

A Family Business perspective on Emergence and Potential of Mass Retail Industry in India

Mr. Birinder Singh Narula is a third generation member of the Darshan Singh (DS) family and is currently the Managing Director of Ebony Retail Holdings Private Limited. The DS family business started in 1940s and moved away from India in the 1960s when the family opted to try overseas ventures in construction building hospitals and roads among other things. They moved around in Iran, Iraq and Kuwait during the 1960s and then settled in Libya and stayed. They were one of the largest Indian construction companies in the 1980s. This was during 1995-96 when the organized retailing was started when they opened up with Ebony in Delhi.

Interviewer: Could you tell me about your career, after you finished your education?

Narula: After my graduation in electrical engineering, I spent about seven years getting into electrical projects; this was all in Libya. That's how the entire construction group was moving and actually we moved away from India in the 1960s having done as much as we could when my grandfather opted to try overseas ventures. We moved around in Iran, Iraq and Kuwait during the 1960s and then settled in Libya. Despite the difficult times during 1988-89, we stayed and were duly respected and rewarded for that.

I was quite lucky because I came in at a time when we were picking up some very prestigious projects in Libya. We also built 500-bed hospitals which was spread over seven acres. This was Mr. Gaddafi's response to the embargo where he said he wanted an intelligent building which was as contemporary as you would have found anywhere else, despite the embargo. This meant there were a whole lot of European suppliers who could not actively participate because of the embargo and so we got the opportunity to do this particular project.

Roads were something we pioneered, having put in more than 2,000 kilometres all over Libya and that's where the standards were very exacting. So we got exposure in a market which was very clear, and we competed against the best of companies.

I was talking with a few CEOs and they talked about how the '60s and '70s were lost decades for India in the construction industry but that became a blessing in disguise because we had to go out and become global.

We took up those opportunities because although there is a lot of entrepreneurship in India, perhaps we guys get lost in India because we don't get the chance to do what we wanted to do. I have worked in overseas companies and have seen that the core people are the Indians, whether it's the teaching side, the medical professions; and in Libya the main engineers are Indians.

I got another exposure to our group's activities in the UK where we are into hospitality, running a chain of hotels in Central London. There were acquisitions which we had made at good times, but we had to revamp the entire hotels.

Interviewer: What steps did you take to get into organized retailing?

Narula: During 1996-97 I spent time reflecting and understanding what I did abroad and small stints of learning and working within the stores. Then a picture started emerging in my mind of what these stores should look like and whether it could become a chain. We started looking at acceptability of this concept beyond Delhi and found good potential. There were other stores which were mushrooming as well. A survey showed us that to a large extent, people were ready for something like Ebony, because their aspirations were huge. The money was there in small cities, but people from smaller cities would go all the way to metro Delhi or Bombay just to shop. We are north Indians, we knew them, we have relatives in most of the places and I would sit down for hours talking to them, checking locations to see how much traffic was coming in and how much acceptance was there to a concept like this. Obviously, the last thing was the gut feeling which said we have got to do it.

Interviewer: What do you think the future of retailing in India is going to be? Are we going to have hypermarkets or we are going to continue with smaller departmental stores? Is there going to be a unique kind of structure for India?

Narula: Frankly, India is a very difficult market to tame simply because of the complexity in terms of diversity that we Indians have. We have an entire mind-set change every few kilometres and the biggest challenge, and something that we are still striving to do is to bring something closer to the needs.

Our model is based on a 40,000 square feet store and that's it, whether it's in *Jalandhar*, *Ludhiana*, or wherever. We felt strongly that India has this big potential but only for the home grown businessmen. It's not easy for the foreign companies at all because of the typicality of the Indian market. The Indian market needs somebody who is also an Indian. I think something like a joint venture would definitely work but we did see the MNCs initially coming

in and then shutting up and going away. So systems and processes are there but unfortunately you have to adapt them; you can't transplant them. Indian consumers are very occasion driven and so much on emotive platform that you have got to relate to them on that platform to be able to appeal to them, get into their mind and heart and let that brand communicate with them, even when they're not buying. There are lots of so-called *Kiryana* (corner) shops in unorganized sector; 98 per cent of us are unorganized and we have the largest proliferation of 200 million outlets, which is far more than the USA even. But I think India is emerging from this particular phase and everybody is experimenting with different models.

Interviewer: Considering the Indian consumer is so price oriented, do you think organized retail can really offer that value for money which the *kiryana* shop can't in terms of efficiency of the retail process?

