

The
Businessworld
Most Respected Company Awards
2011
We give respect where it's due

Expanding Its Horizon

Winner: Shoppers Stop
Total score: 4,896
Vice-chairman: B.S. Nagesh



The revenue sharing model has worked well for the company, which has recovered from the downturn this year



TRIBHUVAN SHARMA

SHOPPERS Stop (SSL) has topped the list of the Most Respected Companies in the retail category for the third year in a row. The company, which started as a small retail outfit in 1991, now has 34 stores across 13 cities in the country. It has been rated No. 1 by its peers in all categories except one. While the rating on quality of its management, innovativeness, products and services, ethics, people management and global competitiveness are higher than all its competitors, it is second to Pantaloon Retail in financial performance.

“Shoppers Stop has been built brick by brick by passionate and committed people who have always gone one step forward in serving our customers,” says B.S. Nagesh, who spearheaded the company for 17 years and now continues to mentor the top management as the vice-chairman. The customer focus is reflected in its financial results. Though it suffered a loss of Rs 81 crore in 2008-09 due to low buyer sentiment thanks to the global recession, it turned around in 2010, ending the year with a profit of Rs 50 crore. “Our focus on systems, processes and best practices has helped us achieve the best results,” says Govind Shrikhande, managing director of Shoppers Stop. He says that differential positioning, good merchandise range, service and ambience have helped the company remain connected with customers. Adds Nagesh: “For me the test of what I have built over the years is customer satisfaction and the continuing performance in the current year.” In the third quarter of 2010-11, SSL generated a turnover of Rs 515.9 crore and a net profit of Rs 27.9 crore, a 24 per cent and 45 per cent jump, respectively, over the third quarter figures of 2009-10. And in the nine months of the fiscal, revenues have risen 24 per cent to Rs 1,401.5 crore and net profits, 63 per cent to Rs 55.2 crore.

Shoppers Stop's success can be partly credited to some key strategic decisions taken by the company, including its focus on sharing sales data with merchants and suppliers. Once this data was made available, merchants realised

RETAIL

sector winners

RESPONDENT SPEAK

“ Shoppers Stop’s standard of customer insight and service delivery is high. It gives you one of the best shopping experiences

The company has set high standards of people practices and ethical values. It is one of the best customer-oriented companies in India

Shoppers Stop has shaped the face of modern retail in India. It also has a good management team and a transparent work culture ”

that since buying patterns were different across locations, they had to stock particular items at particular stores and locations, thereby increasing customer satisfaction and sales. Earlier, in the absence of robust data, buyer behaviour was unpredictable. But now, the number of members in its loyalty programme, First Citizen, has increased to over 1.8 million (and contributes 73 per cent to sales). With such data, SSL is able to understand what will sell where and what won't. This has led to lower inventory and higher margins.

SSL works on two models. Under the buyout model, which contributes 60 per cent of revenues, apparel is bought from brand owners at factory price and the inventory is solely managed by SSL. Second model is the consignment model where the vendors themselves manage the inventory. This model is fast picking up.

“Retail as an industry has been recovering and this is partly related to reduced rentals and better inventory management,” says Devangshu Dutta, CEO of Third Eyesight, a retail consulting firm. SSL has renegotiated rentals on all its properties and now the company follows a revenue sharing model with the builders. Its Ebitda (earnings before interest, taxes, depreciation and amortisation) increased by 28 per cent to Rs 42.71 crore in the third quarter of 2010-11. “A fall in property prices was the key, and retail sentiment has also picked up,” says Shrikhande.

The company has several other points to its credit. In mid-2010, it acquired a 51 per cent stake in HyperCity, a food retail format. Currently, it has seven stores of this format and each is around 75,000 sq. ft. SSL plans to increase the number of HyperCity stores to 26 in the next four years. The current investment in this format is Rs 61 crore.

SSL also has different retail subsidiaries catering to various needs. There's HomeStop, a home décor format with four stores in three cities, and Arcelia, another retail format with one store in Pune. The company has also moved into specialty retailing. Mothercare, a mater-

nity, infant care store was started as an exclusive franchise agreement for departmental stores with Mothercare UK. Currently there are 28 stores of Mothercare (including eight stand-alone stores) across 11 cities. Then there's Crossword, SSL's bookstore, which has 33 outlets across the country. The company also set up MAC, a high-end cosmetics store, a couple of years ago in a retail agreement with Estee Lauder. At present there are 15 MAC stores in Mumbai, Bangalore, Delhi, Amritsar, Chennai and Hyderabad. Under cosmetics, SSL has also another brand called Clinique, which has seven stores at present.

SSL is also betting big on airport retailing. It has one store at Hyderabad's domestic airport and two at Bangalore's domestic airport. Besides, two duty free stores are run by the JV company Nuance Group at the Bangalore international airport. However, airport retailing is yet to break even.

Not all decisions made my SSL in the past have paid off. The company has made its share of mistakes. It introduced catalogue retailing through Argos and entered into a joint venture with the UK-based retailer. However, this did not succeed and SSL wrote off losses of Rs 35 crore. Then four of its small-format food retail stores, ExpressCity, shut down within months in 2007-08.

Currently, the challenge for SSL is to keep its rivals — Lifestyle and Pantaloon — at bay. These companies have a higher share of private labels, especially Pantaloon, which boasts a 75 per cent private label collection. Then there is Lifestyle, which follows a similar model as SSL but has been rapidly expanding and increasing its private label collection to more than 25 per cent. SSL, too, expects private label sales of more than 25 per cent this year. Shoppers Stop has positioned itself as a premium retailer and so is in direct competition with Lifestyle, which is a close second in the BW list.

