



The new Reliance Footprint stores in India sell premium shoes at up to \$125 per pair.

Reliance launches footwear strategy

Clever retailers in North America and Europe have been devoting more and more valuable shelf-space to non-food items for the whole of this century. After they had battled one another to see who could force food prices lowest, they realised their own margins had gone dangerously close to rock bottom. Recent price rises, they have insisted, are entirely because of increases in commodity prices around the globe, from which they have tried desperately to protect consumers for months.

Electronic goods, entertainment products, home furnishings and even clothes can offer much higher profit margins, which is why we now see computers where once there were cucumbers and more varieties of jeans than of jam on supermarket shelves.

In India, major textile and petrochemical company Reliance Industries Limited decided it wanted to transfer its self-proclaimed "seamless supply chain expertise" into the retail market in January 2006. Since then, it has so far spent \$750 million developing what will become a pan-Indian network of hypermarkets, supermarkets and convenience stores.

Reliance Retail has quickly realised the need and benefit of moving into non-food and has now decided to become the country's biggest footwear retailer.

Experienced retail executive, Gopalakrishnan Sankar, joined the company 18 months ago as chief executive of the new footwear operation and, now that his vision is beginning to become a reality, he's happy to talk about the direction this venture is taking.

The parent group's interest in footwear is easy to understand: it will help Reliance sell more non-food items and represents robust growth potential in its own right.

India has a population of 1.1 billion people and Mr Sankar's calculation is that the domestic footwear market is worth \$3.75 billion at the moment, an amount that is growing by 15% a year. His ambition is for Reliance Footwear to be turning over \$750 million within four years, which would be a 20% market-share at today's values.

This seems an optimistic target in such a vast and diverse country, but he says: "I expect the whole sector to be turning over \$6.25 billion here within five years. Athletic shoes and branded shoes are growing at an even faster rate than other footwear."

And India's contrasts hold no fears for him; Reliance's range will cater for everyone from the 'value', or lower middle-class market, to the top-end premium sector. "We want to be relevant to 50% or even 60% of the overall market," he continues, "so we need this product mix, and we also know that we need a mix of formats."

At the lower end, the company will start selling shoes for \$6 a pair, or less, in its Reliance Fresh small, local convenience supermarkets. The group intends to open between 2,000 and 3,000 of these shops in the next few years and Mr Sankar believes they can turn over \$12.5 million in footwear by the end of that time.

Larger supermarkets and hypermarkets will sell shoes that cost up to \$25 a pair. And completing the format strategy will be a new chain of specialist footwear-only shops called Reliance Footprint.

Three of these new stores, selling premium shoes with retail prices of up to \$125 a pair, have opened for business already in New Delhi, Bangalore and Hyderabad. One of the factors motivating Reliance Footwear, the chief executive says, is that the Indian footwear market is "fragmented", giving his company the chance to make a big impression on it quickly.



The new retail chain—which aims to have 25 dedicated footwear stores across India by the end of this year—will link footwear to fashion, a new experience for many Indian consumers.

The new shops have a "red and round" theme in terms of look and layout, with circular features and stands in the predominant colour. Mr Sankar says this is providing easy recognition for the brand. "The shopping experience matters," he continues. "We want people who have shopped outside India to have a similar experience when visiting one of our stores, and we'll keep it aspirational because we want people to become repeat shoppers."

A third of the market is brand-driven, he argues, and these high-end consumers have often had to visit four or five footwear stores on shopping trips in the past to find what they want. Reliance Footprint outlets will change this, he believes, by offering a "destination 'footwear' shop for the entire family". The product range will include shoes for men, women and children,



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from 40 or 50 brands—international (including Clarks, Ecco, Mancini and Hush Puppies) and national—all under one roof.

Typically, between 20 and 30 of the brands in stock will be for women, which is very unusual in India (see separate article in this issue of *World Footwear*). These will, again, include international and domestic brands with some of these—including one called Vivian—private labels manufactured by Indian shoemakers specifically and exclusively for the new retail chain.

Its own team of designers and a carefully selected list of manufacturing partners are working together to produce these private label brands. These shoes—which still have high levels of quality and of fashion sense, according to Mr Sankar—can go on sale for 20% or 30% less than those from big brands. One of these private labels, Monza, is the highest seller across the whole Reliance Footwear network, achieving the company's best results in terms of volume and value at the moment.

"There will be footwear for every occasion," Mr Sankar says, "ethnic, formal, casual and sports. For this last category, we'll stock shoes by the biggest names (Nike, Reebok, adidas, Converse and so on) with perhaps 20% of the total space devoted to sports and leisure shoes." The main reason for this is that athletic footwear represents the fastest growing side of the business and Reliance will add "more and more meaningful" brands to its stock list, including Skechers and Timberland.

So Mr Sankar is on the way to making the Reliance Footwear vision a reality. However, he realises that there is much still to do. He continues: "Per capita consumption of shoes in India is close to one pair per person each year. It's going to be hard for us to build this up, but one way of doing it is to make sure we're offering the right product at the right price.

"We want to drive consumption upwards so we're making a very deliberate effort to link footwear to

fashion, to link it to the way people buy high-end apparel, and with lots of imports."

He explains that sourcing the right shoes, not just at the right price, but in the right quantities is tricky. Reliance has been working with small factories in the north of India that produce, perhaps, 250 pairs a day. This was fine initially, but as expansion continues Mr Sankar knows he now needs to work with larger players. "We may soon need to source as many as 200,000 pairs a day, which will only be possible if we find good suppliers and partners," he adds.

Importing everything is certainly not a route he feels it would make sense to follow. Imports, as he explains, will continue to play their part, with China as what he calls "an obvious source". However, the tax situation means that a pair of shoes that costs Mr Sankar \$1 at the factory gate has a landed price of \$1.50 because of duties.

He is struggling with India's approach to tax and import duties generally, and wonders why apparel is classed by the government as an essential commodity that attracts 4% value added tax while footwear attracts a rate of 12.5% on top of duties that could be as high as 10% of the retail price.

This is a conundrum that perplexes many in the Indian footwear business, but not one that is going to hold Reliance back from becoming the dominant player in the shoe retail market there. "There's a charge to be led over four or five years," the chief executive says. "We will have 25 Footprint stores by the end of this year, adding 30 more a year or so after. In five years, we'll have 150 stores and, by that time, these specialty stores will provide us with 50% of the Reliance Footwear turnover."

He says his company believes in "the India story" because, if the country can maintain annual growth in gross domestic product of 9.5%, the huge population's ability to buy footwear will keep rising. 🌐



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