2010

RETAIL ENTRY STRATEGY

For Rupa & Co. Ltd

Inner & Casual Wear

www.rupa.co.in

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Rupa & Co. Ltd

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ACKNOWLEDGMENT

"You learn something every day if you pay attention." it is often said. I realized it even better during my summer internship program. When I completed this journey, I may not have come this far without help, guidance and support of certain people who acted as guides, friends and torch bearers along the way.

First and foremost I like to thanks my parents who has supported me in every possible way. I express my deepest and most sincere thanks to Mr. L.S.S. Lal, Vice-President, Corporate Planning and Strategic Management, Rupa & Co. Ltd. without his help and support this project would not have been possible. I express my gratitude to Mr. Lal for helping me and providing me useful information. Interacting with him I learnt few tricks of professional management and I am sure the knowledge imparted will go in a long way in enriching my career. He helped me a lot while going through the whole project with all his efforts for the successful completion of the project.

You learn more quickly under the guidance of experienced Professional. You waste a lot of time going down blind alleys if you have no one to lead you and this report eminently more understandable than it otherwise might have been, without the advice of my guide and my colleagues at Rupa & Co. Ltd.

Last but not the least; I take this opportunity to express my sincere thanks to my friend Meenal Sharma who has directly or indirectly helped me in completing the project successfully.

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ABSTRACT

The Indian retail industry is the fifth largest in the world. Comprising of organized and unorganized sectors, India retail industry is one of the fastest growing industries in India, especially over the last few years. Though initially, the retail industry in India was mostly unorganized, however with the change of tastes and preferences of the consumers, the industry is getting more popular these days and getting organized as well.

India continues to be among the most attractive countries for global retailers. Many MNC's Like Jockey, Hanes, Calvin Klein ,Tommy Hilfiger are foraying into Indian retail market as most of the retail market in India is unorganized and scope of growth in Indian retail arena is enormous.

The main objective of this project is to access the strategy used by various international brand to foray into Indian retail sector and to finding the strategy for Rupa & Co. Ltd. to tap the potential that is there in Indian retail sector. Rupa Junction is the chain of EBO rolls out by Rupa which signify its only presence in Retail sector.

The future of inner wear market looks hot and positive as more MNC's are stepping into the arena of Retail .The organized retail sector, which currently accounts for around 5 per cent of the Indian retail market, is all set to witness maximum number of large format malls and branded retail stores.

Executive Summary

Rupa was founded in 1968 and is currently India's leading Innerwear Company. Acclaimed by Limca Books of Records as the largest innerwear manufacturing and marketing company in India for six consecutive years. Having a presence in over 1, 00,000 retail stores across the country and a daily capacity to produce 6, 00,000 pieces of finished goods. Rupa now has a product range, wide enough to cater to the demands of various individual preferences.

In this report, the Indian retail sector is discussed in details. Indian retail market is fifth largest in the world and hence lots of MNC are entering the Retail arena using different entering strategies like Brand Licensing, Joint Ventures, Wholly owned Subsidiary, Franchise and Merger & Acquisitions. These strategies of MNC's are studied in details and there advantages and disadvantages are analyzed. The company using one entering strategy might use another one to gain more market. The shifting trends of MNC's are well analyzed in the report.

Key players in Indian Retail sector are also mentioned in the report. Indian Retail market opportunities and challenges are also explained in the report. Issues like Channel conflicts, Packaging, Managing Sales Force, and Choosing Location for Retail store are also explained in details and their analysis is also done as they are the issues every company faces once they enter Retail arena. Several types of retail formats like Malls, EBO'S, MBO's etc. are also discussed via these report

Rupa only retail venture is Rupa Junction, which carry all the umbrella of brands of Rupa. The suggestion are also there for Rupa to enter in the Women's premium lingerie market using Brand Licensing , JV or any other strategies discussed earlier in the report. We also suggested Rupa to enter Kidswear Retail market. Women Lingerie's and Kidswear Retail opportunities are discussed in details.The recommendation for Rupa foray in Retail are also suggested.

INTRODUCTION

The Indian Retail Industry is the fifth largest in the world. Comprising of organized and unorganized sectors, India retail industry is one of the fastest growing industries in India, especially over the last few years. Though initially, the retail industry in India was mostly unorganized, however with the change of tastes and preferences of the consumers, the industry is getting more popular these days and getting organized as well. With growing market demand, the industry is expected to grow at a pace of 25-30% annually. The India retail industry is expected to grow from Rs. 35,000 crore in 2004-05 to Rs. 109,000 crore by the year 2010.

Growth of retail in India

According to the 8th Annual Global Retail Development Index (GRDI) of AT Kearney, India retail industry is the most promising emerging market for investment. In 2007, the retail trade in India had a share of 8-10% in the GDP (Gross Domestic Product) of the country. In 2009, it rose to 12%. It is also expected to reach 22% by 2010.

According to a report by Northbridge Capita, the India retail industry is expected to grow to US$ 700 billion by 2010. By the same time, the organized sector will be 20% of the total market share. It can be mentioned here that, the share of organized sector in 2007 was 7.5% of the total retail market.

According to this year's Global Retail Development Index India is positioned as the leading destination for retail investment. This followed from the saturation in western retail markets and we find big western retailers like Wal-mart and Tesco entering into Indian market. India's retail industry accounts for 10 percent of its GDP and 8 percent of the employment to reach $17 billion by 2010. There are about 300 new malls, 1,500 supermarkets and 325 departmental stores being built in the cities very soon.

A shopping revolution is ushering in India where, a large population between 20-34 age groups in the urban regions is boosting demand by 11.1 percent in 2004-05 to an Rs 23,308 purchasing power. This has resulted in huge international retail investment and a more liberal FDI.

The Indian retail market, which is the fifth largest retail destination globally, has been ranked as the most attractive emerging market for investment in the retail sector by AT Kearney's eighth annual Global Retail Development Index (GRDI), in 2009. As per a study conducted by the Indian Council for Research on International Economic Relations (ICRIER), the retail sector is expected to contribute to 22 per cent of India's GDP by 2010.

A McKinsey report, 'The rise of Indian Consumer Market', estimates that the Indian consumer market is likely to grow four times by 2025. Commercial real estate services company, CB Richard Ellis' findings state that India's retail market has moved up to the 39th most preferred retail destination in the world in 2009, up from 44 last year.

India continues to be among the most attractive countries for global retailers. Foreign direct investment (FDI) inflows as on September 2009, in single-brand retail trading, stood at approximately US$ 47.43 million, according to the Department of Industrial Policy and Promotion (DIPP).

India's overall retail sector is expected to rise to US$ 833 billion by 2013 and to US$ 1.3 trillion by 2018, at a compound annual growth rate (CAGR) of 10 per cent. As a democratic country with high growth rates, consumer spending has risen sharply as the youth population (more than 33 percent of the country is below the age of 15) has seen a significant increase in its disposable income. Consumer spending rose an impressive 75 per cent in the past four years alone. Also, organized retail, which is pegged at around US$ 8.14 billion, is expected to grow at a CAGR of 40 per cent to touch US$ 107 billion by 2013.

The organized retail sector, which currently accounts for around 5 per cent of the Indian retail market, is all set to witness maximum number of large format malls and branded retail stores in South India, followed by North, West and the East in the next two years. Tier II cities like Noida, Amritsar, Kochi and Gurgaon, are emerging as the favored destinations for the retail sector with their huge growth potential.

Further, this sector is expected to invest around US$ 503.2 million in retail technology service solutions in the current financial year. This could go further up to US$ 1.26 billion in the next four to five years, at a CAGR of 40 per cent.

COMPANY PROFILE

Rupa was founded in 1968 and is currently India's leading Innerwear Company. Acclaimed by Limca Books of Records as the largest innerwear manufacturing and marketing company in India for six consecutive years. Having a presence in over 1, 00,000 retail stores across the country and a daily capacity to produce 6, 00,000 pieces of finished goods. Rupa now has a product range, wide enough to cater to the demands of various individual preferences. With constant learning, innovation and refinement of its operations, has transited seamlessly from a production driven to a customer driven enterprise and is fully prepared to face challenges of total customer satisfaction at a global level.

Vision of Rupa

To be a global player in the innerwear and casual wear categories.

Mission of Rupa

To produce the finest quality products through continuous innovation and improvement, providing for the consumer a stylish and comfortable experience.

Till the mid-sixties, the Hosiery Industry in India was rather a complacent one. A number of organized sectors and localized brands kept churning out mediocre products. The consumers were less than satisfied but had no option readily available. But a dormant desire for better innerwear remained there through the years. Finally, in 1968, Mr. P R Agarwala, along with his brothers Mr. G P Agarwala and Mr. K B Agarwala decided to delve deep into the possibilities and prospects of creating a brand that would revolutionize the hosiery market with quality that doesn't only sell but excels. And Binod Hosiery saw the light of day. These three gentlemen not only had a mission to produce the best but a vision to bring care and comfort to the fatigued consumer. While the available products were upgraded and made more consumer friendly, soon a new line of products was launched by the Company under the brand name of **Rupa.**

The company Rupa & Company Limited was formed in the year 1985. Within a span of decade from the formation of the company a major step forward was taken and the company came out with a public issue in the financial year 1995-96 and became a public limited company.

