



Changing trends

Rahul Mech Jaiswal discusses the current scenario in the retail industry and highlights the inevitability of IT applications therein

Over the past 10 years, organised retail has grown to have a three per cent market share of the Indian economy. Today, the overall retail market is estimated to be approximately US\$ 300 billion (Source: Technopak Analysis: Arvind Singhal, TiE 2006). Over the last three years, this sector has witnessed an exorbitant growth due to the establishment of numerous international quality formats to suit the Indian purchase behaviour, the improvement in retail processes, the development of retail specific properties and the emergence of both, domestic and international organisations.

Ultimate shopping experience

Organised retailers are the contemporary formats by which shoppers have the edge of a world class shopping experience. Fine examples of these formats are Pantaloon, Shoppers' Stop and Trent. Organised retail may broadly be classified into the following formats:

◆ Malls

Malls are the largest form of organised retailing today. They are located mainly in metro cities, in proximity to urban outskirts. This format ranges from approximately 60,000 sq ft to 700,000 sq ft and above. They lend an ideal shopping experience with an amalgamation of product, service and entertainment, all under a common roof. For example, DLF city centre and Metropolitan malls in Gurgaon.

◆ Hypermarkets

This format comprises of a multiple division layout and usually has an 'industrial-look' interior. Hypermarkets generally provide daily necessities and grocery like items. Pricing is competitive and value for money. For example, Big Bazaar, Giant.

◆ MBO's

Multi Brand Outlets, also known as Category Killers, offer several brands across a single product category. These usually do well in busy market places and metros. For example, Royal Sporting House.

◆ Supermarkets

Large self-service outlets, catering to varied shopper needs is termed as supermarkets. These are located in or near residential high streets. Supermarkets can further be classified in to mini supermarkets typically 1,000 sq ft to 2,000 sq ft and large supermarkets ranging from a size of 3,500 sq ft to 5,000 sq ft. For example, Food World.

◆ Discount stores

As the name suggests, discount stores or factory outlets, offer discounts on the MRP by selling in bulk reaching



economies of scale or excess stock left over at the season. The product category can range from a variety of perishable/non-perishable goods.

◆ **Convenience stores**

This format refers to smaller self-service stores, which do well in bustling locations.

◆ **Departmental store**

Large stores, catering to a variety of consumer needs. Further classified into localised departments such as clothing, toys, home, groceries and so on. For example, Shoppers' Stop.

◆ **Exclusive store**

Ranging from a size of 500 sq ft to 5,000 sq ft and above, this format is owned/managed by the company or through its franchise. These can offer single brand as well as multiple brands. For example, Home Store.

◆ **Specialty store**

These formats focus on a specific product category, medium sized layout in strategic location. Specialty stores provide a large variety base for the consumers to choose from. For example, Bata.

In similar light, the hospitality industry, despite being an important component of the economy, has contributed only two per cent of the GDP in 2003-04. According to recent estimates of the WTTC Indian tourism, demand will grow at 8.8 per cent over the next 10 years from 2005-15, which would place India as the second most rapidly growing tourism market in the world. This will result in a total growth of 7.1 per cent in travel and tourism GDP and an increase of 0.9 per cent in travel and tourism employment. With this estimated growth, the size of the hotel industry continues to represent an appalling figure for India's size and growth prospects.

As the consumer demand increases and the retailers gear up to meet this increase, technology is fast evolving to support this growth. The hardware and software tools that have now become almost essential for retailing and hospitality can be divided into three broad categories. They are as follows:

- ◆ Customer interfacing system
- ◆ Operation support system
- ◆ Strategic decision support system

Inevitability of IT in Retail and Hospitality

The IT industry's contribution to the Indian GDP has increased from approximately 1.4 per cent in 1998-99 to more than four per cent in 2004-05. The domestic market for software has grown to US\$ six billion in the financial year 2006 from US\$ 4.8 billion in the previous fiscal year. The Indian ERP market is expected to see CAGR of 25.2 per cent over the next five years. The market was US\$ 83 million in 2004 and is projected to be over US\$ 250 million by 2009.

With the global players all set to come in, the existing retail companies in India need to update themselves with the latest technology in order to have a competitive edge over the non-recognised retail sector. Today, technology is imperative to increase customer satisfaction and make shopping a global experience.

For example, given a situation where a retailer wants to increase its loyalty customer base, an organisation with relevant IT systems in place, has a ready customer database, which is updated at every purchase. This is an immediate reference of recipients, to print and send mailers or promotional catalogues too. A retailer can also align its respective merchandise and plan promotions accordingly. Gone are the days when one had to rely solely on direct customer interaction and manual methods of promotion. This also facilitates large format stores to operate with utmost efficiency and accuracy.

In the hospitality sector, the ability to deliver outstanding service to pleasure guests is the key to



staying competitive. It is beyond traditional applications of logistics and supply chain management. Technology will play a fundamental role in the future growth of this industry. Retailers all across the country believe that shrinkage due to inventory recording, handling and administrative errors costs retailer's millions.

In an intensely competitive, cost-conscious industry, decisions about IT and tele-communications infrastructure can make a vast difference. Choosing the right solution provided by the right supplier can result in improved productivity and major cost savings through key-advantages such as more accurate supply chain forecasting and better inventory management.

Retailers need to understand that technology is not a sunk cost but rather an investment to reduce heavy long-term costs, a long-term investment for long-term growth and maintaining a competitive advantage.

