



Trent plays catch-up

The Tata group's retail firm is trying hard to shed its profitable, but slow-mover tag

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The newly-formed five-member core team at Trent has quite a task on hand in shedding the retail firm's slow-mover tag. The team was set up late last month to run the retail arm of the Tata Group after Noel Naval Tata gave up his executive responsibilities as Managing Director from August 12 and became Non-Executive Vice-Chairman.

The hypermarket, department store and book and music retailer, which owns Westside, Star Bazaar, Landmark, Fashion Yatra, Sisley and Zara, was one of the earliest entrant to organized retail in 1990s. But it has set up only 90 stores in over a decade's time, while its peers have marched much ahead.

Take Kishore Biyani's Future group for instance. Future, which opened its first Pantaloon store in 1997 and first Big Bazaar in 2001, today runs over 1,000 stores including 150 Big Bazaars and hypermarkets. Its flagship Pantaloon is the country's largest retailer.

Or take the new breed of retailers. Reliance Retail, which was set up in 2006, today runs nearly 1,150 stores while Aditya Birla Retail, which was set up during the same time, runs around 640 stores.

Trent now wants to make up for the lost time. The retailer plans to open nearly two dozen stores under its various formats in the current financial year. That includes 10 Westside stores, seven Star Bazaar hypermarkets and four Landmark book and music stores, among others.

Of Trent's total stores, nearly 20 stores have come up in the last one year or so.

For starters, apart from its own formats, Trent has a franchise arrangement with Benetton of Italy for Sisley stores for India and has a tieup with Inditex of Spain for Zara stores.

The retailer's new-found confidence is evident from what one of the company's senior executives said: "We have learnt our lessons. What we have done in the first 10 years, we will do 10 times of that in the next 10 years. We want

to be a ₹5,000 crore company in the next five years from ₹1,000 crore now.

Trent is putting its money where the consumer's mouth is and is planning to invest ₹275 crore to open 50 hypermarkets in the next three to four years. This includes seven new stores this financial year.

Though other retailers such as Future, Reliance and Aditya Birla also have ambitious plans for hypermarkets, what is giving Trent a leg-up is its tie up with UK's Tesco for wholesale supply arrangement and back-end support for its hypermar-



ket operations, say analysts.

"The timing of their expansion plans is right. Markets have improved and consumers have started spending. Property availability is much better now and rents are reasonable," says Susil Dugarwal, founder and chief mall mechanic at Beyond Squarefeet, a mall management firm.

Though Trent has remained profitable even during the economic slowdown, retail consultants say Trent has sacrificed growth for retaining profitability.

Look at how different retailers performed during the slowdown. Trent posted a consolidated net profit of ₹1.04 crore (operating profit of ₹31 crore) in FY 2009. In the same period, Shoppers Stop posted a loss of ₹63.65 crore while Pantaloon posted a net profit

of ₹10 crore.

"Compared to its peers, Trent has certainly grown slowly. By being aggressive it could have tapped the business opportunity which has grown exponentially," says Arvind Singhal, chairman of Technopak Advisors, a retail consultancy firm.

He is bang on. The consolidated net sales of Pantaloon, the country's largest listed retailer, went up five times, from ₹1933 crore in FY 2006 to ₹9786.44 crore in FY 2010. In the same period, Trent's net sales went up 2.7 times from ₹403 crore to ₹1105 crore.

Both Aditya Birla Retail and Reliance Retail started around 2006. Though they are not profitable as yet, their comparable figures in FY 2010 were ₹1430 crore and ₹4,500 crore, respectively.

Rituraj Verma, national director, retail agency, Knight Frank India, a property consultant, says Trent did not sign properties as rents were very high and that helped them to remain profitable. But at the same time, they missed out on many opportunities where their peers signed good properties and moved on.

But there are some, including competitors, who agree with Trent's strategy of slow and profitable growth. "They have fixed the problems of each store before moving on. They have worked hard to get their preposition right," says a senior executive with Aditya Birla Retail.

Adds Dugarwal of Beyond Squarefeet: "Instead of focussing on the number of stores, they created sustainable stores. While others closed a number of stores, they have not closed a single store. It speaks volumes about their operations and business," he adds.

Future group relocated and shut unviable stores, Birla Retail shut 70 loss-making stores and Reliance Retail closed over 50 stores to stem losses during the slowdown.

Analysts say the private label-focused model has worked well for Trent department store Westside. Private labels constitute over 80 per cent of Westside sales, giving more margins to the company.