Promoters

The company has been promoted by three brothers in relation:

Mr. P. R. Agarwala, Chairman

Mr. G. P. Agarwala – Vice Chairman

Mr. K. B. Agarwala- Managing Director

Rupa has emerged as the country's largest manufacturer of hosiery and innerwear brand, cornering nearly 10% to 12% of the Rs 4600 crore branded hosiery market. Even the Limca Book of Records has been conferring the honor to Rupa & Co as the country's largest manufacturer of knitted undergarments for the last five years.

Rupa initially started manufacturing with male undergarments in partnership with third-party vendors in Tirupur and Kolkata. It expanded its product line to include female underwear. Buoyed by the success in the East, the promoters decided to take the brand national in 1975.

So much so, Rupa has today evolved as an umbrella brand for the firm and it has launched an array of successful sub-brands like Macroman, Frontline, Softline, Footline, Jon, Theormocot, Skywings, Bumchums, Interlock, Air Vest & Ribline. It has just launched a premium sub-brand Air-Vest and planning another one called Embrace. Also on the cards are plans to roll out a separate sub-brand for the kids segment.

USP of the brand has always been its value-for-money products that target all the segments of the society. During early days, the success formula was strong linkages in the market due to its hosiery trading business. . Rupa is today facing a growing threat from leading brands like Jockey, Benetton, Tommy Hilfiger, Dollar and Amul as well as a slew of private label brands launched by Future Group and Westside.

The promoter believes that roping in popular brand ambassadors will do a magic to boost the brand's visibility. Small wonder, Rupa's marketing budget has touched Rs 32 crore this year. In fact, it was one of the few brands in the 80s and 90s that roped in models for promotion of its products.

Rupa current fiscal (2009-10) turnover is Rs 536 crores and 10 crores additional as exports from domestic market and 10 crores from export .Plans are afoot to roll out a chain of premium innerwear stores across the nation. It is even eyeing the international market and plans to take the Rupa brand to Southeast Asia, Middle East and parts of Europe.

Industry & Business Description:

The Indian garment industry is vital to the economy of the country. It is the largest employer after agriculture. The garment industry has two vital arms, the knitted garment sector and the woven garment sector. The knitted garment sector (Hosiery) constitutes about 25% of the total production. Hosiery items include a wide range of products though mainly concentrated on innerwear and casual wear. The company's products include both innerwear and casual-wear items. In the hosiery sector RUPA is one of the leading brands in India and it has been able to successfully establish itself with consumers for comfort & style. Brands such as Macroman, Frontline, Jon, Thermocot, Softline, Footline, Bumchums etc., are today well established brands of hosiery in India, favored by the consumers for product quality, design, comfort and style.

Brand Recognition

For any FMCG company the prime asset is its brand value & recognition. The brands of the company such as Frontline, Jon, Macroman, Thermocot, Footline, Softline, Bumchums, Jon, Euro, Ribline, Air Vest etc are household name for hosiery products. Each brand has unique product features and design. The Company has always recognized the value of brand in terms of growth for the company and it has always been the endeavor of the company to promote its brands. The company's expenses on account of advertisement in all forms of media, campaigns and celebrity endorsement have paid-off and as a result of which the brands are omnipresent in the market and consumer mind-space.

Quality

The company has always provided highest standard of quality products to its consumers. In its endeavor the company has always believed in modern technology and latest machinery. The manufacturing facilities of the company are equipped with state-of-the-art machinery backed by a sophisticated in-house laboratory and R & D facilities. Computerized equipment has also been installed to check fabric and color. The accent in the quality management system is to provide to the rapidly changing fashion conscious consumer products which has a blend of comport and style. It is as a result of the efforts and investments made for maintaining highest quality standards that today the very name 'RUPA" is ikoned for quality.

MANUFACTURING / INFRASTRUCTURE FACILITIES

Domjur (Howrah) Unit

The Company has one of the most modern dyeing plants in India, this unit is located 8 km from Kolkata, and produces over 5 tons of dyed fabric daily. Equipped with state-of-the-art machinery this plant is backed by sophisticated in-house laboratory and R & D facilities. Computerized equipment has also been installed to check fabric and color. The set includes:

- Mayer and cie knitting machines from Germany
- Thies soft flow dyeing machines from Germany
- Santex finishing range from Switzerland
- Data color color matching system from USA
- Mathis Laboratory dyeing machine from Switzerland
- Latest stitching machines from Japan

Tirupur Factory

State-of-the-art plants has been set up at Tirupur in Tamil Nadu with the latest machines for fabric checking and layering, cutting and stitching and ironing and stain removing, among other functions.

Geographical Presence

The products of the company are available throughout India. The company's presence is in rural, semi-urban and urban markets. The company has built a healthy long-lasting successful relationship with its dealers and retailers all over the country. Continued efforts are rigorously being made to further enhance its geographical presence and its network.

Growth

From a very humble beginning the company has transformed to market leader of hosiery today. The turnover of the company as at March 31st, 2010 is Rs 536.32 crores and the current year's performance is well expected to surpass the same. The growth in the turnover of the company, from Rs 9.54 crore as at March, 1995 to Rs 536 crore plus, in more than a decade has been phenomenal and has transpired from the dedicated efforts of the promoters, management and all associated with the company.

Rupa is the company's mass market brand. The brand has the distinction of the first innerwear brand to be endorsed by celebrities. Rupa brand has been seriously nurtured and the owners have been using Stars to endorse the brand. This has ensured that the brand receive a mass appeal. The brand is positioned on the platform of comfort and the tagline is the famous "Yeh Aaram ka mamla hai". In the year 2003 saw the company's foray into the premium segment of men's innerwear with the brand Euro. The premium segment is worth around 120-150 crore and is witnessing lot of competition. Global majors like Sara Lee with Hane's brand and domestic majors like Color Plus, Van Heusen and Peter England has launched its range in this segment.

Euro is positioned as an up market brand and is not relying on Stars to promote the brand. The brand is positioned on "sex appeal" and the TVC of the ad features the man being "assaulted" by ladies. Euro also is the brand that came out with the “Bacteria resistant innerwear’s. The brand is said to have captured around 20% market share in this segment. Rupa has roped in Alyque Padamsee as a marketing consultant to develop this brand.

With all the major brands eyeing for a share in one of the largest and most potential innerwear market in the world (just look at the population), Rupa is bracing itself for a tough marketing warfare. Rupa has been careful in communicating and positioning its brand to the masses. But since the brand is relying on Bollywood stars. The greatest challenge for any innerwear marketer is to fight the unorganized sector which dominates this market coupled with cheap imports. With the launch of Euro, Rupa is testing its marketing acumen in one of the toughest market. After all "Ye Aaram Ka Mamla Hai".

ORGANIZED RETAIL SECTOR IN INDIA

The Indian organized retail industry is valued at about $300 billion and is expected to grow to $427 billion in 2010 and $637 billion in 2015. Retail Market India today is the second fastest growing economy of the world after China. Indian economy will grow larger than Britain's by 2022; Japan by 2032 and by 2050 will become the second largest economy of the world after China. Indian market has become the most lucrative market for retail investment in the world. Some of the factors which have contributed to the growth of organized retail in India are: increase in the purchasing power of Indians, rapid urbanization, increase in the number of working women, large number of working young population.

Traditionally, the retail industry in India comprised of large, medium and small grocery stores and drug stores which could be categorized as unorganized retailing. Most of the organized retailing in India had recently started and was mainly concentrate in metropolitan cities.

Today people look for better quality product at cheap rate, better service, better ambience for shopping and better shopping experience. Organized retail promises to provide all these. In Industry the various formats of organized retail are: **Hypermarkets**: They store products of multiple brands comprising food items and non-food items. **Supermarkets**: These are self service stores selling food and personal care products. E.g.: Subhiksha. **Departmental stores**: Retails branded goods in non-food categories. E.g.: Shoppers Stop. Specialty Chains: These stores focus on a branded product or a product category. E.g.: Bata Convenience stores: These are small self service outlet located in crowded urban area. **Malls**: A huge enclosures which has different retail formats. e.g.: Nucleus Key players in organized retail are: Pantaloon Retail: It was started by Kishore Biyani- India's largest retailer. The various formats of pantaloon retail are: Pantaloons, Big Bazaar, Food Bazaar, Central etc. RPG Retail: Its various formats are: Food World, Music World, Health & Glow, Spencer's Tata Retail (known as TRENT): Its various formats are: CromaWestsideStar India Bazaar K Raheja Corp. Group: Shoppers' Stop, Hypercity, Crossword, InOrbit Mall Reliance Retail Job Opportunities: Retail accounts for 8% employment in the country. In the next 2 years the sector is set to provide 2.5 lakh job opportunities.

The types of jobs available in retail are: Retail sales, Store management, Stock management, Supply chain management, warehousing and operations. In organized retail the frontliners like shop floor executives, sales executives etc are in great demand. The frontliners have to directly communicate with the customers. The other jobs are for store managers, store planners, cashiers, stockists, logistics, operations, distribution, marketing, finance, HR, IT etc. Good communication skill, high interpersonal skills, convincing power, positive attitude and ability to handle stress is a prerequisite for these jobs. Fresh graduates who want to make career in retail can easily fill these jobs. Stock planners, Operations, logistics, cashiers have to deal with the numbers daily. Besides having good communication skill they also require for numerical and analytical ability.

