq ft, at Mylapore, Chennai in the year of 1965 as a family-run company with an investment of only Rs. 10,000 to sell folding chairs, tables, clocks, portable radio, etc. Viveks is also one of the pioneers in organised consumer durable retailing in the country.

Now Viveks Ltd is a public limited company running two retail brands – Viveks and Jainsons. While in the process of transforming the family run company into a public limited company, 14 stores of Jainsons were bought over in 1999, followed by two stores of Premier in 2001 and Spencers Super Store in 2002 and have recently absorbed Spencer’s into the Premier brand. With an increase in the turnover to over Rs.400 crore Vivek’s grew from three stores in 1995 to more than 53 stores currently, and is planning to add to 150 by 2010.

The retailing wing of the Viveks Group in the financial year 2007-08 registered an overall growth of over 11 per cent crossing the Rs.400-crore sales barrier in March, 2008 and is aiming for

Bose Stores have made their presence felt in Ahmedabad, Bangalore, Chandigarh, Chennai, Delhi, Gurgaon, Ghaziabad, Hyderabad, Jaipur, Kolkata, Ludhiana, Mumbai and Noida.
MERCHANDISE & SERVICE RETAIL

CHAPTER 7

Consumer Electronics

Rs.1,500 crore by 2010. Viveks plans to sustain its leadership position in the future.

BOSE

Dr. Amar G. Bose founded Bose Corporation in 1964. The company today is one of the largest and best-known audio technology developers and product manufacturers in the US and throughout the world. Bose Corporation is committed to research and innovation and constantly seeks to develop unique sound solutions to meet any audio challenge. Bose is known for home speakers and systems, the WaveR radio products, premium automotive music systems, Acoustic Noise CancellingR headphones for consumers and pilots, and sound systems for public places.

Bose Corporation India Private Ltd., founded in 1995, with professional systems division, focuses on providing complete AV and control system solutions for any public space. It was in October 1998, that the first Bose Store was opened to offer home and personal audio offerings.

Today, Bose Stores have made their presence felt in Ahmedabad, Bangalore, Chandigarh, Chennai, Delhi, Gurgaon, Ghaziabad, Hyderabad, Jaipur, Kolkata, Ludhiana, Mumbai and Noida.

JUMBO ELECTRONICS

Jumbo Electronics is one of the biggest names in the field of consumer electronics, information technology, telecommunications, home appliances, office automation and entertainment in the UAE, with a well spread out network of over 30 retail stores and nine service centres across the emirates.

Jumbo Electronics started retailing in India with its first store at Noida in September 2007. The chain now has five company-owned outlets spread over 50,000 sq ft and is planning to grow to 75 company-owned outlets spread over 7,50,000 sq ft in the next three years. The company’s turnover is estimated at Rs.100 crore during the current fiscal year and is it is hoping to raise its turnover to Rs.1,000 crore by 2010-11. Jumbo aims to be among the leading electronics retailers in India by 2010-11. It currently has presence in Delhi, Gurgaon, Noida, Ghaziabad and Lucknow, and is shortly expanding its reach across India.

Canon has also cued in on the alliances route with 13 national and 28 city specific different retail chains. Canon already has a presence in India for its product portfolio across 4,000 outlets and is expected to increase it to 6,000 by December 2008. Increasing the company’s presence across all retail formats, Canon will be opening large exclusive Canon showrooms in all the major markets across India shortly.

BANG & OLUFSEN

Bang & Olufsen, the Danish company-owned luxury electronics brand, designs and manufactures high-end audio products, television sets, and telephones. It was founded in 1925 by Peter Bang and Svend Olufsen, whose first significant product was a radio that worked with alternating current (AC), when most radios were run from accumulator batteries. The company started its retail operations in India in April 2005, 80 years after its inception, with two stores in Delhi and Mumbai. Three Bang & Olufsen stores are present in three cities in India – Chennai, New Delhi and Mumbai.

SONODYNE

Sonodyne’s pursuit of excellence in audio engineering dates back to the
early 1970s. Ashoke Mukherjee, fresh out of Roorkee University (now IIT) started Sonodyne Electronics with the vision of bringing high-fidelity audio to India.

In the early ’80s, with the Indian operations firmly in place, Mukherjee set out to realise his goal of taking Indian audio technology overseas. Today, R&D and production facilities in Mumbai and Kolkata bring Sonodyne product and technology solutions to over 40 nations.