SSL will need to draw on its 20 years of experience and continue to innovate to stay ahead.

Vishal Krishna



No 2: Lifestyle International

MD Kabir Lumba's Lifestyle has a strong merchandising team and a great product range



No 3: Pantaloon Retail

Kishore Biyani, MD, will focus on the aspiring Indian rather than the Indian who has higher income

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Respected Companies

Rank	Company	Total score	Innova-tiveness	Depth & quality of top management	Financial performance and returns	Ethics and trans-parency	Quality of products and services	People prac-tices/ Talent management	Global competi-tiveness
POWER									
1	NTPC	5,108.3	750.0	787.5	679.2	733.3	737.5	791.7	629.2
2	Tata Power	4,841.7	666.7	720.8	679.2	720.8	712.5	725.0	616.7
3	Power Grid Corporation of India	4,262.5	650.0	625.0	562.5	658.3	616.7	629.2	520.8
4	Reliance Infrastructure	3,708.3	533.3	558.3	525.0	525.0	512.5	554.2	500.0
5	BSES Rajdhani Power	3,695.8	529.2	570.8	500.0	504.2	554.2	554.2	483.3
6	Neyveli Lignite Corpn.	3,508.3	495.8	500.0	495.8	504.2	504.2	512.5	495.8
7	BSES Yamuna Power	3,283.3	445.8	495.8	445.8	462.5	487.5	504.2	441.7
8	Nuclear Power Corpn. Of India	3,179.2	454.2	462.5	454.2	466.7	454.2	445.8	441.7
9	CESC	3,100.0	458.3	475.0	383.3	466.7	462.5	458.3	395.8
10	Torrent Power	3,012.5	412.5	475.0	425.0	450.0	433.3	433.3	383.3
11	Suzlon Energy	2,991.7	433.3	441.7	412.5	391.7	445.8	437.5	429.2
REAL ESTATE									
1	DLF	4,958.8	735.3	729.4	673.5	705.9	741.2	700.0	673.5
2	Emaar MGF Land	3,450.0	532.4	488.2	458.8	494.1	511.8	488.2	476.5
3	Unitech	3,344.1	497.1	491.2	470.6	494.1	517.6	447.1	426.5
4	Ansal Properties & Infrastructure	3,338.2	502.9	482.4	479.4	444.1	523.5	464.7	441.2
5	Sobha Developers	3,223.5	467.6	502.9	423.5	473.5	491.2	455.9	408.8
6	National Buildings Cons. Corpn.	3,126.5	473.5	485.3	420.6	444.1	461.8	423.5	417.6
7	Parsvnath Developers	2,970.6	426.5	423.5	423.5	420.6	452.9	420.6	402.9
8	Housing Develop. & Infrastructure	2,802.9	405.9	411.8	388.2	411.8	423.5	376.5	385.3
9	Omaxe	2,644.1	394.1	400.0	367.6	373.5	385.3	364.7	358.8
10	BPTP	2,350.0	347.1	344.1	332.4	329.4	335.3	332.4	329.4
RETAIL									
1	Shoppers Stop	4,896.0	736.0	704.0	632.0	728.0	744.0	700.0	652.0
2	Lifestyle	4,452.0	684.0	668.0	504.0	648.0	708.0	632.0	608.0
3	Pantaloon Retail (India)	4,300.0	656.0	596.0	636.0	540.0	604.0	644.0	624.0
4	Reliance Retail	4,180.0	620.0	604.0	556.0	552.0	648.0	616.0	584.0
5	Spencer's Retail	3,496.0	508.0	504.0	488.0	468.0	528.0	532.0	468.0
6	Globus	3,320.0	528.0	480.0	384.0	476.0	532.0	456.0	464.0
7	Infiniti Retail (Croma)	3,284.0	504.0	460.0	400.0	492.0	552.0	464.0	412.0
8	Trent	3,024.0	432.0	444.0	400.0	460.0	460.0	452.0	376.0
9	Vishal Retail	2,636.0	392.0	392.0	356.0	352.0	420.0	380.0	344.0
10	Brandhouse Retails	2,092.0	304.0	292.0	312.0	284.0	288.0	296.0	316.0
TELECOMMUNICATIONS									
1	Vodafone Essar	4,468.0	680.0	664.0	596.0	692.0	448.0	692.0	696.0
2	Bharti Airtel	4,464.0	632.0	652.0	624.0	640.0	668.0	652.0	596.0
3	Tata Communications	4,316.0	636.0	648.0	556.0	712.0	548.0	660.0	556.0
4	Tata Teleservices	4,256.0	636.0	652.0	556.0	692.0	504.0	668.0	548.0
5	Idea Cellular	4,180.0	560.0	616.0	564.0	652.0	652.0	648.0	488.0
6	Bharat Sanchar Nigam	4,048.0	548.0	556.0	528.0	608.0	676.0	568.0	564.0
7	Reliance Communications	3,864.0	548.0	556.0	564.0	496.0	604.0	540.0	556.0
8	MTNL	3,784.0	528.0	520.0	504.0	584.0	616.0	516.0	516.0
9	Aircel	3,536.0	480.0	496.0	424.0	504.0	692.0	516.0	424.0

Source: BW-Ipsos India's Most Respected Companies Survey 2011