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UPping the ante in retail

By Amit Bagaria

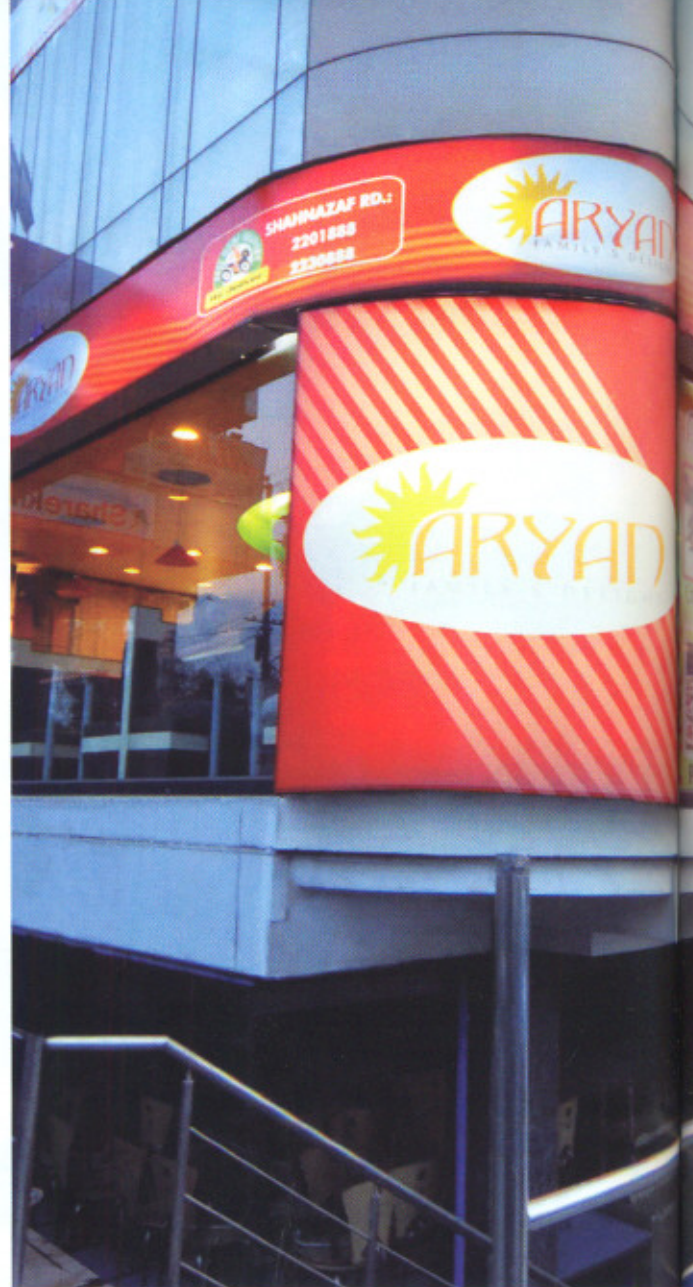
THIS IS THE FOURTH PART OF *YESTERDAY ONCE MORE* – A SERIES OF STORIES INITIATED BY *IMAGES RETAIL* ABOUT SUCCESSFUL REGIONAL RETAILERS WHO CONTINUE TO THRIVE DESPITE TOUGH COMPETITION FROM NATIONAL AND INTERNATIONAL COUNTERPARTS.

→ Much like other Indian states, Uttar Pradesh, the country's most populous state, too, has a number of regional retailers to boast of. Spread across major cities of the state, including Kanpur, Lucknow and Varanasi, these retailers have not only tasted success in their strongholds, but are on their way to make it big in fresh territories. Of the many successful regional retailers in UP, here we will talk about three retailers – Raj Ratan, Jalans and Aryan.