In India, Sonodyne is a strong brand name with sales and projects offices in Mumbai, Bangalore, Delhi, Ahmedabad and Kolkata, and four Sonodyne Listening Rooms (for high-end home audio) in Bangalore, Mumbai, Ahmedabad, and Kolkata. In recognition of his contribution to audio engineering and for his efforts in successfully creating global markets, Ashoke Mukherjee was declared ‘Electronics Man of the Year- 2005’.

PHILIPS ARENA

Founded in 1891 by Gernerd Philips, and headquartered in Netherlands Philips Electronics usually known as Philips, is one of the largest consumer electronics companies in the world.

Philips started operations in India at Kolkata in 1930 under the name Philips Electrical Co. (India) Pvt Ltd. as a sales unit with the tag line of ‘Sense and Simplicity’.

The exclusive Philips Retail outlets chain is branded as Philip Arena, showcasing the entire consumer electronics range of Philips Electronics India Limited. These are futuristic, ‘state-of-the-art’ brand shops of Philips that give consumers a complete experience of all the products in its basket. Philips has 42 Philips arena spread across the following, with a store each in the cities of Aurangabad, Baroda, Bhavnagar, Bhopal, Chennai, Chindwada, Cochin, Coimbatore, Durgapur, Faridabad, Gorakpur, Hisar, Jabalpur, kalian, Kohlapur, kolkata, Palakkad, raipur, Rajkot, Ranchi, Rohtak, Siliguri, Trivandrun, Udaipur, Vizag and two stores each in Ahmedabad, Bangalore, Chandigarh, Pune, Surat. There are three stores in Mumbai and four stores in Delhi. Philips Electronics India Ltd is to double its turnover to Rs.5,000 crore by 2010. In 2007-2008, the company had a turnover of Rs.2,649 crore.

PANASONIC

In India, known as Panasonic Sales & Services India Pvt. Ltd., is responsible for the sales and marketing of mass consumer electronic products. It is one of the leaders in the development and manufacture of electronics in India. Panasonic India is a venture of the Japan-based Matsushita Group. The company is a comprehensive worldwide manufacturer of electric and electronic products.

Konsuke Matsushita founded the company in 1932 with the basic objective that states: “Through the manufacture of high-quality, high-performance products that meet the needs of our customers, we will devote ourselves to the progress and development of society and the well being of people, thereby enhancing the quality for life though out the world.”

In 1994, National Panasonic India Ltd. was established with the same motto. At present the company has 41 retail outlets in Delhi/NCR, Karnataka, West Bengal, Tamilnadu, Andhra Pradesh, Punjab, Pondicherry, Orissa, Meghalaya, Maharashtra, Kerala, Gujrat, Goa, Andaman. Panasonic, the iconic global brand electronic products brand, is planning to invest over Rs.850 crores to strengthen its presence in India over the period of three years. Panasonic will set up 200 brand stores in near future.

HCL DIGILIFE

HCL Infosystems Ltd., with revenue of Rs.11,897 crore and the nation’s premier information enabling and integration company, enhanced their Digital Lifestyle retail presence in the country with the new-age concept store, HCL Digilife. Designed to be a complete ‘house of convergence’, HCL Digilife stores present a wide panorama of products and services to fulfill digital needs. The chain of stores aim to offer complete digital solutions under one roof offering complete hands on experience to its customers. There are special home entertainment and gaming zones in the HCL Digilife stores where

Designed to be a complete ‘house of convergence’, HCL Digilife stores present a wide panorama of products and services to fulfill digital needs.
Acer Incorporated was established in 1976 as a Taiwanese multinational electronics manufacturer. It owns the largest franchised computer retail chain in Taipei, Taiwan. Acer is the third largest computer manufacturer in the world (by sales) after HP and Dell and its product lineup includes desktop and laptops as well as personal digital assistants (PDAs), servers and storage, displays, peripherals, and e-business services for business, government, education, and home users.

Acer India Pvt Ltd, was incorporated as a wholly owned subsidiary of Acer Computer International Ltd. on September 9, 1999 to manufacture and market the group’s computer technology in an affordable price. Acer India has its headquarters in Bangalore, with branch offices in New Delhi, Mumbai, Bangalore, Chennai, Kolkata, Hyderabad, Ahmedabad, Pune, Nagpur, Cochin, Guwahati and Chandigarh.