Bharati retail is planning to invest $2.5bn by 2015 which will create employment opportunity for 60,000 people. Bharti Resources, a learning and development solutions subsidiary of Bharti Group, has tied-up with Global Retail School (GRS) to groom graduates and undergraduates in retail management and other sectors. They will provide 3-month and 6-month certificate courses for Rs 30,000 and Rs 15,000 respectively in Retail Sales and Marketing, Retail Visual Merchandising and Space Planning, Retail Supply Chain Management, for creating frontend manpower professionals. Indeed it is a fact that organized retail in India is all set to grow at a stupendous pace.

CONSUMER BEHAVIOUR IN INDIA

The Indian consumers are noted for the high degree of value orientation. Such orientation to value has labeled Indians as one of the most discerning consumers in the world. Even, luxury brands have to design a unique pricing strategy in order to get a foothold in the Indian market.

Indian consumers have a high degree of family orientation. This orientation in fact, extends to the extended family and friends as well. Brands with identities that support family values tend to be popular and accepted easily in the Indian market.

Indian consumers are also associated with values of nurturing, care and affection. These values are far more dominant that values of ambition and achievement. Product which communicate feelings and emotions gel with the Indian consumers.

Apart from psychology and economics, the role of history and tradition in shaping the Indian consumer behavior is quite unique. Perhaps, only in India, one sees traditional products along side modern products. For example, hair oils and tooth powder existing with shampoos and toothpaste.

Urbanization is taking place in India at a dramatic pace and is influencing the life style and buying behavior of the consumers. The working urbanites are depending more on fast and ready-to-serve food, they take less pain in traditional method of cooking and cleaning.

Bulk purchases from hyper stores seems to be the trend these days with purchasing becoming more of a once-a-week affair, rather than frequent visits to the neighborhoods market/store/vendor.

The popular growing shopping trend among urbanities is purchasing from super markets to hyper stores.

The current urban middle and upper class Indian consumer buying behavior to a large extent has western influence. There is an increase in positive attitude towards western trends. The Indian consumer has become much more open-minded and experimental in his/her perspective. There is now an exponential growth of western trend reaching the Indian consumer by way of the media and Indians working abroad.

Foreign brands have gained wide consumer acceptance in India, they include items such as;

- Beverages
- Packed food
- Ready to eat food
- Pre-cooked food
- Canned food
- Personal care products
- Audio/video products
- Garment and apparel
- Footwear
- Sportswear
- Toys
- Gift items

Foreign brands vie increasingly with domestic brands for the growing market in India. Foreign made furniture is well accepted by the Indian consumers. Malaysian, Chinese, Italian furniture are growing in popularity in India.

Indian consumers have also developed lifestyles which have emerged from changing attitudes and mind sets; exposure to western influences and a need for self-gratification. Beauty parlours in cities, eateries, designer wear, watches, hi-tech products are a few instances which reflect these changes.

Fragmented retail sector in India

THE $180-billion Indian retail market is, by far, the most fragmented in the world, with just 2 per cent of the entire retailing business being carried out by the organized sector, according to a Crisil report.

While organized retail makes up for over 70-80 per cent of the total business in developed countries, the Indian organized retail segment pales in comparison with even other Asian countries such as China, South Korea and Thailand. Retailing is the largest private sector industry in the world economy, with the global industry size exceeding $6.6 trillion, according to Euro monitor. In China, the organized retail segment accounts for about 20 per cent of the overall business; in Thailand, it is around 40 per while in Malaysia it makes up for nearly 50 per cent of the total business, according to the data.

Of the 98 per cent "traditional retailing" happening in India, much of the business is handled by local *kirana* stores, according to analysts tracking the sector.

The disadvantages of having much of the retail business in the unorganized sector is apparent with most local small-scale retailers operating on a low-cost-and-size format, thereby evading tax and following cheap labor models to offer customers low prices, the analysts said. The Indian retail sector, largely due to its fragmented structure, suffers from limited access to capital, labor and suitable real estate options, they said.

While there has been talk of allowing up to 26 per cent foreign direct investment (FDI) in certain retailing activities, a decision on the issue is yet to be taken by the government. According to the Crisil report, with China allowing FDI inflow up to 49 per cent in 1992, foreign players have taken the initiative and at present, around 40 foreign retailers constitute almost 20 per cent of the organized retailing in the country.

Organized retailing, the mainstay in many of the developed economies, leverage size and established supply chains to deliver greater choice and better prices to consumers.

Despite its largely fragmented structure, the retail business in India is one of the largest in the world and a joint CII-McKinsey report has pegged the size of the Indian retail market at $180 billion, with the market growing at a rate of 11-12 per cent annually.

Foreign Players in Indian Retail Arena

While the Indian consumers have aspired to own international fashion brands, India's large population base in turn has been an aspirational market for the international companies.

To remote observers, the Indian market may appear to be a virgin territory as far as international apparel and footwear brands are concerned. But India has seen the presence of international brands for almost a century, including mass brands such as Bata and luxury brands such as Louis Vuitton.

In the early 1990s, as the Indian economy opened up again, a few international fashion brands entered the Indian market. The pioneering companies during this stage were Benetton, Coats Viyella and VF Corporation.

At this time the Indian apparel market was still fragmented, with multiple local and regional labels and very few national brands. Ready-to-wear apparel was prevalent primarily for the menswear segment which was thus a target for many international fashion brands (such as Louis Philippe, Arrow, Allen Solly, Lacoste, Adidas and Nike).

In the midst of this the media industry was also witnessing a high growth which aided the international brands in gaining visibility and establishing brand equity in the Indian market.

The late-1990s marked a significant milestone in the growth of modern retail in India. Higher disposable incomes and the availability of credit significantly enhanced the consumers' buying power. A growing supply of good-quality retail real estate in the form of shopping centers and large format department stores also allowed companies to create a more complete brand experience through exclusive brand stores and shops-in-shop.

The number of international brands continued to grow each year at a steady pace until the early 2000s, and took off exponentially thereafter. By 2005 the number of international fashion brands present in India was over three times compared to that in the mid 1990s. The last few years (since 2005) have continued the significant growth of international fashion brands, including luxury brands such as LVMH, Aigner, Tommy Hilfiger and Chanel.

INTERNATIONAL BRAND: RETAIL ENTRY STRATEGIES

BRAND LICENSING

Brand licensing is the process of creating and managing contracts between the owner of a brand and a company or individual who wants to use the brand in association with a product, for an agreed period of time, within an agreed territory. Licensing is used by brand owners to extend a trademark or character onto products of a completely different nature.

In India, the liberalization of the Indian economy in 1992 brought a slew of international brands to India. Many of these brands have been licensed to Indian companies. Arvind Brands represent Wrangler, Arrow, Nautica, Jansport and Kipling. The Murjani Group is the licensee for FCUK and Tommy Hilfiger.

A licensing agreement authorizes a company which markets a product or service (a licensee) to lease or rent a brand from a brand owner who operates a licensing program (a licensor). Companies who know their brands well will have a good understanding of the equity of the brand. A brand's equity is derived from the awareness and image a brand holds with its consumers.

Licensing enables companies whose brands have high preference to unlock a brand's latent value and satisfy pent up demand that exists. After Apple launched the iPod a number of years ago it created an immediate need for accessories; Apple could have chosen to manufacture and distribute these themselves, but decided they were not core to the business and therefore, chose to satisfy the need through licensing. Licensing the iPod brand enabled many companies to produce all kinds of terrific products to make the iPod more user-friendly and enhance the listening experience. All these accessories are sold by licensees.

Apart from benefits to licensors, there are benefits to licensees as well. Licensees lease the rights to a certain property for incorporation into their merchandise, but traditionally they do not share ownership in it. Having access to major national and global brands, and the logos and trademarks associated with those brands, gives the licensee significant benefits they previously did not possess. The most important of these is the marketing power the brand brings to the licensee's products. Building a brand from scratch can take years, millions of dollars and a lot of luck. The company which licenses a brand gains immediate access to all the positive brand and image building that went before it. The licensee also takes with them the reputation of the licensor.

Using licensing to enter new categories

Often brand managers will enter or extend their brands into new product categories to drive strategic growth for the company.

For example, Crest several years ago extended its brand from toothpaste into whitening (Crest Whitestrips). Before, Procter & Gamble (P&G), the owner of the Crest brand launched Crest Whitestrips, they conducted research to understand if the brand had *permission* to enter into the retail whitening category, long held by established brands such as Rembrandt and Aquafresh. P&G wanted to find out if consumers would *expect* Crest to offer a whitening product and if so, based on the preference for the Crest brand, purchase this new product. As we know Crest Whitestrips have performed well since their launch in the market and have achieved high rankings and advocacy ratings. While P&G decided to source the product overseas and distribute globally, they could have chosen to manufacturer it themselves and distribute *or* enter the market through *licensing*. In the case of P&G's Mr. Clean brand, P&G discovered that consumers expected them to sell cleaning accessories under the Mr. Clean brand. In this case, P&G decided to enter the market by licensing the category to Magla, a company that already had expertise and presence in this category.