The legendary Aryan restaurant, located on Lucknow's MG Road, opposite Governor's House, was started by its Kanpur-born owner Rahul Khanna in 2001. Today, Aryan is a nine-restaurant-strong chain. While two Aryan restaurants came

up in 2004, three more were opened in the next three years. The seventh Aryan restaurant was opened in 2009, while two more (a pure vegetarian restaurant and the one at Allahabad) came up in 2010. Put together, the nine restaurants have a seating capacity of 720, in addition to banqueting space for another 600 people. While all eight restaurants in Lucknow are company operated, the one in Allahabad is run by a franchisee and housed in a mall. The tenth – a restobar under the brand name "Zinng" – will open early next year, coinciding with the chain's tenth anniversary.

In the next five years, Khanna expects to have 20-25 restaurants, mostly spread throughout Uttar





Pradesh. Kanpur and Delhi, though, are not on Khanna's radar as Kanpur has "people of much lower income levels", while Delhi "is overcrowded".

So, while neighbouring Kanpur and Delhi will miss Aryan, its owner plans to have franchisees in Varanasi and Gorakhpur, followed by Agra and even London. Yes, Khanna is seriously working with Think London – London's official FDI agency – to open a restaurant in the city's upscale West End area, which includes Mayfair, Park Lane, Oxford Street, Regent Street and Bond Street. In Lucknow, a Chinese restaurant will also open very soon. He is also considering larger banqueting facilities, starting a packed food business and even a foray into four-star hotels. Younger brother

Ruchir helps him run the business.

And considering the kind of fan following Aryan has in Lucknow, its owner won't find it difficult to spread its footprint beyond Uttar Pradesh.

The popularity of Aryan can be gauged by the sheer number of celebrities who have dined at the restaurant. While Congress general secretary Rahul Gandhi recently enjoyed chicken kathi rolls and crunchy chicken at this restaurant, other celebs to have dined here include film writer-director Shyam Benegal, ghazal singer Jagjit Singh, actor Vivek Oberoi and recipe book author Tarla Dalal.

The multi-cuisine Aryan restaurants serve Chinese food, apart from North Indian and South Indian cuisines.

The average bill value at Aryan's QSR format is ₹90, while it touches ₹200 in the casual-dining format.

KANPUR-BASED RAJ RATAN WITNESSES A MONTHLY ATD OF ALMOST ₹3,500 PER SQ.FT IN ONE OF ITS STORES. THIS IS MORE THAN FOUR TIMES THE ATD OF WESTSIDE OR PANTALOONS.

Sonal Gidugu, a Lucknow-based die-hard fan of Aryan, says, "This is the best restaurant in the city. Whenever I have to go out for dinner with relatives, Aryans is the most preferred place." Kapil Bansal, who was raised in Lucknow and now lives in Bangalore, calls Aryan a "fusion between Nirula's and Shanti Sagar, with pretty decent food and consistent quality".

What adds to its popularity is that it provides home delivery throughout Lucknow – that should not be difficult considering it has eight outlets in the "City of Nawabs".

Khanna is not much impressed, though, with international restaurant chains. "McDonald's, Pizza Hut and KFC are assembly lines – they do not manufacture food like we do, as Indian food is always made-to-order," he says. He claims that while his MG Marg restaurant does an annual business of more than ₹3.5 crore, the neighbouring Pizza Hut is struggling at less than ₹1.5 crore. His inspiration originally came from Nirula's and now he is learning from Haldiram's. The company expects an annual turnover of ₹18 crore this year, excluding the franchised outlet in Allahabad, which is likely to do a business of close to ₹3 crore this year. The ABV (average bill value) at Aryan's QSR format is ₹90, while it touches ₹200 in the casual-dining format.