Narula: Organized retail has to have certain minimum volumes to be able to drive that kind of a price advantage. We protect our consumers' rights and promote shopping as fun and convenience. When you put all those things under one roof, we offered convenience to consumers in North India for the first time.

Interviewer: Are customers same all over India?

Narula: They're different. In fact our Delhi store started purely with the top of the pyramid, within that small triangle of people who were perfectionists. We would offer them the best of range of imported goods and, quite frankly, we would get away with really big mark-ups because there was no choice and customers readily accepted it; but the moment we started looking at it as a chain, the entire dynamics changed and we had to start looking at the business in a totally different way.

In the last couple of decades the Indian consumer has changed; the options offered to them were changing and the economy was opening up. For us, it just made that challenge more and more interesting because we were one of the very few players and spotting this change in consumer spending habits. Many consumers are now moving from the unorganized to the organized sector and that's a big shift we are seeing. Experience, choice and convenience are the platform. We really started with the international shopping experience that was the baseline for Ebony when it started.

Interviewer: What were the major barriers Ebony faced?

Narula: I think a major barrier for us to start with was real estate, in fact, I would say infrastructure as a whole was a barrier and then the supply chain; the vendors wanting to shift into organized way. We have to take the chain along to get the economies of scale. Another challenge in retailing is the hiring and training of our human resource. We started our own Ebony Retail Academy. This was the first of the ventures and it was out of necessity because we couldn't get the trained people.

Interviewer: What do you think is the problem with retail being recognized as an industry by the government?

Narula: The CII (Confederation of Indian Industry) created an entire retail committee to take up this matter. In fact, we have been lobbying to get industry status because we need funds. We need good finance we want people to look at retailing in its true light. They should not look at it purely as a luxury thing and it is very misunderstood which is where it takes away our competitiveness.

FDI in retail was not allowed into India (this law has been amended in December 2012). Take the case of China and Far East countries like Thailand, Indonesia, etc. It's all linked up, the infrastructure followed and it led to a core development. What we are lacking today in India is the initiative. Retailing doesn't contribute significantly to the GDP in India; in the USA it is more than twenty per cent. This industry is going to give us a competitive edge in exports. We have a case, but again this is left to the government to really do something, but I am sure things will definitely look up.

Interviewer: What do you think were the factors that made you achieve your vision? What are your personal strengths?

Narula: The biggest factor which has led me to reach where I am today is trust. Secondly, I have an urge to experiment, innovate and embrace new technologies. I think we're still in the situation with Ebony where we are learning. I am sure if I were in the US and got an equal opportunity in a better evolved place, maybe I would have switched and gone to another business by this time and used my experience in another business to add something new to the group.

In the initial years, when some of my experiments didn't get good results my family could have pulled me down, but they continued to encourage me to keep going and gain strength from my experiences. Now I am one of the few in Delhi who drives a Rolls Royce.

Interviewer: What makes the Indian retail sector unique?

Narula: We Indians have different values. We have closely-held family values, but as more families scatter, the consumption levels increase. We keep saving for a rainy day and are emotional buyers, for instance, 9/11 saw a drop in sales in India, even though it happened in the U.S.A. Indian retailing is difficult and complex to that extent, but then I see huge opportunities simply because we don't have fixed formats.

Interviewer: Are you planning any specific organizational changes?

Narula: We are entering a much decentralized model and that's our corporate goal for this particular fiscal period. I call it 'controlled decentralized'.

We have sourced products from China in volume by cutting through the supply chain and going straight to the manufacturer, investing with the manufacturer which means we get the best rates, but the advantage goes away if you only buy small quantities.

Interviewer: Would you like to share your philosophy of management?

Narula: Trust, belongingness and openness. One can pay the best salaries, one can create opportunities and yet that might not be enough. All of our offices, including the top management have glass walls and we are as transparent as that. I know what is happening in the other room and the others can know what is happening in my room. We have none of those closed boardrooms where you can only approach through a secretary, here you just walk in. That's what we are trying to inculcate as the culture and philosophy in my business.

But I am a person who believes strongly that it is the people who run the business. We do put a lot of focus on H.R., maybe that's why the attrition has not been as much as it could have been. For example my CEO has been attached to the group for 22 years and now he is more like a family member. I have tried to inculcate the philosophy of approachability, openness, transparency within the group and this is something we are still striving towards.

Lessons Learned: Leaders who are running family businesses have to generate a sense of belongingness for all their employees.