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## V Mart to open 14-15 stores this fiscal

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Medium-sized hypermarkets chain V Mart plans to open 14-15 company-owned stores this fiscal with an investment of around Rs 1,200-1,300 per sq.ft. on the capex. The company is growing at almost 30 percent per annum with respect to turnover. V Mart also plans to increase its private label volume by 20-25 percent of its sales.

Talking about maintaining a balance between offering the lowest price points and profitability, Lalit Aggarwal, CMD, V Mart, said: "We are purely a profit-driven organisation that intends profitability at every step. For maintaining the right balance between lowest price points and profitability one must procure cheap; the procurement has to be from the right place and from the right manufacturer. For example, something procured from Calcutta, Tirupur, or Surat where the speciality lies makes a lot of difference, then finding the right vendor is essential followed by right negotiation and finally having the right price. Also, buying and manufacturing in bulk reduces the cost and overheads of the manufacturer to a great extent and in turn he is able to provide best prices."

Metros contribute around 20 percent of the company's sales while the remaining 80 percent comes from tier 2 and 3 cities. Aggarwal said that the company is not focussing on metros as there are enough retailers to feed them. V Mart tends to tap the markets which have no signs of organised retail but where the people have the required appetite and aspirations to own fashionable brands.

Commenting on the highest selling categories, Aggarwal added: "Apparel contributes almost 67 percent to our total sales, FMCG or Kiraana Bazaar contributes almost 20-22 percent, and general merchandise including footwear, home, toys, accessories, and luggage accounts for rest of the sales. We discontinued with selling electronics as e-commerce is a major enemy for offline stores selling electronics. Online retailers come up with all the possible features such as model number, item, price, and quality. Secondly, there are fast-changing models in electronics and then the margins in the Indian context in electronics is very low. It is never a profitable option."

He said that footwear as a category has a lot of potential but stock turnover ratio is again less in India because of the sizes and availability in the market. Aggarwal added that footwear consumption is still very low in India where people might buy four pairs of clothes but would be content having just one pair of shoes.

Speaking about the challenges faced, Aggarwal said: “Everyday is a learning for us. The vendors are still not very organised and educated in India. Though the market is vast, the depth is still missing. Vendor management and quality aspects are very tough to maintain. Absence of stringent governing laws in the country to support the retailers is another drawback. Shortage of skilled human resource and pilferage also are a hindrance.”

Highlighting some of the mistakes to be avoided by budding entrepreneurs, he said: “The first thing that everybody has to be careful about is understand their size and core business and basics. Success is bound to come if basics are followed. Everybody knows the basics, but they need to follow them and not forget them. So not forgetting the basics is the right term.”

Talking about V Mart’s foray into e-commerce, Aggarwal added that e-retail market is yet to mature in India and the company is waiting for that. As per him, people are trying to rope in Internet users but it is still not evident that the online business model is profitable. Retailers need to analyse the percentage of Indians buying online. Being at the bottom of the pyramid, V Mart is targeting the segment where the Internet users and buyers are very few. He also said that there is still a difference in the quantum of people residing in a particular area and the people hooked on to the Internet in that area. With cash-on-delivery (COD), a user places an order online and there is a gap in the order and delivery date of that product. Within that gap, the consumer might change his mind to buy that product and may return it back, so the return factor comes in. Therefore, the huge return volumes due to COD is a major concern for e-commerce right now. In Indian context, there are also no laws to support the e-retailer, if a customer can order online, he can very well cancel it. Aggarwal said that currently, people with very deep pockets are e-retailers but they don’t understand the business completely. They do have a technological background and a platform to launch their offerings but lack a strong product. He, however, said that there is no denying the fact that e-commerce holds a huge potential.

“We are getting ourselves equipped and ready for e-commerce and when the right time comes, we will start selling online as well. We feel it will be easier for us to get into it. V Mart will not require any kind of external funding and material management expertise to venture into e-commerce, it’s only the technological management that we would have to look at and that can be sourced very easily,” he said.

According to him, providing the right merchandise, ambience, quality, value, discounts, inhouse treatment, refreshments, and right music in the store helps in customer retention and winning loyalty. A convenient store location and multiple product offerings also make a difference. He said that on the technology front, retailers must ensure that the ERP has to be built in a way where it can help the retailer understand his projection for the next three months, his current state of business, inventory level in the stores and at warehouses.

Explaining why the brand does not plan to go the franchise way, Aggarwal mentioned: “We have our own stores; we don’t sell through franchisees and we don’t plan to go the franchisee way because the kind of model we operate on is an MBO format which is little bigger in size and there has been no trend of franchisees being successful in this particular category, number two franchise model is still very difficult to follow in India because when you appoint a franchisee he is an entrepreneur once again who wants the best for himself and eventually it ends in distorted relationship. We even tried the franchise model with a format called V Else offering western wear by opening 15-16 outlets but gradually discontinued with it.”

He said that the brand indulges in image building activities like advertising in print media, regional advertising, through local regional channels, outdoor media, kiosks, radio, and promotional events. V Mart also focusses on internal marketing activity and has launched its Internet-based inhouse V Mart radio across India where it runs its promotions, campaigns, and music. “We make it a point not to shell out anything more than 3 percent on all our marketing and advertising activities,” he confirmed.

Aggarwal added: “Whatever is internationally available is acceptable in India. So may be a slim fit trouser/ shirt, harem pants, funky t-shirts are all in demand. We have opened stores in cities like Darbhanga and Chapra, and people there want the best of fashion brands. Everything that sells in Delhi sells more in such cities.”

He looks forward to enter over 500 districts that are still untapped. V Mart is already present in Northern and Western parts of the country and is moving towards East, it has around six outlets in Bihar.

The retail chain works on ‘Sabse Sasta Sabse Achcha’ business model. V Mart currently has 59 stores in 50 cities with 26 alone in UP. The company had an annual turnover of Rs 300 crore last fiscal and plans to open another 50-60 stores in next three years.

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