Today, the company has 250 branded Acer Malls and Acer Points in 109 cities, besides tie-ups with nine large format retail chains such as Croma, Metro, Home Solutions and Jumbo Electronics. This year Acer will expand to 350 self-branded stores in additional 75 cities. Acer will also be doubling resellers from 75 to 150 in the coming fiscal year. The company is planning to expand its retail presence and channel partnership, focusing more on so-called tier II, III and IV cities.

Acer India clocked sales of Rs.1,200 crore in 2007, a jump of 38% over the previous year, and is targeting Rs.1,800 crore revenues for 2008-09, implying an increase of 50%.

**DIGITAL SHOPPY**

Digital Shoppy is a retail chain of showrooms for consumer electronics and a home appliance founded by A Mahesh Raju on May 19, 2000. Digital Shoppy was India’s first click-and-mortar consumer electronics showroom in retail cyber space with first consumer electronics portal www.digitalsupply.com

Claimed as India’s fastest growing consumer electronics, home appliances, computers and communication devices retail chain, the chain spreads across young people and families alike, can get instant updates on the latest available in IT and entertainment technology, while the digital lifestyle zone exhibits an entire range of latest gizmos such as Nokia phones, digital cameras, video camcorders and iPods music players.

HCL Digilife plans to take number of stores from 88 to 100 over next six months focusing equally on metros, state capitals and tier II cities. The primary expansion model will be franchising. Each such retail would approximately be spread over an area of 750-1,200 sq ft. Industry estimates peg the current potential of digital lifestyle market around Rs.2,500 crores. It is expected to touch Rs.10,000 crores by 2010.

The HCL chain of Digilife stores won the award of the Most Admired Retailer of the Year – consumer durables at India Retail Forum. HCL Digilife stores houses a comprehensive range of digital lifestyle and entertainment products ranging from PCs and notebooks, digital cameras and music players, mobile phones, gaming consoles and office automation devices from world renowned brands like, Apple, Nokia, Toshiba, Kodak, Kingston, Plantronics, Casio, HCL.

**ACER**

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### NAME | Retail Outlets | Retail Presence-Cities / No | Retail Space (in Sq.ft) | Retail Sales (in Crores) | Projections 2010
---|---|---|---|---|---
Sony | 215 | | | | 
Videocon | 700 | 1.5 million | | | 1500
Next | 500 | 650 | | | 1400 crores (projection)
E-Zone | 38 | 14 | 140,000 (approx) | | 700
Reliance Digital | 5 | 4 | | | 
Vivids | 53 | 150 | | | 400
Rose | | | | | 1500
Jumbo Electronics | 5 | 75 | 50,000 | 750,000 | 100 (projection) 1000
Canon | 397 | | | | 
Bang & Olufsen | 3 | 3 | | | 
Sonodyne | 4 | 4 | | | 
Acer India Pvt Ltd | 250 | 109 | | | 1200
Panasonic | 43 | 15 | | | 
Digital Shoppy | 38 | | | | 
Philips Arena | 40 | | | 2936 (Group Turnover) 
HCL Digilife | 68 | | | 10,000
Hewlett Packard | 400 | | | | 
Croma | 2 | 22 | 100 | 7 | 
Vijay Sales | 22 | 21 | | | 
Vasanth & Co | 70 | 79 | 159 | 160,000 | 250
Sharp Galaxy | 5 | 50 | 4 | | 141.2
VU Technologies | 4 | 30 | 3 | | 
Sony Mony | 5 | 1 | 22,000 | | 

33 retail outlets in Andhra Pradesh, Karnataka and Tamil Nadu. Reputed for widest range of products Digital Shoppy is focused on innovation in product assortment and after sales service. A full service backup for after sales reinforces total commitment to 100% customer satisfaction. Digital Shoppy deals with major leading brands – Acer, Black and Decker, BPL, Canon, Godrej, HCL, HP, IFB, Lenovo, LG, Motorola, Murphy Richards, Nokia, Onida, Panasonic, Philips, Preethi, Samsung, Sansui, Sharp, Sony, Toshiba, Usha, Videocon, Whirlpool, Xerox.

**HEWLETT PACKARD**

With a portfolio that spans printing, personal computing, software services and IT infrastructure, HP is among the world’s largest IT companies; with revenue totalling $110.4 billions for the four fiscal quarters ended April 30, 2008.