The diagram below illustrates the different stages that are a part of the *Licensed Product Process Flow*:

Expectations of Licensors and Licensees

Licensors expect that the licensee will be committed to investing in the category they license. This means they will work hard to understand the *essence* of the brand and develop their licensed product in a way that captures that essence. In other words, the licensed products should connect with the consumer both functionally and emotionally. If the licensee does this, the products they develop will normally be approved without delay or difficulty. To achieve this takes time and money. So while both parties want to *commercialize* the category as soon as possible, the licensor will expect the licensee to start with building the brand into the product first.

The licensor will also expect the licensee to be familiar with the contract and to meet the obligations of the contract. That is why it is important for the licensee to ensure all employees in the licensee's organization working on the license are familiar with its contractual obligations.

For example, when a product becomes approved, the licensor will expect the licensee to commercialize the licensed product expeditiously in each of the authorized channels. Finally, the licensor will expect the licensee to meet or exceed the projected sales targets for the category as outlined in the contract. When all of these things happen, the result can truly be award winning products that meet or exceed annual sales and royalty projections.

Licensees, in turn, expect that the license they have acquired will provide them with sales growth, and rightfully so. This sales growth may be in the form of growth within existing channels or the opportunity to enter a new channel or new market. To accomplish this objective, licensees expect that the brand they are licensing is as strong or stronger than they believe or have been told, that it will open doors and ultimately help them meet or exceed their business objectives.

Moreover, licensees expect that the licensor or their agents will run a simple, straight forward licensing program that will not administratively tax their organization. Finally, they expect that the licensor will approach the licensing relationship with a win-win attitude that will allow them to move quickly to take advantage of opportunities that present themselves. Because licensing contracts obligate the licensee to sales targets and royalties, the licensee's goal will be to quickly achieve sales of licensed product to meet these requirements.

Royalty and Payment Flow

Royalty is the money that is paid to a licensor by the licensee for the right to use the licensed property. It is calculated by multiplying the Royalty Rate by the Net Sales. Below is an example of how the royalty payments would flow from the retailer to the licensee and ultimately to the licensor. The example assumes a 10% royalty rate.

Brand Licensing is probably one of the least explored methods to enter a new product category by most brands. However, we hope that through this module, we have been able to explain what Brand Licensing is and the numerous benefits that it has to offer both to licensors and licensees.

Needless to say, the entire process is lengthy and time consuming. One must also keep in mind that the goal is not to achieve the license but to make a success of it and the activities that follow the signing of the contract. These processes, if executed well, on the one hand, can ensure huge success of the program. While on the other hand, if either the licensee or the licensor do not live up to their commitments, it can affect sales, and more importantly the reputation of the brand.

Wholly Owned Subsidiary

A company whose voting stock is more than 50% controlled by another company, usually referred to as the parent company is known as **Subsidiary**. As long as the parent company has more than 50% of the voting stock in the subsidiary, it has control. In the case of a foreign subsidiary, the company under which the subsidiary is incorporated must adhere to the laws of the country in which the subsidiary operates, although the parent company still carries the foreign subsidiary's financials on its books (consolidated financial statements).A subsidiary whose parent company owns 100% of its common stock is known as **Wholly Owned Subsidiary**. In other words, the parent company owns the company outright and there is no minority owners.. Essentially, a wholly-owned subsidiary is a business that is completely owned by another entity. The subsidiary continues to operate with the permission of the holding company, either with or without direct input from the controlling entity

There are several reasons why a company would choose to operate a wholly owned subsidiary, rather than simply absorb the acquired company into the central corporate operation. One of the most common reasons is a matter of location. The wholly-owned subsidiary may physically reside in a different country from the holding company. When this is the case, there may be compelling financial and regulatory factors that make it much more financially sound to allow the company to continue more or less autonomously.

Another common reason for the operating the wholly-owned subsidiary separately from the owner company could be name value. Often, a well-known and respected corporation is acquired by another entity that has no name recognition in that particular market. Rather than spend huge amounts of time and resources to create a reputation, the holding company will simply decide to remain in the background. This allows the wholly-owned subsidiary to continue to enjoy the current name recognition and market share, while being able to work with the resources of the parent company to find ways to enhance that reputation.

In some instances, a wholly-owned subsidiary will be an investment into one market sector by a company that is more closely associated with a completely different industry. This allows the parent company to diversity holdings and thus become less susceptible to abrupt changes in consumer tastes and demand. It is not uncommon for a wholly-owned subsidiary to provide a steady flow of revenue during a period of financial decline for the parent company, keeping both entities afloat until the holding company regains profitability.

Joint Venture

A joint venture is a strategic alliance where two or more parties, usually businesses, form a partnership to share markets, intellectual property, assets, knowledge, and, of course, profits. A joint venture differs from a merger in the sense that there is no transfer of ownership in the deal.. It can also occur between two small businesses that believe partnering will help them successfully fight their bigger competitors.

Companies with identical products and services can also join forces to penetrate markets they wouldn't or couldn't consider without investing tremendous resources. Furthermore, due to local regulations, some markets can only be penetrated via joint venturing with a local business. In some cases, a large company can decide to form a joint venture with a smaller business in order to quickly acquire critical intellectual property, technology, or resources otherwise hard to obtain, even with plenty of cash at their disposal.

Smart entrepreneur and business owners know that Joint Ventures are the fastest and most effective way to radically increase sales and profits with virtually no money and no risk, as long as it's done correctly.

The **Advantages** of Joint Ventures are speed, access, sharing of resources and the leveraging of underutilized resources, high profits, back end income, low or no risk opportunities and massive leverage. The **Disadvantages** of Joint Ventures are the possibility of being ripped off or disappointed by unscrupulous and unprofessional JV partners, and hurting your reputation and/or customers and associates by associating with the wrong people, even unknowingly.

Businesses of any size can use joint ventures to strengthen long-term relationships or to collaborate on short-term projects.

A successful joint venture can offer:

- access to new markets and distribution networks
- increased capacity
- sharing of risks and costs with a partner
- access to greater resources, including specialized staff, technology and finance

The risks of joint ventures

Partnering with another business can be complex. It takes time and effort to build the right relationship. Problems are likely to arise if:

- the objectives of the venture are not totally clear and communicated to everyone involved
- the partners have different objectives for the joint venture
- there is an imbalance in levels of expertise, investment or assets brought into the venture by the different partners
- different cultures and management styles result in poor integration and co-operation
- the partners don't provide sufficient leadership and support in the early stages

Success in a joint venture depends on thorough research and analysis of aims and objectives. This should be followed up with effective communication of the business plan to everyone involved.

A joint venture is an agreement between two or more individuals or businesses whereby both contribute to a joint business endeavor. They share in the expenses associated with the project and they share in the profits realized. Joint ventures are very common in the brick and mortar world, as well as, in the online world of Internet marketing.

There are basically **two types of joint venture**. The **Insider** Joint Venture and the **Outsider** Joint Venture. Both kinds are profitable the difference is who the partners in the agreements are.

The insider joint venture agreement allows all parties to it access to the same private areas of the business such as the administration panel, accounting, sales records, and other insider's knowledge. The product or service that is the focus of the agreement is usually developed as a joint effort by the parties to the agreement. Ownership of the product or service is jointly held.

The Outsider Joint Venture is the kind that is most common in the Internet marketing arena. In this kind of joint venture, there are no common administration panel, accounting or sales records. Each entity remains separate. Usually an individual or company has developed a product or service but has no customer base to market it to.

Franchise or Distribution

A franchise is a method of distributing goods and services by licensing a business idea or concept to another. The "Franchisor" is the legal owner of the franchised business concept and ideas, including names and logos. The "Franchisee" is the individual or entity that purchases the right to use these concepts and ideas from the “Franchisor”. A “franchise Agreement” grants to the “Franchisee” a limited license and right to use and operate a recognizable outlet within a defined “Territory”, by utilizing a pre-existing business system and proprietary marks. The franchise agreement allows the franchisor to carefully control the obligations and responsibilities of the franchisee.

Benefits

Studies reveal that franchised businesses experience lower default rates than independent businesses and generally have a somewhat easier time securing financing because the Franchisor typically has an established trademark and goodwill, as well as marketplace experience. Although franchises usually require upfront fees and are heavily regulated by Federal and State agencies because of their inherent risks, a Franchisee operating under one trademark can achieve levels of brand awareness, market penetration and purchasing power that business people operating individually could not ordinarily achieve.

Engagement

Franchisor names Franchisee for the purpose of operating a single franchise in the Territory.

Franchise Fee

This is the initial fee charged by the Franchisor to initiate a franchisor/franchisee relationship. Continuing fees are usually required.

Proprietary Marks

Franchisor grants to Franchisee a license, to use the Franchisor's trademarks, trade names and service marks in connection with operating the franchise. Franchisor will probably want to strictly limit. Franchisee's right to use its marks. The Franchisee should be prohibited from changing or diluting the composition of the Products as furnished to the Franchisee by Franchisor unless expressly authorized by Franchisor.

Training and Assistance

Franchisor promises to offer guidance to the franchisee pursuant to manuals and/or courses and/or on-going consultation services. The greater the assistance provided, the greater the cost to the franchisor, but this is usually better for the franchisee.

Advertising

Franchisor wants to control the content and nature of any advertising conducted by the Franchisee. The franchisor may provide specific advertising materials and/or require the franchisee to receive franchisor approval and comply with strict advertising guidelines. Franchisor also wants to control the frequency of advertising and will require, based on costs in a given market, specific advertising spending budgets for each franchisee.

