



# Young man with a plan

How Shashwat Goenka of Spencer's Retail, the industry's youngest honcho, plans to revitalise the business and pull it out of the red

BY SHIV JOSHI

**W**hile most 20-somethings are still trying to figure out what to do in life, 23-year-old Shashwat Goenka is busy trying to turn around Spencer's Retail, a unit of utility CESC Ltd, and an important part of the RP-Sanjiv Goenka conglomerate. A Wharton graduate, the young Goenka joined the family business in April last year as head of retail, becoming the country's youngest head of retail. It's a title that sounds cushy but comes bundled with a huge responsibility and a truckload of challenges.

To begin with, Spencer's is a known name in retail and has been around since 1863 (though the Goenka's bought it in the '80s). So there's the reputation to protect. Then the scale to manage: Spencer's has a total of 124 stores, out of which 31 are hypermarkets and rest convenience/small stores. Then there is the competition to deal with: Spencer's competes against players like the Future Group, Rahejas and Reliance. Add to that the pressures of the fast-changing retail environment.

These prospects are sure to overawe anyone and Goenka was humble enough to admit he felt the same way too. "I did feel overwhelmed to some extent. I thought, I'm only 23 and I don't have that much experience and how am I really going to lead this whole thing?" Goenka admitted. It helped that he had taken some time to learn before taking on the role by working with other group companies and also with Spencer's after graduation. "We have a good team of leaders at Spencer's, who have helped me and guided me through the process and made things a lot easier," he said. But more than settling into such a big role, Goenka had a much tougher task at hand and still does: that of pulling the business out of the red.

Fact is though Spencer's Retail has been around over two decades, the company has been posting losses. According to market reports, Spencer's made a loss of



Spencer's is expanding its apparel and general merchandise categories as they are fetch higher margins.

#### TOGETHER THEY GROW

Spencer's Retail practices high standards of human resource management with 'humaneness' being one of the core values of the organisation. The company offers Supervisory & Executive Development Programmes for rigorous training on soft skills and function to enable career growth for potential employees. The company nurtures internal talent and trains them to become future managers.

Spencer's also works with RAI and IGNOU to offer a BBA in retail management for store staff helping in career progression. The company also supports higher studies for employees (MBA / PG) who are willing to achieve greater knowledge in the area of their work while working. The company provides ample opportunities for career growth for potential employees and this has been instrumental for us to deal with the problems of attrition in the retail industry.

Not just its employees even business partners of Spencer's have grown with the company. Spencer's Retail works with several vendor partners on a regular basis which includes the top FMCG companies of the world as well as SMEs for supplying the various products that is part of the Spencer's merchandise portfolio.

It also works with several regional partners who offer regional foods at its hypermarkets. These concessioners are big brands in the respective regions. Some of the names include Flurys, Tea Junction and WOW Momo in Kolkata, MRCB in Hyderabad, Goodies in Baroda, Bijoligrill, Bombay Shiv Sagar, Hindustan Sweets, Mama's momo in Chennai.

Interestingly, some of these (like WOW Momo) actually started their business with their first store in Spencer's Hyper while others gained by strengthening their presence in a city.

about ₹200 crore in the year ended March 2013. Hence, the automatic priority for him, as for everyone else at Spencer's, was to achieve breakeven, which, fortunately, is within reach, thanks to the efforts that have been set in motion even before Shashwat took over.

In fact, in December last year, Shashwat's father and group chairman Sanjiv Goenka said in a media interview that Spencer's had doubled its revenue earned per square foot of retail space in three years to ₹1,350 a month in the first seven months. And this was about ₹100 short of achieving breakeven.

No wonder the young chief is quite optimistic about the way things are going for Spencer's. Another reason for his optimism is that the company has finally gained clarity on where it wants to go; sharpening the vision was one of the first things young Goenka did after assuming office.

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we wanted to focus on. We were opening small stores, supermarkets as well as hypermarkets. Now, we are very clear that the profitability will come through hypermarkets — that is one thing we want to focus on," said a confident Goenka.

He explained that despite being a pioneer in the hypermarket space, the reason Spencer's continued to fumble till now was that when it opened hypermarkets 10-12 years ago, organised retail in the country was still nascent. The market adoption of modern trade itself was not high. Hence, like every other player who was entering this segment, Spencer's too was unclear about what the customer wanted. Getting a sense of that took time.

But now, all that has changed.

"The vision now is clear. We want to become the most profitable and the most preferred hypermarket retailer in the country," he explained. Towards that, the plan is to roll out 70 more hypermarkets across the country in the next three years and not open any new small format stores, though the existing small stores will continue to operate. These will be compact hypermarkets, roughly about 30,000 sq-ft in size as they have a 15% higher sales per square feet than regular hypermarkets.

But how does he plan to succeed in an environment where other hypermarkets are failing? What has Spencer's figured out that other

hypermarkets haven't? "We've come a long way in the hypermarket space, from taking a few years to reach a store break-even to breaking even within a month of opening. We've done a lot of innovation in this space over the last five-six years. I wouldn't say we've cracked the model, but I would say that we're on the right path to getting the hypermarket model right. The ones we have recently opened are doing very well. We are working very hard to get our assortment right," he explained.

It's true that Spencer's has been reinventing itself as a retailer. First, adding hypermarkets to their kitty of supermarkets/convenience stores. Within hypermarkets too, new categories such as apparel and general merchandise were introduced. Spencer's also introduced a live bakery, a gourmet section and special sections such as the wine and tobacco. However, these are things that other hypermarkets too are doing.