HP’s consumer products are available across 1,900 retail outlets in the country, which include 1,500 MBOs and 400 HP Exclusive Experience Zones.

**CROMA**

Launched in October 2006, Tata Infiniti’s Croma stores are large format specialist stores. There is also a Croma Zip format that is smaller — with one having been opened at the Mumbai airport. There are presently 22 Croma stores spread across Delhi, Bangalore, Surat, Vadodara, Ahmedabad, Pune and Mumbai, of size 12,000 to 20,000 sq ft. The stores offer a wide range of consumer electronics products and have more than 6,000 products and 180 brands in eight categories: home entertainment, small appliances, white goods, computers, communication, music, imaging and gaming software.

Offering need-based recommendations, letting the customer try out a product prior to purchase, providing after sales service for any electronic product (bought from the store or elsewhere) are some of the unique services offered that differentiate
this chain from another. Major emphasis is laid on recruiting and training the right people to man the stores. The company plans to roll out 30-35 stores over the next 18 months in malls or as standalones.

VIJAY SALES
Vijay Sales, a trusted name synonymous with quality electronics and consumer durables, was established as a partnership firm by Nanu Gupta. With suitably designed and conveniently located showrooms, Vijay Sales caters to customers with a varied range and wide options on the consumer durable product varieties. From the small TV showroom in Mahim in 1967, Vijay Sales has since evolved into one of the India’s leading chain of electronic superstores, now having expanded to major cities across the country. Vijay sales has altogether 21 retail outlets are present in 12 numbers in Mumbai, two in Navi Mumbai, one in Surat, three in Thane and three in Pune. The company showcases 9,000 products across 11 categories in a world-class ambience.

VASANTH & CO
Established in the year 1978, Vasant & Co has wide geographical presence in the southern part of India. A dealer in consumer durables and managed by proprietor. Vasant Kumar, the company has a network of 79 showrooms operating in almost all towns of Tamilnadu, Bangalore and Pondicherry. It has a plan to expand its network to another 80 showrooms by 2010 spread over 1,60,000 sq ft. Since its inception the sales graph of the company has been slopping upward steadily and today it has earned for itself the envious position of being an Rs.2.5-billion turnover company.

SHARP GALAXY
Sharp Galaxy is the brand name for exclusive outlets of Sharp Corporation of Japan, which is focused majorly on its large-screen, high-definition LCD TV range called Aquos. Sharp pioneered the world’s first LCD commercial applications thirty years ago, and claims to be the first company in the world to introduce PAL-Optimal LCD Panels. The company hopes that its plans for the Indian market will yield results between 2011 and 2015. However, the company currently markets smaller size TVs in India, from 32-inch to 52-inch.

VU TECHNOLOGIES
VU Technologies, a California-based company known for its luxury technology brand, was introduced in India by Zenith Computers. It started its India operation from Mumbai in 2006. The company researches designs and manufactures high-end display and video products, television set (LCD) and gadgets around a visual experience. At present VU technology has four stores across Mumbai, Pune, Ahmedabad. Now VU plans to open 30 more stores across India in the next two years.

SONY MONY
Sony Mony is a Mumbai-based chain of outlets for home electronics. Established in 1986, Sony Mony has five showrooms in Mumbai. The colossal Sony Mony showroom at Vile Parle, covering 22,000 sq ft., is spread over three storeys. The other showrooms are located in Andheri, Borivali, Prabhadevi and Opera. Sony Mony stocks 15 brands of TVs with over 150 models, 14 brands of music systems with 70 models to choose from, 14 brands of refrigerators with 70 models in stock, 15 brands of washing machines with over 65 models on display.
ACCESS, AVAILABILITY, ATTITUDE, APPEARANCE!!

By Atul Jain
Consumer Electronics to me means televisions (including LCD/Plasma), audio equipment, cameras, camcorders, laptops & desktops, mobile phones and all the accessories with them. It is already a $12 bn market in India and growing at 15 per cent per annum. Organised retailers are growing at almost 30-40 per cent per annum, and likely to grow even faster, what with categories like laptops, LCD/Plasma and mobile phones growing at almost 100 per cent every year.