Confidential Operating Manuals

As a part of training the franchisee, the franchisor provides a manual detailing how the franchise will be operated. Since this proprietary information is inherently valuable, the franchisee promises to keep it private and confidential. Copying is strictly prohibited and all manuals should be immediately returned if the relationship is terminated.

Retail Franchise

In a retail franchise, the franchisee will generally occupy retail premises and sell products or services. The business depends totally on the location of the premises, with sales coming from walk-in consumers. In this situation, the franchisee will:

- Sell a product or service to end-users.
- Operate from locations with high foot traffic like shopping malls.
- Depend on walk-in customers for sales.
- Manage the business during retail hours, often stretching into long days and weekends.
- Be dealing with the public; this requires the franchisee to be a people person.
- In most instances, staff will have to be employed, requiring the franchisee to be a good manager of people.
- In some cases, prior experience in the type of business is essential.

Merger & Acquisition

Mergers

Merger is a financial tool that is used for enhancing long-term profitability by expanding their operations. Mergers occur when the merging companies have their mutual consent as different from acquisitions, which can take the form of a hostile takeover.

Acquisitions

Acquisitions or takeovers occur between the bidding and the target company. There may be either hostile or friendly takeovers. Reverse takeover occurs when the target firm is larger than the bidding firm. In the course of acquisitions the bidder may purchase the share or the assets of the target company.

Benefits Accruing from Mergers and Acquisitions

The principal benefits from mergers and acquisitions can be listed as increased value generation, increase in cost efficiency and increase in market share.

Mergers and acquisitions often lead to an increased value generation for the company. It is expected that the shareholder value of a firm after mergers or acquisitions would be greater than the sum of the shareholder values of the parent companies.

An increase in cost efficiency is affected through the procedure of mergers and acquisitions. This is because mergers and acquisitions lead to economies of scale. This in turn promotes cost efficiency. As the parent firms amalgamate to form a bigger new firm the scale of operations of the new firm increases. As output production rises there are chances that the cost per unit of production will come down.

An increase in market share is one of the plausible benefits of mergers and acquisitions. In case a financially strong company acquires a relatively distressed one, the resultant organization can experience a substantial increase in market share. The new firm is usually more cost-efficient and competitive as compared to its financially weak parent organization.

FOREIGN BRANDS INDIA ENTRY STRATEGIES

The Popular Entry Strategies

Many of the international companies entering India in the late 1980s and 1990s chose licensing as the entry route to India to gain a quick access to the Indian market at a minimal investment.

A few companies such as Levi Strauss set up wholly owned subsidiaries while others such as Adidas and Reebok entered into majority-owned joint ventures. This helped them to gain a greater control over their Indian operations, sourcing and supply chain, and brand.

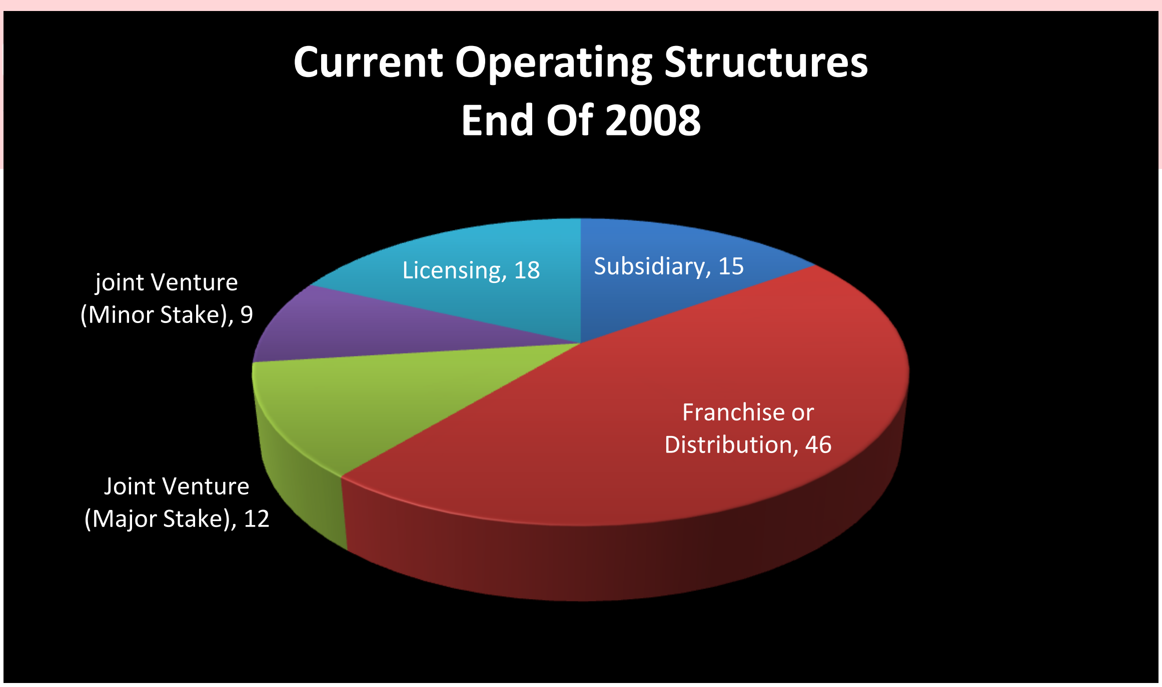
In the subsequent years import duties for fashion products successively came down making imports a less expensive sourcing option and the realty boom brought investors in retail real estate that were ideal franchisees for the international brands. By 2003, franchising became the preferred launch vehicle for an increasing number of international companies, while only a few chose to enter through licensing.

In 2006 the Government of India reopened retail to foreign investment (allowing up to 51 per cent foreign direct investment in "Single Brand" retail). Using this route, many brands have entered India by setting up majority owned joint ventures, or transitioned their existing franchise arrangements into a joint venture structure.

By the end of 2008, just under half of the brands were present through a franchise or distribution relationship, while over a quarter had either a wholly-owned or majority-owned subsidiary. These structures allowed the brands to have greater control of operations, particularly of product

The Entry Structure for Some International Brands

Entry Strategy	Time Period		
	1980s or Earlier	**1990s**	**Post-1999**
Licensed	Louis Philippe, United Colors of Benetton and Wrangler	Allen Solly, Arrow, Jockey, Lacoste, Lee, Nike, Van Heusen, Vanity Fair	Puma
Wholly Owned Subsidiary	Bata, Pepe Jeans	Levi's®	Hanes, Triumph
Joint Venture (Majority)		Adidas, Reebok	Diesel, Nautica, Sixty Group
Franchise or Distribution			Marks & Spencer, Mother care, Tommy Hilfiger
Joint Venture (incl. Minority Stake)			Celio, Etam, Giordano



Shifting Strategies

Many international companies have evolved their presence in India into structures different from those at the time they entered the market.

A good example depicting the shift in business strategy is that of VF Corporation which entered India in 1980s by assigning the Wrangler license to DuPont Sportswear. Since then it has launched a variety of brands in different product categories with number of Indian partners and finally formed a joint venture, VF Arvind Brands Pvt. Ltd., with Arvind Brands.

Another example of a company that has evolved its presence is Benetton, which first entered India through a licensee (Dalmia). Benetton then transitioned in 1991 into 50:50 joint-ventures and finally in 2004 took over the Indian business completely. However, it adopted the franchising route in 2006 for its premium fashion brand, Sisley, appointing Trent (a Tata Group company) as the national retail franchisee.

Source: Industry Research by Third Eyesight

Many other companies such as Nike, Tommy Hilfiger, Marks & Spencer and Pierre Cardin (as described in our report "Global Fashion Brands: Tryst with India") have changed their approach as the original structures did not perform as well as they had expected. Obviously, each such change has cost the brands time, management effort, money and, sometimes, market share.

We believe that these shifts and the pain related to it could have been reduced, had the brands ruthlessly questioned the motivation for considering this market and their expectations from the market in determining an appropriate strategy.

Key Players in Indian Retail Arena

Pantaloon Retail (India) Pantaloon's managing director Kishore Biyani believes in changing the rules. When Pantaloon started the Big Bazaar discount stores in 2002, malls were not part of the shopping culture. Big Bazaar became a hit, as it combined the look and feel of Indian bazaars with aspects of modern retail like choice, convenience and quality. Headquartered in Mumbai, the Rs 3,500-crore company now operates over 5 million sq ft across 40 cities.

Shopper's Stop A menswear store owned by K Raheja in the Mumbai suburb of Andheri in 1991 has now transformed into Shopper's Stop, with 27 departmental stores. The company entered airport retailing in a joint venture with the Nuance Group. It also launched India's largest hypermarket, Hypercity. In 2005, it bought the Crossword bookstore chain.

Lifestyle Growing from one store in Bahrain in 1973, the NRI-led Landmark Group today operates over 5 million sq ft in the Middle East and India. The group's first Lifestyle store in India opened in Chennai in 1999. Now it has 325,000 sq ft in Chennai, Hyderabad, Bangalore, Gurgaon and Mumbai. Its first hypermarket, branded as 'Max', is expected to open soon.

Reliance Retail Mukesh Ambani's 15,000-people Reliance Retail has opened 250 convenience stores, branded as 'Fresh', across the southern states. It is now planning to launch 30 such outlets in Mumbai. Reliance Retail plans to invest Rs 25,000 crore on hypermarkets, supermarkets and specialty stores in the next four years. The first hypermarket will be up in Ahmedabad by the end of July.