Filling the gap

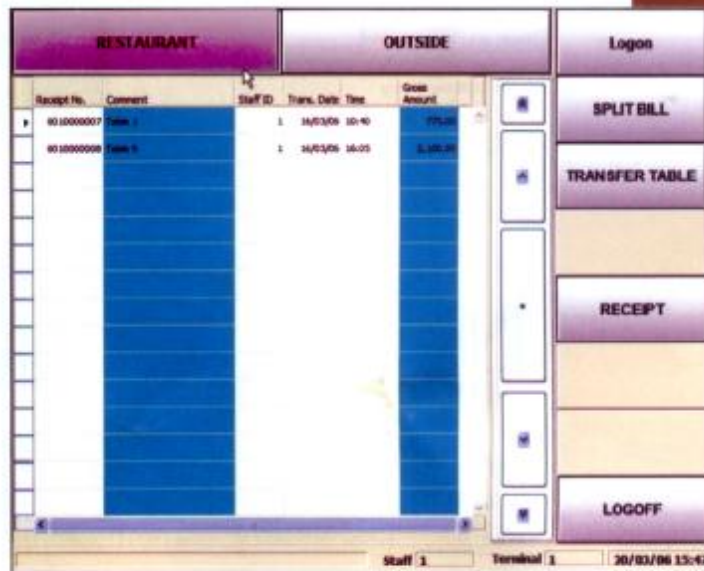
Currently, there is an immense operational and technological gap between the domestic and international giants, which can only be reduced with the application of IT.

LS Retail has expertise and insight working with some of the world's largest retailers to provide the needed infrastructure and business solutions that extend well beyond pure connectivity. To ensure cost-effectiveness, it is essential to evaluate business demands and requirements so that maximum value is received from retailer's existing technology infrastructure.

Retailers need to optimise IT and tele-communications at the store level to ensure that information assets are leveraged for maximum advantage. Data gathering for inventory management at the cash register is the tip of the iceberg. Back-office and supplier integration demands a secure and reliable network infrastructure.

The Indian retail market, which is expected to reach US\$ 637 billion in 2015, will change rapidly in the coming years. The advent of IT in retailing will change consumer expectations and behaviour, while international retail stores entering the Indian market are making an already competitive landscape even tougher.

A fine example is store management alerted to out-of-place items. An in-store system could use RFID to monitor actual versus intended product location on the floor or in the stock room. By using RFID-encoded shelf edge labels with embedded shelf readers, a grid could be set up for verifying planogram compliance for standard shelving and promotional displays, with a corresponding alert for misplaced items sent to store personnel. Big pay-offs could be realised for frequently moved and misplaced items, such as apparel, groceries and books.



Technology that is fast, scalable, adaptable, user-friendly, proven, localised and customisable will not only propel Indian retailers to optimal growth, but also retain customers through the ability to make timely and accurate decisions.

LS Retail Suite

Companies today want to increase productivity and performance while addressing the full range of information requirements throughout their operation. LS Retail Suite provides a comprehensive business intelligence functionality that allows companies to use any data asset, transform it into useful information and deliver it in a practical format.

Landsteinar Strengur is one of the principal companies developing retail and hospitality solutions in the international arena. Their retail solutions have been sold to over 130 countries, translated into 30 languages. Approximately 6,700 stores use it worldwide, including IKEA, Adidas, NAAFI, Debenhams, Pizza Hut and Booths supermarket.

LS Retail

LS Retail is an end-to-end retail solution that covers everything from POS to back-office and head-office. The set-up can range from a single store with one POS to a complex, multi-store environment that integrates with your overall business operation.

For example, knowing the unpredictability of Indian weather, if a retailer wants to roll out a monsoon promotion in the state of Maharashtra within the next hour for all its 50 stores, it is able to initiate this promptly from one minute to the next for all stores. Secondly, for goods that are not selling as per plan, a promotion is made possible at the click of one button with LS Retail.



In brief, it offers the following functionality in retail:

- ◆ It improves data integrity
- ◆ Offers comprehensive business intelligence
- ◆ Empowers retailers
- ◆ Effectively streamlines inventory control
- ◆ Eliminates paper-work
- ◆ Increases store efficiency
- ◆ Reduces shrinkage
- ◆ POS for multi-tier retail
- ◆ Gives an instant business overview
- ◆ Peak versatility
- ◆ Complete integration
- ◆ Schedule operations
- ◆ Mobile technology integration for que-busting.

LS Hospitality

Globally, dining customers do not prefer to wait for long after ordering their meal. Similarly, the restaurateurs also encourage a quicker turn around time in order to generate greater business. Thus a

business and pubs/bars, LS Hospitality provides management and employees with necessary tools to keep the customers satisfied, thereby ensuring repeat business. With increased flexibility, speed of service and improved access to vital information, LS Hospitality streamlines operations and reduces cost.

LS Hospitality solution integrates restaurant activities like dine-in, take-out, delivery and pubs/bars, split bills, table reservations.

In brief, it offers the following functionality in hospitality:

- ◆ Dynamic restaurant management
- ◆ Table reservations
- ◆ POS/Dine-in interface
- ◆ Fast cashier switching for pubs/bars
- ◆ Wire-less at the table
- ◆ Call centre functionality
- ◆ Deliveries
- ◆ Kitchen monitor
- ◆ Recipe (controlling ingredients and resources)
- ◆ Extensive reporting
- ◆ Advanced statistics

LS Retail Suite of solutions

With LS Retail Suite of solutions, localised to the Indian industry, one can reduce the total cost of ownership and prepare one for changes in both, business and customer behaviour. It undoubtedly increases efficiency and allows complete business transparency.

With LS Retail, it is easier to make up to the minute decisions alleviating mistakes. LS recognises current consumer trends and reduces the total cost of inventory. It is therefore imperative to any organisation in Retail and/or hospitality



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