

'The importance here is to cut out unnecessary middlemen'

Michael Bergdahl, author and Wal-Mart director, says that if small retailers in India cannot buy stock directly from the source, their next best bet would be wholesalers.

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Michael 'Bird Dawg' Bergdahl has perhaps penned one of the most interesting histories of the world's best known retail chain. As Director for 'People' for the headquarters office of Wal-Mart and a close associate of Sam Walton, he's known for his turnaround strategies and best practices in the retail sector.

His books, *What I Learned from Sam Walton: How to Compete and Thrive in a Wal-Mart World* and *The Tactics of the World's Richest Man*, give rare insights into Sam Walton's life.

During his visit to India in the next few weeks, Bergdahl will talk to Indian players on global trends in the retail industry and on successful practices that local players can draw upon, to overcome the current challenges facing the industry. In an e-mail interview with BrandLine, Bird Dawg (so nicknamed by Sam Walton) fields queries on how the Indian retail story is shaping up. Excerpts:

Has India made the right moves for its organised retail business? There are some large business houses in the country that entered the sector with pan-India expansion plans. Is this the best route for a retail foray?

The Indian marketplace is one of the most

complex in the world. With so many variables in the marketplace across India, traditional retailer one-size-fits-all store strategies just won't work. With different languages, customs, product preferences and religious beliefs, India presents challenges most international retailers have not faced before. If it were easy the percentage of organised retail would be substantially higher already.

Pan-India expansion has not been solved by India's current retailers and I believe international retailers are wary of failing while they are trying to understand and overcome the unique challenges of the Indian consumer and the regional cultural differences. There is no guarantee of success when a retailer opens stores in new unproven markets and I believe the amount of time, energy, effort and creativity required to simply understand India may prove too challenging for most international retailers.

Location, pricing, quality - which of these is the winning proposition for a retail chain?

First, it's always about understanding the customer, where s/he lives (their wants and needs and product preferences). I also think the key is to have the right location along with the right product assortment and in-store credit.

Have Indian retailers understood



the importance of logistics and back-end support for their outlets?

With mostly small retailers in India, 'supply chain' isn't like that utilised by global retailers such as Wal-Mart, Tesco, Metro and Carrefour. Large retailers take advantage of technologies that small retailers can only dream about. Many small retailers around the world buy products cooperatively to avail themselves of the economies of scale of a larger company. Alone, small retailers do not have the resources and size

Michael Bergdahl,
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required to flow goods using sophisticated logistics to stay in-stock and lower costs. This is just one of the advantages the big retailers enjoy over others.

What are the weak areas and how, in your opinion, should they be tackled?

If you can't buy from the source directly, I think the next best thing is for small retailers to buy from wholesalers who are buying products directly from the source. Smaller wholesalers tend to add costs by buying from a supplier who is buying from the source. The importance here is to cut out unnecessary middlemen.

How do global players view the Indian retail market, given that hardly 5-6 per cent of our market is in the organised segment?

I think Wal-Mart's entry strategy into India indicates the importance of India to global retailers. Not surprisingly, Wal-Mart entered via a partnership with Bharti. Interestingly, the Wal-Mart strategy at this point is a wholesaler strategy as opposed to a retail strategy. This is the first country Wal-Mart entered using a wholesaler strategy and for good reason. I believe Wal-Mart's normal direct assault on small retailers (kiryana stores) using its retail strategy would prove disastrous due to the impact it would have on so many small entrepreneurs. I think you will continue to see hook-up strategies

as US and European retailers try to figure out a profitable strategy for entering the India market.

Which categories of retail do you think are safe bets for organised retail in India: apparel, grocery, electronics, home accessories ...?

I wish to abstain from favouring a particular sector or a category at the moment. My visit to India is to encourage retail business in every category and help retailers tap the tremendous opportunities through some best practices.

What about retail in the services sector: mobile phone services, airline, hospitality, education? How promising does this look to you?

Fortunately in India, the retail and services sector are growing hand in hand and are amidst an unprecedented boom. Simultaneously, the growth of IT and telecom has complemented this growth well. With organised retail requiring substantial investment in technology, IT providers and software players are developing solutions specific to the sector. It first began in the financial sector. Banking and retail is today expanding in other service areas. With customer expectations rising day by day, retail will play a prominent role in coming days in transportation, hospitality and education sectors.