Aditya Birla Retail The company, which will operate under the brand 'More', has selected two formats – hypermarkets and supermarkets – for its initial foray. The first store has opened in Pune. Last January, the company acquired Trinethra Super Retail, which has given it more than 5,00,000 sq ft and a strong presence in the South. The Birlas' outlay for the business over the next three years is Rs 9,000 crore.

Bharti Retail The world's largest retailer Wal-Mart, which prefers to go it alone outside the US, chose Sunil Mittal's Bharti Enterprises as its partner in India. The venture will start with the cash & carry (wholesale) format, which could be extended to retail operations once foreign direct investment is allowed in multi-brand retail, as is expected. The entity is yet to start operations as the formal agreement has not been inked.

Wills Lifestyle ITC has made a presence in the Retail sector through its exclusive specialty store - 'Wills Lifestyle'. It has developed itself as a fashion destination offering a range of apparels and accessories. ITC entered the youth fashion market with the brand known as John Players in December 2002. John Players is available across the country in over 125 exclusive stores and over 1500 multi-brand outlets; also declared as 'The Most Admired Shirt Brand of the Year' at the Images Fashion Awards 2005.

Globus Globus was launched in 1998 as a part of the Rajan Raheja Group. Globus has achieved customer delight by presenting value products and services through continuous improvement.

Westside Tata Group founded Trent Ltd. (Westside) in 1998. The acquisition of a London-based retail chain Littlewoods by the Tata's was followed by the establishment of Trent Ltd, which was later renamed as Westside. It is one of the largest and fastest growing chains serving the customers in various categories, including men's wear, women's wear, kid's wear, footwear, cosmetics, perfumes and handbags, household accessories, lingerie and gifts. Trent had established a hypermarket business with Star India Bazaar which provides them products at lower price and better shopping experience. Star India Bazaar offers customers a variety of products in categories, such as staple foods, fruits, vegetables, consumer electronics, health and beauty products and many more at affordable prices. The company offers products with a balance between style and price. In the year 2005, Trent acquired 76% stake in Landmark, which is one of the largest books and music retail chains in the country.

SWOT ANALYSIS FOR RETAIL SECTOR IN INDIA

Strengths:

1. Fifth most attractive emerging retail market
2. Demographic favor
3. Rising disposable income
4. Increase in number of people in earner category.
5. Urbanization
6. Shopping convenience
7. Low labor cost of skilled ones.
8. Changing consumer habits and lifestyles.
9. Plastic card revolution.
10. Greater availability of quality retail space.

Weakness

1. Organized retailing has been largely an urban phenomenon.
2. Policy related issues
   - lack of industry status for retail
   - numerous license permits and registration requirement
   - Farmer and retailer unfriendly APMC act.
3. Limited consumer insight
   - lack of detailed region specific customer data
   - Less data on spending pattern.
4. Inadequate human resources
   - lack of trained personnel at all level.
   - Stringent employment and industry laws
   - fragment approach to human Resources
5. Taxation hurdle
   - Inconsistent octori and entry tax structure.
   - Vat and multiple taxation issues.
   - Large grey market presence.

6. Underdeveloped supply chain
    - Underdeveloped logistics infrastructure.
    - Absence of national cold chain networks.
    - lack of national distribution networks and hubs.
7. Lack of adequate utilities i.e.lack of basic infrastructure like power, transport and communication creates difficulty in sustaining retail operations across the Large geographical spread of Country.

Opportunities

1. Favorable demographics
2. Growth in income
3. Increasing population of women
4. Raising aspirations: Value added goods sales
5. Fifth most attractive emerging retail market: a potential goldmine.
6. Potential for investment.
7. Locational advantage.
8. Sectors with high growth potential.
9. Fastest growing formats.
10. Rural retail.
11. Wholesale trading.
12. E-retailing
13. Retail franchising
14. Phenomenon with affluent classes and growing number of double-income households.

Threats

1. Political issues
2. Social issues.
3. Inflation.
4. Nostalgia
5. Lack of differentiation among the malls that are coming.
6. Poor inventory turns and stock availability measures
7. Growing retail prices

MANAGING CHANNEL CONFLICTS

Channels are the means by which you sell products to your customers. Channel strategy helps identify those sales channels and processes that yield the highest return for your company. Channel strategy includes recommendations for both identifying and managing channel partners.

Channel marketing is a dynamic and complex arena where mistakes can be costly and difficult to correct. To formulate and execute a channel strategy, follow these steps:

1. Understand the sales channels that are available.
2. Identify what you need, based on your objectives and the preferences of your customers.
3. Generate a list of likely channel partners.
4. Recruit channel partners to work with you.
5. Manage your channel partners on an ongoing basis.

Prioritize your channel characteristics by how well they help you meet your channel objectives and desired customer buying experience. Base your selection decisions on the most important characteristics (typically a subset of the entire list) to ensure that your channel partners best meet the needs of both you and your customers.

After you have an executed contract with a channel member, your work begins. You must manage all of your channel partners actively. This point cannot be overemphasized. Don't let an "out of sight, out of mind" mentality set in. The following tips can help you manage your channel partners:

- Hold regularly scheduled meetings.
- Focus on agreed-to performance targets, such as training requirements.
- Monitor sales levels and pricing against the contracted terms and conditions.
- Schedule some engaging incentive programs.

DEVELOPING SALES FORCE FOR RETAIL MARKET

Designing a Sales force

When designing a sales force, a company must thoroughly deliberate several issues in order to establish an efficient sales system. These issues are: the development of sales force objectives, strategy, structure, and compensation of the sales force. Sales force objectives are the specific goals that companies expect their sales representatives to achieve. Sales quotas inform a salesperson of exactly what their objective should be for a given period of time.

Additionally, besides quotas, there are other ways of delineating sales objectives. For example, objectives commonly defined by companies in addition to quotas are: prospecting, targeting communicating, servicing, information gathering, and allocating. Essentially, companies must clearly define the specific objectives they want their sales force to achieve and, if these objectives are met, it will lead to product sales for the company.

With respect to strategy, companies must use sales representatives strategically so that they approach customers at a time when they are most likely to buy. There are several approaches that can be used by salespeople depending upon which best fits the situation. For example, an individual sales representative can approach a particular individual buyer or a buyer group. Or, a sales team can approach the individual buyer or buyer group. Also, sales representatives can employ a technique called seminar selling, where a company team conducts an educational seminar for the customer company about state-of-the-art developments

Once the company decides on a sales approach, it should maintain a market focus. This means that salespeople should know how to analyze sales data, measure market potential, gather market intelligence, and develop marketing strategies and plans. Finding the right resources to accomplish these goals is something that should be taken into account when designing a sales force.

Managing the Sales Force

Once the sales force foundation has been effectively designed, the next step on the road to building a successful company is successfully managing the sales force. There are various procedures and steps that can be utilized to effectively manage a sales force. For example, there are four main steps involved in managing a sales force: training of the sales representatives, supervising the sales representatives, motivating the sales representatives, and also evaluating the sales representatives. Training is the first essential step in managing a sales force. New sales representatives who are sent directly into the field with little or no training beforehand are rarely successful. Customers expect a sales representative to be knowledgeable about not only the product they are selling, but also about the customer's needs. Thus, proper training is a crucial step in managing an effect on salesteam.

Supervision of sales representatives is also a critical area in managing a sales force. In general, sales representatives who work on commission can be supervised less closely than those who are salaried. Motivating sales representatives is another area that is vital to managing a successful sales force.

Evaluating sales representatives is another step in successful managing of a sales force. Evaluating salespeople frequently involves the use of sales reports, which tell the manager exactly how competent the sales representative is in selling the product.

In business, sales personnel serve as the link between a company and its customers. Designing a sales force involves decisions regarding objectives, strategy, structure, and compensation. Once these have been accomplished, a manager must manage its sales representatives by training of the sales representatives, supervising the sales representatives, motivating the sales representatives, and evaluating the sales representatives

PACKAGING FOR SPECIALITY RETAIL

Okay, you've decided to test out the specialty retail market and you've located a few shops close to you to put your product in. You go to work, produce the product and then get ready to ship or deliver your product to your new outlets. Must you have the items shrink-wrapped and bar coded? Or can you simply put them bulk into a box full of squiggles and send them out? What is the small retailer looking for in packaging?

You may be surprised that in a world of automated check-out and hands-off displays, there is still a venue that depends on the ability of letting their customer set test drive the product before putting their money on the counter and taking it out of the store. This is one of the major differences between specialty and mass retailing.

For this reason, consider the following when you develop your point-of-sale packaging:

1. Unless your product consists of many individual, free-standing items do not put them in packages that are destroyed when opened. This will discourage the retailer from opening the package and putting some out for hands-on selling. If this is the case, you may consider literally giving a free unit to the retailer to open up and put on display, and even replacing it from time-to-time if it gets shop-worn.

2. Rigid packaging will also make it difficult for the retailer to accept returns, since once the package is opened; the retailer cannot close it up again and will essentially have to write off any items that come back from a customer. Note: If your product must be bagged, do not use a sealed bag, but use either a zip-lock or a flat-top plastic bag with a decorative and informative cardboard piece folded over the top with a hole punched in it to allow for hanging on hooks.