The Indian consumption boom has spilled onto this lifestyle category also and has led to the entry of many business houses including Tata Croma in technical collaboration with Woolworths, Australia. Future Group has also got its eZone, alongside with Home Town – the complete home accessory stores. Jumbo Electronics, Reliance Digital, The Mobile Store (Essar), Hot Spot and Subhiksha Mobile. Spencer Digital has also announced plans to start. Besides this, most hypermarts carry this line, and as their number expands, so will the organised outlets for electronics retailing.

India has had these specialised electronics shops in all towns, owned and run by the traditional trader. Since the need is not very frequent, the typical purchase of the above products for a family would happen once a year or perhaps twice a year. So the essence has been on ‘making’ the sale, and not necessary in creating an experience for the consumer that makes him return again and again. If a consumer after enquiring goes away and buys from some place else, then that purchase occasion is lost for one year!

Since product differentiation is not there, between various retail outlets, this resulted in cut throat price competition, sometimes margins being reduced to as low as 1-2 per cent. This is one of the biggest challenge that will be faced by the organised retailers. How do they tackle the consumer mindset which expects at least some small discounts or freebies, with every sale?

There have been a few regional retail chains, especially in South India, like Vivek’s, Vasanths, Giriyas and Vijay Sales in Mumbai. Their USP has been easy approach, all under one roof, and guaranteed low prices. Now I feel that the same will be required for the new retailers in other parts of the country especially North and East India.

Multiple brand offering under one roof, with easy ACCESS to the consumer will continue to be the key success factor for this format in India. With an infrastructural challenge, in terms of roads and travel time, in almost all cities – the ACCESS – the distance in terms of time, for the consumer to reach the store, is going to be the key. So one can see the emergence (and strengthening) of some regional chains – who can become the Regional Kings -- much like Vijay Sales in Mumbai. The principal companies will also give higher margins to anyone who gets the consumers coming in and buying. So retailers will look at increasing their locations within a geographical area.

In smaller towns and Tier II cities, I feel that successful stores will actually be the electronics destination points, with maximum of three to fours stores in the entire city taking a big chunk of the organised retail business. There is enough quality space coming up in
malls, but standalone stores also will be successful especially in the smaller towns.

Another factor is the ability to keep the AVAILABILITY of right merchandise ‘for the consumer coming in’ – there is no perfect merchandise mix – it just has to suit the consumer coming in each store. So I see lot of consumer data information mining beginning to take place in this category. It is nigh impossible to keep every product line and each SKU – high rentals per sq ft will kill low throughput business! Couple this, with the high working capital requirements, and short product life cycles – you got a deathly downward spiral, if stock control is not kept.

Last but not the least, the retailer ATTITUDE towards his customers – reflected by the store staff, do they smile at every entry, do they follow each walk-in like a magnet or they allow freedom of look-in, the customer service desk’s willingness to ensure genuine satisfaction. These attitudes will differentiate various chains from one another. Product knowledge and demonstration of the same to answer customer queries will be another point of difference.

Thus the above three, in my order of priority are ACCESS, AVAILABILITY, and ATTITUDE. My feeling is that successful retailers will first focus on getting the Access right, then worry about Availability and lastly Attitude. Only those who want to be niche players will start in a different order. The above order will change or get enhanced once the market is matured, but that is 3-5 years away! Appearance is important, but with the development of the format, it will more be only a hygiene factor.

It will be interesting to see how the retailers tackle the ‘private label’ issue in the format. Multi-brand, multi-technology is loading newer and newer terms on the majority, in other words, the not-so-savvy consumers. They get confused between 9 point AIAF, 4.3 Aspect ratio, XDP, XDS, video unsampling, DIVX Dolbi Digital Prologic II – this puts the need for a well trained, knowledgeable shop floor sales ‘consultants’ – however the consumer gets a comfort feel, also from the perceived as well as proven, expertise of a well-known brand. Hence the Sonys, the Panasonic, LGs, Samsungs, HPs etc will continue to rule especially in the upper end of the products. I cannot yet see the emergence of a ‘Tata brand’ of electronics exclusively retailed through a nationwide Croma chain of stores. Hence the need to get higher margins from private label may actually not be feasible.