With nine restaurants at present and plans to open more in the near future, the growth witnessed by Aryan in the last nine years is impressive. While international F&B chains such as McDonald's, KFC, Domino's Pizza, Pizza Hut and Subway have each opened more than 100 outlets in India, no Indian chain has managed to reach even the figure of 75. Blue Foods has less than 70 outlets, Nirula's has less than 60 (excluding ice-cream kiosks and pastry shops), BJN has less than 40, Mainland China has less than 30, while Haldiram's has less than 25. McDonald's, KFC, Pizza



ARYAN'S KHANNA IS WORKING WITH LONDON'S OFFICIAL FDI AGENCY – THINK LONDON – TO OPEN A RESTAURANT IN THE CITY'S UPSCALE WEST END AREA, WHICH INCLUDES MAYFAIR, PARK LANE, OXFORD STREET, REGENT STREET AND BOND STREET.

Hut, Domino's Pizza, Café Coffee Day and Barista are all present in Lucknow. Costa Coffee, Nirula's and Blue Foods also opened outlets, but had to shut them down due to 'poor' performance.

Clearly, Khanna, who comes from a family in institutional catering business, is on its way to create a restaurant empire, while the parent company, Yash Foods, continues to thrive in its original business.

KANPUR'S PRIDE

Kanpur-based apparel retailer Raj Ratan witnesses a monthly ATD (average trading density) of almost ₹3,500 per square foot in one of its stores. This is more than four times the ATD of Westside or Pantaloons.

Raj Ratan has four stores in Kanpur and one in Lucknow. The first store (and at 10,000 sq.ft, the largest) opened at Nayaganj in 1999. The family was already in the women's wear wholesale business, which was



started by Ratan Chand Khatri back in 1964. Other businesses of the Group include real estate, BPO, castings, healthcare and a club.

The second store opened five years later in the city's posh Swaroop Nagar area. A third opened in 2006, followed by a fourth in Lucknow (on the Kanpur highway) in 2008 and a fifth at Kanpur's Lal Bangla area in 2009. The chain expects to close this year with a top line of ₹100 crore from a combined retail space of 37,000 sq.ft, giving them an ATD of ₹2,250 per sq.ft per month.

Expansion plans include several company-operated stores in Lucknow, as well as stores in Varanasi, Allahabad, Gorakhpur and Rae Bareilly. Raj Ratan expects to be a 20-25-store-strong chain in five to six years. The retailer, though, is not interested in franchising and does not believe in malls. "We like to be apart (away) from the market," says CEO Preet Singh. When I informed them that Tamil Nadu-based retailer RMKV does more than ₹10 crore of monthly business from its 55,000-sq.ft anchor store at Brookfields Plaza mall in Coimbatore, Singh and his boss Raj Kumar Khatri (director of Raj Ratan) did not seem to be much impressed.



include cottons, silks, crepe-de-chines, chiffons, Banarasi and Kanjeevarams. Frequent customer Beena Batra says, "They have the best variety of sarees in Kanpur. I generally shop there for myself and my daughter and have also recommended others to purchase sarees and suits for various occasions."

Khatri is proud of the fact that Raj Ratan treats all customers equally and that his shops are "fixed price shops", whereas most other retailers in Kanpur have huge and never-ending negotiations. Well, that is the first step towards becoming a modern retailer!

CATERING TO DEVOTEES OF LORD SHIVA, HANUMAN

Deen Dayal Jalan of Varanasi started a wholesale apparel business in the city in 1974. In 25 years, the business was flourishing, with 4,000 regular and almost 6,000 not-so-regular customers.

That prompted his son Krishna Kumar Jalan to start a retail store, under the name Jalans, at Gyanvapi in 1999. This 4,000-sq.ft store, located close to the famous Kashi Vishwanath Mandir, does an annual business of ₹30 crore, with a monthly ATD of a whopping ₹6,250 per sq.ft. Sales here are highest on Mondays – the day most devotees visit the temple.

In 2005, the second store – a much larger one at 25,000 sq.ft – opened opposite Sri Satyanarayan Tulsi Manas Mandir at Durgakund. This store does an annual business of ₹60 crore, with a 30 per cent y-o-y growth. Here, sales are highest on Tuesdays and Saturdays due to its proximity to Sankat Mochan Mandir (the Hanuman temple). This flagship store also has an economically priced Indian fast food restaurant.