3. If your product is hand-made, consider investing in a "story" tag that can be placed next to the product (or attached to it) to give a brief background of who made it, how it was made and what it is. Customers of hand-made items buy the items as much for the story as they do for the product (and are willing to pay a premium for the folklore element of the product). If you're making something of an individual nature, like a doll, adding a handwritten name on the tag (different on each doll) will even further add to the desirability of the product. These tags, when attached to the product, also give the specialty retailer a place to add their price tag.

4. If you do have a product that consists of multiple items, instead of investing in dull, shrink-wrap and cardboard boxes, consider doing something creative like packaging the product in a re-usable container that adds another element to your own product, e.g., something that can double as a gift box, like a re-usable tin, flowerpot, etc.). This adds a "special" quality that may not end up costing you any more money at your current production volumes but will add a premium that people will pay to get the "free" gift of the packaging. In specialty retailing, the better the physical presentation, the more likely it is that the item will sell.

5. Humanize your packaging by the addition of things like bows, dried flowers, etc., to further distinguish it from merchandise one would find in a mass retail environment. Make sure, though, that whatever you attach is on securely so it doesn't fall off when handled. Adding a red or green ribbon to something that can be considered a Christmas gift may increase your sales during that season. Changing the color of the ribbon or accent during the rest of the year will make it more saleable during the non-Christmas season as well. Some suppliers will even provide the retailer with accent changes after Christmas to change those that didn't sell during the holiday season.

6. If you're producing a tiny, inexpensive item that can be sold in bulk, consider not packaging it at all, but instead providing a "dump" of them in an interesting open container like a basket that will create a bigger presence of more product and less packaging. This is the type of item that can be sat next to the cash register for people to pick up and touch while they're checking out. This is especially useful if you have several variations of the same item (like little cat sculptures or flowers) where they are similar but can be fun to examine as a group and choose the one you like the best.

Your goal is to keep your product looking its best in a milieu of quality products. Before finalizing on your store packaging, why not spend some time in specialty retail stores and profit from what you see other producers have done. You don't want to copy, but you do want to do something that will complement the packaging of others in the same market. Take advantage of this unique feature of specialty retailing and have fun displaying your product while benefiting from its enhanced appearance.

CHOOSING LOCATION FOR RETAIL

Where you choose to locate your retail business will have a major impact on everything your shop does. The difference between selecting the wrong location and the right site could be the difference between business failure and success.

Before choosing a retail store location, define how you see your business, both now and in the future.

- What do your customers look like?
- Can you visualize your building?
- Do you know what you want to sell and what you want your business to be known for?
- Have you determined how much retail space, storage area, or the size of the office you need?

Without the answers to these basic questions, it will be hard to find the perfect location for generating the maximum amount of profit for your retail store.

Type of Goods

Examine what kind of products you sell, as some goods will require certain types of location. Would your store be considered a convenience store, a specialty shop or a shopping store?

Convenience goods require easy access, allowing the customer to quickly make a purchase. A mall would not be a good location for convenience goods. This product type is lower priced and purchased by a wide range of customers.

Specialty goods are more unique than most products and customers generally won't mind traveling out of the way to purchase this type of product. This type of store may also do well near other shopping stores.

A **shopping** store usually sells items at a higher price which are bought infrequently by the customer. Furniture, cars and upscale clothing are examples of goods found at a shopping store. Because the prices of these items are higher, this type of customer will want to compare prices before making a purchase. Therefore, retailers will do well to locate their store near like stores.

Population and Your Customer

If you are choosing a city or state to locate your retail store, research the area thoroughly before making a final decision. Read local papers and speak to other small businesses in the area. Obtain location demographics from the local library, chamber of commerce or the Census Bureau. Any of these sources should have information on the area's population, income and age. You know who your customers are, so make sure you find a location where your customers live, work and shop.

Accessibility, Visibility and Traffic

Don't confuse a lot of traffic for a lot of customers. Retailers want to be located where there are many shoppers but only if that shopper meets the definition of their target market. Small retail stores may benefit from the traffic of nearby larger stores.

- How many people walk or drive past the location.
- Is the area served by public transportation?
- Can customers and delivery trucks easily get in and out of the parking lot?
- Is there adequate parking?

Depending on the type of business, it would be wise to have somewhere between 5 to 8 parking spaces per 1,000 square feet of retail space.

When considering visibility, look at the location from the customer's view point. Can the store be seen from the main flow of traffic? Will your sign be easily seen? In many cases, the better visibility your retail store has, the less advertising needed. A specialty retail store located six miles out of town in a free standing building will need more marketing than a shopping store located in a mall.

Signage, Zoning and Planning

Before signing a lease, be sure you understand all the rules, policies and procedures related to your retail store location. Contact the local city hall and zoning commission for information on regulations regarding signage. Ask about any restrictions that may affect your retail operation and any future planning that could change traffic, such as highway construction.

Competition and Neighbors

Other area businesses in your prospective location can actually help or hurt your retail shop. Determine if the types of businesses nearby are compatible you're your store. For example, a high-end fashion boutique may not be successful next door to a discount variety store. Place it next to a nail or hair salon and it may do much more business.

Location Costs

Besides the base rent, consider all costs involved when choosing a retail store location.

- Who pays for lawn care, building maintenance, utilities and security?
- Who pays for the upkeep and repair of the heating/air units?
- If the location is remote, how much additional marketing will it take for customers to find you?
- How much is the average utility bill?
- Will you need to make any repairs, do any painting or remodeling to have the location fit your needs?
- Will the retailer be responsible for property taxes?

The location you can afford now and what you can afford in the future should vary. It is difficult to create sales projects on a new business, but one way to get help in determining how much rent you can pay is to find out what sales similar retail businesses are making and how much rent they're paying.

RETAIL FORMAT TYPES

Mom-and-pop stores: These are generally family-owned businesses catering to small sections of society. They are small, individually run and handled retail outlets

Category killers: Small specialty stores have expanded to offer a range of categories. They have widened their vision in terms of the number of categories. They are called category killers as they specialize in their fields, such as electronics (Best Buy) and sporting goods (Sport Authority)

Department stores: These are the general merchandise retailers offering various kinds of quality products and services. These do not offer full service category products and some carry a selective product line. K Raheja's Shoppers Stop is a good example of department stores. Other examples are Lifestyle and Westside. These stores have further categories, such as home and décor, clothing, groceries, toys, etc.

Malls: These are the largest form of retail formats. They provide an ideal shopping experience by providing a mix of all kinds of products and services, food and entertainment under one roof. Examples are Sahara Mall, TDI Mall in Delhi.

Specialty Stores: The retail chains, which deal in specific categories and provide deep assortment in them are specialty stores. Examples are RPG's Music World, Mumbai's bookstore Crossword, etc.

Discount stores: These are the stores or factory outlets that provide discount on the MRP items. They focus on mass selling and reaching economies of scale or selling the stock left after the season is over.

Hypermarkets/ Supermarkets: These are generally large self-service outlets, offering a variety of categories with deep assortments. These stores contribute 30% of all food and grocery organized retail sales. Example: Big Bazaar

Convenience stores: They are comparatively smaller stores located near residential areas. They are open for an extended period of the day and have a limited variety of stock and convenience products. Prices are slightly higher due to the convenience given to the customers.

E-tailers: These are retailers that provide online facility of buying and selling products and services via Internet. They provide a picture and description of the product. A lot of such retailers are booming in the industry, as this method provides convenience and a wide variety for customer. But it does not provide a feel of the product and is sometimes not authentic. Examples are Amazon.com, Ebay.com, etc.

Vending: This kind of retailing is making incursions into the industry. Smaller products such as beverages, snacks are some the items that can be bought through vending machines. At present, it is not very common in India.

LINGERIE RETAIL IN INDIA

The lingerie market in India is still in its infant stage and, until in recent times, the accessibility of high quality intimate apparel was limited to irregular or grey imports sold under the counter. Because of the limited products and lack of enough specialized and organized retail atmosphere, the fashion realization and quality awareness of the Indian consumer for intimate apparel is yet to be realized.

India is also one of the most scattered retail markets in the world. The products, so far, have been mainly marketed as a commodity and are price and margin oriented. Till today huge quantities of bras are sold to end users by male salespersons in mom-and-pop shops. Majorities of the stores do not even provide a trial room.

As a consequence, large consumer base are not sure of the functional features of a bra or even their own sizes. When Gokaldas Intimate wear began developing Enamor, their first aim was good fit. Across India Enamor surveyed and measured 4,000 women. They noticed that 80 per cent of Indian women wore a uncomfortable fitting underwear. In India, bras were made only in B and C cup sizes, though Enamor's research found that most Indian women required A or D cupsizes.

In India Triumph, Lovable Lingerie, Enamor, VIP, Juliet, Amul etc are major players in lingerie market. Today 70 per cent of the lingerie market of India is unorganized. But that can be replaced with the increase in the number of malls and quality-conscious consumers. For example, Lovable growth of 20 per cent last year was sustained by new retail space.

The joint market contribution of the leading five retailers in India totals less than two per cent. Though, Lingerie sales have increased by 12 per cent in the past five years because of a new awareness of intimate wear. Women's innerwear industry in India is worth Rs. 6,960 crore out of which organized sector comprises of nearly 40% and is growing at an average rate of 12 per cent.