So what makes Goenka so sure that what they are doing is working? "Just the fact that we can now break even under the first two months at a hypermarket level and we are able to manage the assortment and supply chain. Figuring out the geography that we want to be present in, formats that we want to operate, what we want to carry in each of the format, carrying out catchment area surveys before opening a store to capture what the consumer is looking for and then providing that to the customer. Our loyal customer base is building up (it's at 9.5 lakh right now). There are lot of big-ticket purchases. So it's several of these small factors that are working together that prove hypermarket model works for us. We're starting to see operational efficiency. I think sooner rather than later, we should be profitable,"



Spencer's is a food-first retailer, with 75-80% of its business coming from food.

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said a confident Goenka. And why wouldn't he be? The current average sales per sq-ft is ₹1,250, that too in a slow market.

In addition, Spencer's has rid itself of deadweight by closing down stores that didn't work. Last year, it shut down small stores in Tamil Nadu, Kerala and other parts of South India and the year before it exited Pune. "We are seeing how best to go ahead with certain regions and products that are not working well for us. But it's not that we are consciously closing all stores," he clarified.

Spencer's is also trying out some operational changes on a pilot basis at three or four select stores to see what works and what doesn't, though Goenka declined

to divulge details. However, he did share that Spencer's has consulted with professional agencies to help chalk out a game plan for growth — a practice that the company has been following for several years. Based on the recommendations, some of the things that the retailer will do include expanding its non-food areas such as apparel and general merchandise. "They give us significantly higher margins that are important because they lead to profitability," he said.

However, that does not mean Spencer's will be ignoring the food category, especially since it prides itself on being a 'food-first retailer' with food contributing to almost 75-80% of its business. But Spencer's will now approach food in a different way. "We want to add value to the customer experience.

So we asked ourselves what more can we give the customer that other traditional supermarkets aren't giving. How do we differentiate ourselves? That's how we arrived at the concept of Epicuisine," he explained.

Epicuisine (a combination of the words epicentre and cuisine) is a hub at select Spencer's supermarkets that will offer experiential food from around the world. Spencer's plans to convert the existing gourmet sections at select stores into Epicuisine. Depending on the size of the store, the section would be spread across 4,000 to 8,000 sq-ft. For instance, a 25,000-square foot store would have Epicuisine spreading across 4,000 sq-ft and a 40-48,000 sq-ft store would have an 8,000 sq-ft Epicuisine section.

Going forward at least 30% of Spencer's supermarkets will have an Epicuisine section that will stock freshly cut fruits, vegetables, meat and ready-to-eat food packaged for an individual or two people. The idea is to help busy couples save time in the

#### GETTING PERSONAL

##### LESSONS LEARNT

The behaviour of Indian consumers differs across the country. The market keeps changing, as in one day you carry out an action and you get a good result, the next day you may carry out the same action with a different result. Another thing I've learnt is that you don't always end up where you think you will, even if you've done all things right. And it's a good thing because it makes you re-evaluate what you've done before. If 'once proven always proven' were the case you wouldn't be thinking and would just be doing the same thing again and again. It keeps you on your toes; keeps you alive actually.

##### FAVOURITE PART OF THE JOB

Customer service. The push factor doesn't work anymore. There needs to be a pull factor. And unless you have the right level of customer service and customer centricity, that pull will not come.

##### ON MISTAKES

Mistakes are really the best way to learn. But I would want to avoid making the same mistake again.

##### ON COMPETITION

It's an unpredictable market and everyone is doing all kinds of things. So you have to be aware of what your competition is doing so you don't get caught off guard, but that doesn't mean you need to ape them.

##### FROM FATHER TO SON

My father is willing to drive things through logic and reason. Another thing I have learnt from him is to focus on operational efficiencies because you can't control the external market, but can control your internal operations. Outside of work, I admire his ability to balance work and family and keep them separate, and it's something that I hope to do as well.



Eventually, at least 30% of Spencer's supermarkets will have an Epicuisine section.

kitchen without compromising on their health.

In addition to adding new categories such as Epicuisine and reworking its assortment, Spencer's is also fine-tuning its focus on the geographies it wants to be present in. "We want to focus on the East, North and South of India. In the North, the areas we are specifically looking at are UP and NCR. In the East, we are looking at West Bengal, Jharkhand and Chhattisgarh. In the South, Andhra Pradesh, Tamil Nadu and Karnataka will be our focus areas," Goenka said. In comparison, Spencer's has a meagre presence in western India, with just one store in Mumbai and two in Gujarat. Goenka informed that Spencer's wants to first capitalise on areas that are its strongholds and then explore the West.

So the roadmap for the next 2-3 years is clear. "Our first internal target is to turn profitable as a company at EBIDTA level. The next is how to grow in terms of establishing a greater presence in terms of number of stores and

thereafter we'll explore the other options," the young Goenka said.

There have been talks of an IPO. Referring to that he informed that Spencer's would consider whether a merger or listing would make sense or a combination of both, only after the business is safely in the black. "But we have taken all steps necessary and are already looking at avenues so that we don't waste time once we do turn profitable," he informed.

It appears that the youngest head of retail in the country has it all figured out and has settled in his role quite well. "I've figured out how to cope with the demands of the role and I think I'm managing to go along with it nicely," he said. Of course, having pillars like father Sanjiv Goenka and company CEO Mohit Kampani to support him goes a long way in giving him the confidence. But Shashwat Goenka is becoming his own man and wants to create his own brand equity. "I want people to know they can rely on me — not just the employees and stakeholders but also the customers," Goenka concluded. ■