Another four years later, in 2009, a 2,200-sq.ft store was set up half-a-kilometre from the first store at Gyanvapi. This year, the fourth store opened at Kuccheri. The 18,000-sq.ft

In fact, neither Khatri nor Singh was aware of the fact that regional retailers in South India have stores even as large as 125,000 sq.ft in area. "Ours is the largest store in Kanpur," was Khatri's response. Singh expressed surprise and commented that he would visit the South with his team to see these stores and study the market there.

In this context, the IMAGES initiative of organising 'Regional Retailers Conclaves' at India Retail Forum and the IMAGES Regional Summits needs to be applauded, as these forums give the much needed exposure to local retailers who seem to be disconnected with what is happening around the country. Asipac is happy to be associated with these conclaves.

While Raj Ratan started and grew primarily as a women's wear store, men's apparel now comprises 30 per cent of the business. "Men used to come along with women to buy sarees, so we thought we should convert ourselves into a family shop," says Singh.

Sarees comprise 42 per cent of the total business, while salwar suits and lehengas make up the balance 28 per cent. Their saree offerings



RAJ RATAN HAS FOUR STORES IN KANPUR AND ONE IN LUCKNOW. THE APPAREL RETAILER EXPECTS TO CLOSE THIS YEAR WITH A TOP LINE OF ₹100 CRORE FROM FIVE STORES OCCUPYING 37,000 SQUARE FEET OF RETAIL SPACE.

store will also have a restaurant soon.

The four stores together do an annual business of ₹150 crore, with a monthly ATD of ₹2,550 per sq.ft. Next year, Jalans will open a fifth store in Allahabad. In the next five years, the apparel retailer expects to have 8-10 stores, with a turnover of more than ₹300 crore.

Three years ago, Krishna Kumar Jalan had sent his son Bhagirath Jalan for training at Future Group (he knows Kishore Biyani very well). Young Bhagirath worked under

talkers so that customers don't feel embarrassed in asking for products within their budget. Winter wear is among the fastest growth categories at Jalans.

"Shopping at Jalans is surely value for money and this is one of the few stores where you get products in various ranges. I generally shop there for clothes. This is the best department store in Varanasi," says Anju Taneja, a loyal customer of Jalans.

Bhagirath Jalan, unlike the top

bosses of Raj Ratan in Kanpur, is much more aware of similar retailers around the country. He visits Chennai every year to see the T Nagar market there. "It's a very good place to learn retailing," he says, "retail stores there get customers from across the region and customers are very loyal to retailers in South India."

Today, Bhagirath runs the retail business, while his father and uncle run the wholesale business. The training under Mall seems to have had another effect on the young Jalan



Future Group director Damodar Mall for a year and returned in November 2008 to join the family business. "This experience gave me confidence to expand the business and add categories," says Bhagirath. He quickly converted the Durgakund flagship store from a 100 per cent apparel store into a department store, adding categories such as footwear, cosmetics, mobile phones, cameras, watches and fashion jewellery. The Kuccheri store was started as a department store. Jalans sell over 450 pairs of footwear across its stores daily.

Apparel still constitutes 85 per cent of Jalans business, while sarees alone account for almost 34 per cent of the business. The range starts from a saree with blouse piece for only ₹65 to a lehenga for as much as ₹30,000. The price range is displayed through shelf



IN FIVE YEARS, JALANS OF VARANASI EXPECT TO HAVE 8-10 STORES, WITH AN ANNUAL TURNOVER OF MORE THAN ₹300 CRORE.

– he now wants to add supermarkets adjacent to his two large stores. He is also working on professionalising the organisation. "We need to change the mindset," says Bhagirath, "one or two stores can be run by family members, but a chain has to be run professionally."

Did Kishore Biyani help create a formidable future competitor? Let us wait and watch. ❏

ABOUT THE AUTHOR



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