India holds immense growth potential for the lingerie industry, which is evident from the entry of large international brands in the Indian market in the last few years. A key factor characterizing the blooming Indian lingerie market is the increasing size of the organized market and the declining share of the unorganized market resulting in growing independent brands taking charge of the market. In addition, growing income levels of Indians and their changing lifestyles has rechristened lingerie from just an undergarment to a fashion clothing item.

Times have changed for the better for the Indian women like never before in terms of fashion style and statement coupled with growing wealth that is helping the growth of the organized lingerie industry. From being a market worth Rs. 780 crore (US$175.9 million) in 2003, the organized lingerie market has almost doubled to Rs. 2784 crore (US$ 628.4 million) bustling business in the last seven years.

Trade analysts and the industry insiders believe that this is because the whole scale of the Indian market has improved beyond recognition during the last seven years following the advent of multinational brands in the market place and the growth of organized retail. This, perhaps, is the reason why the premium and super-premium segment of the lingerie industry, with brassieres priced above Rs. 200 (US$5) and mostly characterized by the presence of international brands, are witnessing higher growth compared to mid-market and low/economy segments.

In view of the current situation, the premium and super-premium segments of the industry are advancing following a consumer shift from economy and mid-market segments to the premium segment, while the low and economy segment is gaining from the industry being more organized.

Characterizing , the premium segment is either the international brands or joint venture of Indian manufacturers with international companies. Lovable, Enamor and Triumph have successfully established themselves as premium lingerie brands and brands that are in expansion mode include Etam, Benetton, La Perla and About U.

The mid-market segment is characterized by the presence of national players like Maxwell Industries (with Daisy Dee brand), BodyCare, Groversons, Red Rose,Juliet,Softline,Jockey,andLibertina.

Factors like growth in income level, preference for recognizable brands and rapid growth of organized retail is anticipated to increase the current share of the organized lingerie market of 40% in the next three years.

KIDSWEAR RETAIL MARKET IN INDIA

"The kids segment is the most promising in apparel retail in India. Big brands are only now realizing its true potential," says Arvind Singhal, chairman of consultancy firm KSA Technopak. Allen Solly, one of the leading formal wear brands in the country that introduced kids wear segment on a pilot basis last year, is planning a full-fledged foray by the end of the year. Woodland, another adult apparel and accessories brand, will enter the segment early next year.

German lifestyle brand Puma announced its entry into the kids-wear segment earlier this month, while UK-based retailer Marks & Spencer recently launched its kids wear range. "Launching kids wear throughout our stores will be a top priority," says Nandini Sethuraman, marketing director of Marks & Spencer Reliance India. Arrow, promoted by Arvind Brands in India, may also launch its kids wear portfolio in India. Sports goods major Reebok launched its kids-wear brand Reebok Junior mid last year. Its parent firm Adidas launched kids wear in India almost six years back. "The focus of kids apparel is currently on bigger cities and will spread to other cities in the near future," says Andreas Gellner, MD of Adidas India. Indus League Clothing recently extended its Urban Yoga brand for children. These firms are buoyed by the huge opportunity in a fast-growing, high-margin.

When Sanjeev Narula, MD of Lilliput Kidswear, set up a small apparel manufacturing unit with 25 sewing machines in the capital's Govindpuri area in 1991, little did he know that he would be heading a Rs 328-crore kids apparel brand in less than two decades. "There were almost no mass kids apparel brand backthen," Today, the brand, growing 45% a year, exports to countries such as Egypt,Bahrain,Oman,SaudiArabia,ChinaandUkraine.

It recently tied up with Cartoon Network to provide licensed merchandise - a new trend among apparel makers looking to woo little customers. United Colors of Benetton has capitalized on the Pucca character, Pantaloon has bet on Disney merchandise and Reebok too has a deal with Cartoon Network for animated properties such as Ben10, PowerPuff Girls, Johnny Bravo and Dexter.

"These tie-ups become clutter-breaking ideas for apparel brands," says Monica Tata, VP and deputy general manager entertainment networks South Asia at Turner International that gets 10% of its turnover from licensing and merchandising.

Companies also need to work on in-store marketing activities, says Gopi Krishnaswamy, founder and CEO of Insight Instore, a trend research and retail shopper marketing consultancy. Apple's head honcho Steve Jobs is helping transform Walt Disney's retail outlets around the world into miniature theme parks for children. Closer home, Raymond's kids wear brand Zapp!, which is operational through 30 stores, has introduced igloo-shaped trial rooms.

Zapp! recently expanded its product line into active wear and swimwear. "We are focusing more on accessories across categories to become a one-stop solution for our target group," says Sandeep Saxena, the firm's brand head. "Today's kids want options and are more fashion-conscious than marketers think," says K Venkataraman, MD of Mahindra Retail that owns Mom & Me chain, which sells kids apparel under its private label.

According to a recent study by Insight Instore, apparel brands are feeding into the expectations of a generation steeped in western culture through the influence of musical entertainers such as Hannah Montana and techno-fictional rage Ben10.

Clearly, the kids are tough customers and selling to them is no kid's play.

Problem and Suggestions

P: First and foremost the location of Rupa Junction is not well judged.

S: Location is an important factor in any business whether it's FMCG, Hospitality sector, Auto industry etc. Location determines your reach with target consumer group and effect companies sales. In Rupa Junction, product is sold at M.R.P. according to company term and conditions. In some places the outlets are located nearby MBO which effect sales at this junction outlet because of Undercutting. In order to increase sales through junction Outlets Company should ensure that location is such that the company business prospects are not affected by it. For eg. Company can selects Malls as the location for their Outlets or some posh area in Metro and tier-II cities.

P: Training of staffs

S: Proper training of junction staff is must because sometimes customer him\herself doesn't come with pre occupied mind about what to purchase. Here staff can play an important role as they increase customer interest in company products and this will provide customer with better experience.

P: General packaging.

S: General packaging must be avoided for products of Rupa Junction as this will enhance the product appearance and settle well into consumers mind.

P: Display of product is not good.

S: Many Customers do on the spot shopping. In order to attract them BTL (below the line) advertisements at stores must be done like that done by Jockey. It will give product more visibility and pull customer toward products.

P: Deployment of Women sales personnel.

S: All junctions don't have female personnel which create a sense of apprehension in female customers and they don't purchase from that shop as told by many of our retailers. In order to increase the sales of Women segment we need to deploy women personnel at each junction. There should also be trial room for women in junction as per format store.

SWOT ANALYSIS FOR RUPA IN RETAIL

Strengths

1.No. of SKU

2.Brand Pull

3.Production Capacity

4.Funding

Weakness

1.Quality Manpower

2.IT Infrastruscture

3.Packaging

4.Logistics

5.Inventory Management

Opportunities

1.Growth of Retail sector

2.EBO,LFS & MFS

3.Increase market share

4.Source of Additional Revenue

6.Quality Sales

7. Better Corporate Image

Threats

1.Unfamiliar Territory

2.Growing Competition

3.Channel conflict

4.Current Manpower

5.Entry of Big MNC

Why to open Women specific Retail store

- Since the market for women innerwear is huge the opportunities for growth are maximum.

- Market share of Rupa in women innerwear segment is very less as compare to size of the market. In order to increase its market share and capture untapped area Rupa should enter women innerwear premium segment market through Retail.

- For foraying into Women innerwear specific retail company should create separate women category team.

- Company should foray into SEC-A and SEC-B by using strategies like Brand Licensing and Joint Venture. Another possible strategy is Brand Buyout. Caution: Don’t try to enter SEC-A and SEC-B through own Brand since lead time to create a brand cannot be less than 5 years.

- For SEC-A and SEC-B any retail route like creation of separate retail division say EBO, MBO, LFS, MFS etc. should be considered.

- Premium innerwear market is tapped only by MNC in India, so it can be big boost to Rupa brand image and positioning if Rupa foray into women’s premium innerwear market, since female thinks it is positioned mainly as Men’s innerwear Brand.

RECOMMENDATIONS

1. Separate division for Retail should be set up.

2. Separate sales force Right from top to bottom.

3. Current SKU more than 2000, remove slow moving SKU’s from retail division

4. Sell selected SKU in retail division.

5. CNFA (Clearing and Forwarding Agent)/ CSA(Consignee sales agent) should be appointed in all major states of the country.

6. Stock to redistribute through CNFA/CSA only , not directly by Plant.

7. Packaging should be customer centric.

8. Women staff should be deployed at at all retail outlets where women’s innerwear products are sold.

9. Target metros and big cities for EBO’S and LFS and Tier-II cities through MBO’s.

10. Sales force should be well trained and should possess quality.

11. Retail should be there in metros and tier-2 cities only to target SEC-A and SEC-B brand customers.

12. Distributor margin i.e. R.O.I should be 6-8% per transaction.

13. Secondry sales should be controlled by the company.

14. Retailer margin should be around 30-35%.

15. Dealer/retailer incentive 10% on quarterly basis.

16. For retail focus only on BTL(below the line) and in-shop activities. No ATL budget should be use for two years.

17. Separate retail chainlike Lilliput ,Genie & Johnny etc.for kids wear should be opened since affluent people spend more on kid swear.

18. Separate store in retail should target men’s apparel and women & kid apparel together. We are suggesting this because woman would be more eager to buy stuff for their kids once they do purchase.

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