Catwalk

Catwalk Worldwide Private Limited

A Merchant
Chairman & MD

The current economic slowdown will see large retailers sharing costs such as, infrastructure & technical know-how, warehousing & logistics, etc.

Opening up the footwear retail sector to foreign players will surely help. I do see the government opening up the sector as it can do only as much without affecting its coffers. The need of the hour is infusion of money in this sector.

Q. How has the ongoing global financial crisis affected India's retail industry and your company in particular? What measures have been adopted by your company to cope up with the current economic slowdown?

A. The crisis has affected the footfalls and hence sales of retailers. Consumers have reacted by being careful in their spending pattern and shopping smartly. The current crisis has led to drying up of capital and credit in the system, forcing many players to shelve their expansion plans or put them on the back burner. The crisis has not harmed Catwalk owing to our conservative approach. We have utilised economies of scale to advantage in the current quarter, by renegotiating costs at all levels. Catwalk has further reduced its net week cover through stringent inventory control measures; and increased our sales without further capital infusion. We also controlled our advertising expenditure by focusing on the database of our loyal customers. Although credit has dried up in the system, our healthy cash flows and the new strategies adopted by us ensured that we do not depend heavily on financial institutions for raising capital. The slowdown has given us enough time to go on a consolidation mode, in this regard we have centralised our operations. Moreover re-negotiations on rentals and expenditure on logistics have helped us register gain.

Q. In light of the current financial crisis, do you foresee changes taking place in the growth strategies of Indian retailers with emphasis on cost cutting as well as business & financial re-structuring?

A. Due to lack of credit, developers and retailers have either deferred their schedules or shelved their plans. Re-strategising of cost through cut down in operational expenditure, optimisation of existing facilities would be seen. We also foresee large retailers coming together to share infrastructure and technical know-how in their backend operations in order to reduce costs and result in greater profits. We also foresee financial restructuring through bond-equity conversions as well as restructuring of payment terms. Reviewing the current business models would also be a priority for retailers.

Q. What are your views on the competitive scenario in the Indian retail industry given the entry of many big as well as small players in the last 2-3 years? How is this going to affect your business and what strategies have been adopted by your company to face competition effectively?

A. The Indian scenario has always been a competitive one. Initially there was competition between the neighbourhood mom and pop stores for a share of the consumers' pocket. Today, with the advent of organised retailing, there is increased competition. However the mom and pop stores will not see a major shift in the purchasing habits of their customers, the reason being that even today the kind of service and convenience that the mom and pop stores present is far ahead of what the big retailers can provide. A case in point is the continued success of the convenience stores in the West, despite the presence of major players like Wal-Mart, Costco, etc. However, the big retailers who were initially in a sort of oligopolistic market will face the heat with the entry of many of the international retailers as well as pressure from small time retailers who want to make it big. For our company, the more the merrier as a healthy competition amongst retailers will play to our benefit as we will then be able to get better deals apart from a wider reach for our products. With respect to the competition that our business will face from the entry of international players in the footwear domain, we are well equipped both in terms of product & design and reach.

Q. In the current scenario, cost cutting is on the priority list of almost all retailers. According to you, which are the areas where and how a retailer can cut cost?

A. There are quite a few areas where any firm cut out costs, production being one such area. A lot of waste is generated during the production process. There are issues like theft and loss of raw material, seepages and shrinkage as well. Streamlining the production process, maintaining control and supervision in the facility will help in pruning costs.

Increasing productivity will help reduce costs. Inventory is another area where costs can be controlled. Inventory holding and carrying costs are a major expenditure that firms have to incur. Thus, if inventory management is good then such costs can be reduced. Logistics is another domain that can be utilised to bring down costs for organisations. Entering into long term alliances with partners and forming strategic alliances with competitors, certainly help in reducing expenditure.

Q. What are the growth opportunities for footwear retail segment in India? And how are you planning to penetrate in the market, especially Tier II and III cities?

A. The footwear retail segment is currently one of the most organised sectors within the retail domain. However, this is purely due to the highly organised nature of the men's footwear segment. The women's category is largely unorganised, in fact close to 95% of the category is unorganised. With respect to the rest of the world, this is an anomaly as the women's category is majorly organised and forms a big chunk of the market. Thus for us as retailers in the women's footwear category, the market is still largely untapped and hence a big opportunity for growth. At present, almost all of the organised retailers in the women's footwear category are located in the metros and Tier I cities and towns. The Tier II and Tier III towns have over the last few years seen a spurt in income driven by the service industry boom. Hence these towns definitely are a potential target for us.

Q. What are the challenges that your company is facing while targeting/penetrating the market?

A. Currently the infrastructure in the country is very dismal. Production and supply chain issues are a major hindrance for firms like ours. Owing to these factors we cannot grow at the rate which we think is possible. Moreover, the current economic scenario has resulted in a lot of the major retailers shelving expansion plans and a lot of property developers delaying the construction of properties. With our business being dependent to an extent on these factors, we are not being able to grow and penetrate the market at the speed with which we would like to.

Q. Do you see any tie-ups with real estate developers in terms of revenue sharing? Could you shed some light on how the revenue sharing tie-ups work in the Indian retail sector?

A. In the current economic scenario, tie ups with real estate developers is certainly on the minds of many retailers. This is because the benefits are manifold for both the retailer and the developer. With a revenue sharing model the risk of both the parties are shared. Thus if there is a boom then the upside is great for both the retailer and the developer, whereas if we see a slowdown then again due to this model the retailer may not leave the property resulting in benefits for the developer and with this model, the rent is less and hence even if sales are not as high the rents do not pinch the retailers. With this model in place, the retailers have to pay lower deposits on the property.

Q. Is consolidation an option for Indian retailers to face the challenge put forth by the ongoing economic downturn?

A. The ongoing downturn is part of the economic cycle. After every upturn a downturn is inevitable. Country like India, with a healthy growth rate over the last couple of years offers plenty of opportunities for retailers. Thus if the retailers can stick it out in this downturn, then over the next few years they will be back on the growth trajectory. Consolidation may be an option for a few who may go bankrupt wherein these firms could sell out to one of the larger firms.

Q. What is your opinion on further opening up the sector for foreign players? Do you foresee that the Government would consider in this current situation?

A. The sector currently needs investment if it has to grow and reach the levels that have been forecasted. Apart from providing an interest regime that will ease liquidity and easy credit availability, there is a need to open up the sector to foreign investors and players. The major reason being the sort of scale these players will bring to the retail sector. Additionally, higher levels of investment brought in by these players will lead to increased employment, more opportunities for domestic manufacturers, logistics players and others related to the retail industry. With competition from international players the consumers will stand to benefit. In the current situation, the need of the hour is infusion of money in the sector. Opening up of the sector to foreign players will surely help, and I do see the government opening up the sector as it can do only as much without affecting its coffers.

Q. What are likely to be the prominent growth drivers of India's retail industry in the next 2- 3 years in terms of products and markets?

A. The Indian market is still very nascent and just emerging. All the products will thus have a say in the growth of the sector. However products that cater to the rural market may have a major say in the growth which also indicates that the rural market will be the one to look out for in the near future. Along with the rural markets the Tier II and Tier III towns would be major revenue generators.