I feel that eventually this space will come to be dominated by 3-4 large national retailers and few large regional retail chains. Some large international brands, which have lost out in the past, may try and get exclusivity with one or few large chains. Here I can see cooperation also beginning to happen between two rival chains. Customer service will continuously improve, and so will the offerings on financing and loyalty benefits. Technology being constantly changing, to help consumers keep pace, more service enhancing options like ‘demo @ home’ will emerge, which will help consumers use more ‘fully’ the product purchased. We can see, very, very interesting times ahead for the KING DIGITAL CONSUMER!!
ELECTRIC FUTURE

By S Balagopalan
The market in India for Consumer Electronic Goods and Home Appliances has been growing at a healthy rate, and modern retail share of the market has been growing at a much faster rate attracting entry of several new players including some of the leading corporates such as Reliance, Tata (Croma), etc.

Several factors have contributed to the growth of the market for this vertical, some of which are:

1. The economic growth has led to a burgeoning middle class with significantly higher disposable surplus of income, and a willingness to spend to acquire home appliances which were earlier not within their means.
2. Over 50 per cent of the population comprises the younger generation below 25 years of age aspiring for enhanced life style, seeking modern electronic gadgets.
3. Low product penetration levels for several products like Air Conditioners, Microwave Ovens etc provide significantly faster growth potential.
4. Availability of easy consumer finance increases the propensity of consumers to acquire more appliances and electronic goods for the home.
5. Consumers are increasingly looking for better shopping experience and with the ability of modern retail to meet this expectation, a major part of the market growth would go to the modern retailers.

While this presents a rosy picture for modern retail, there are several challenges that modern retail has to face to reap the benefits of the growing market. Let us take a look at some of the major issues.

Limited or non-availability of space at the right locations poses a major constraint, adding to which is the prohibitive real estate and rental costs which have skyrocketed in the past few years. Even for existing space, the owners demand very high increase in rentals. Floor Space requirement is significant in this segment which has limited potential to use vertical space in view of the nature of products which further aggravates the problem. Also modern retailers provide the Customer a wider range of products, brands and model choice necessitating greater floor area in an expensive retail real estate environment.

Particularly in the metros and large cities, consumers face considerable difficulties in commuting and there is an increasing trend of consumers opting to source their requirements from retailers operating in close proximity to their place of residence. This compels the retailer to increase the number of outlets adding to overall operating costs, and lowering space productivity.

Unlike other retail verticals, Consumer Electronics retailers have to contend with wafer thin margins which questions the viability, particularly of modern retailers, who are compelled to operate with significantly higher overheads compared to traditional retailers. Retail Margins provided by the manufacturers in this segment are still inadequate. The margin differential between modern retailers and the traditional ones is disproportionate to the differential in overheads costs and thus enable the traditional retailer to...
compete aggressively. Except for a certain segment of consumers, prices still continue to be the major deciding factor, placing the modern retailers at a distinct disadvantage.

Consumer Electronics and Home Appliance retail suffers from a specific disadvantage in comparison to other verticals on account of the prevalence of price bargaining by customers. Fixed price retailing in this segment has started emerging but has not gained momentum. Until a fixed price regime gets widely established, retailers would continue to suffer from cut throat price competition with net margins getting depressed to very low levels.

Air conditioning and superior lighting, while providing better ambience, lead to significantly higher electricity costs. Similarly, customer relationship involves considerable expenditure on communications. These factors lead to increased overheads.

It is generally possible to improve margins by introducing private labels and this can lead to significant gains, provided the volumes justify. However, unlike other verticals like food & grocery, apparel etc, introduction of private labels in core products like CTV, Refrigerators, Washing Machines, Air Conditioners, Computers etc, which contribute the lion’s share of the retail turnover, suffers from considerable limitations, particularly in terms of consumer acceptance. Brand preferences on such products are dominant making private labels in these categories a low volume business severely restricting gains.

Yet another major challenge faced by Consumer Electronics & Home Appliance retailers is the severe shortage of qualified / trained retail professionals. Minimum education and skill levels required in frontline personnel in this vertical is more that the other verticals as skills and ability to grasp and retain product knowledge is critical for selling electronic goods and home appliances. The shortage of manpower also has an adverse impact on manpower costs as the available limited manpower is expensive. For similar reasons, retention of such manpower also poses a great challenge as the propensity of such personnel to shift their jobs is pretty high.

The last but not the least among the issues faced by this retail vertical is one of product obsolescence arising from the pace of technology developments. This is particularly more marked in electronic goods and mobile phones where better products get introduced by manufacturers at prices lower than existing products.
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