



# The Retail Revolution

There is significant scope to fuel the explosion of the retail sector in Sri Lanka, argues **Ruchi Gunewardene**.

From supermarkets to opticians, and jewellers to hair salons, there are huge opportunities to create new brands or introduce entirely new, innovative retail formats in Sri Lanka. Those entrepreneurs who are able to see these opportunities early and carve out their shares are the ones who will enjoy enormous advantages in the long term, by building their business in this early growth phase of the developing retail market. However, in order to kick-start the retail revolution in Sri Lanka, we need a more enterprising and disciplined outlook to be developed, with a better understanding of what retailing is all about.

**BACKGROUND:** Retailing is probably the most complex business model, as it incorporates many more elements than that of a product or service brand. A retailer must have a unique product offering, as with a branded product. In addition, it must have the service standards that service providers require and must also create the environment of a total branded experience for the customer. Add to this the relatively small margins on which retailers operate, the importance of having an efficient supply-chain management system and the considerations of finding the right location – and one has a highly-complex business model to manage...

Many retailers do not succeed because they lack this multifunctional capability. Volume throughput is key to sustaining low margins; IT capability is vital for streamlining the supply chain and maintaining low inventory;

training and HR management are essential for maintaining service standards; luck and anticipation are required to find the right location; and branding is required for creating the right customer experience.

A successful retailer must master all these. Here, we focus only on branding.

**INDIAN RETAIL BOOM:** The retail revolution in India has seen this sector grow by 36 per cent every year – it is, therefore, doubling in value every three years. The retail sector is being driven by foreign direct investment (India permits foreign companies to set up individual retail-store brands such as Nike, L'Oréal, etc.) as well as large conglomerates such as Reliance which are investing in malls, and a host of smaller companies that are investing in many retail channels.

The Indian retail sector was a very late starter compared to Sri Lanka, which had a head start with supermarket chains such as Food City – probably one of the first supermarkets in the South Asian region. However, not only has India overtaken us, it is now pioneering retail through new models and formats. There is such a frenzy of activity that companies are diversifying into new retail opportunities, testing the concept and then expanding.

**ISSUE:** With a per capita GDP higher than that of India, Sri Lanka should also be surging ahead with a plethora of new retail options. The reason it is so limited is that, possibly, given the lack of business confidence in a sector which commands relatively low mar-

gins and where there is no critical mass, profitability is always under pressure. In addition, new retail concepts are very hard to test and assess for chances of success.

Another factor that is possibly retarding the expansion of retail in Sri Lanka is a lack of understanding of the importance of branding and its role in the retail industry. Putting up an expensive sign with a fancy name *does not* mean one has a branded retail business. Branding is not about spending enormous amounts of money to upgrade retail outlets – as was done by CEYPETCO, where the service standards have not changed from the usual lethargic attitude.

The retail environment must be considered as a total consumer experience that surrounds the customer. Therefore, attention to detail is vital. It is here that many retailers fail – the lack of coherence in the total offerings – which include signage, layout, merchandising/displays, lighting, staff uniforms, etc. Yet, these all need to form an integrated, cohesive whole.

The essence of building a retail brand is to have a solid value proposition. It must stand for some powerful emotional benefits and one of the most effective ways of doing so is to have a brand story to transmit those values. This, then, needs to be internalised in the design of the outlets, the customer service, the products that are offered, the pricing, and the look and feel of the outlet. Such a total branding exercise was recently undertaken for the hotel sector. The branding model used for



## AISLE OF DREAMS

Tiny island Sri Lanka had a head start over its much larger subcontinental neighbour by virtue of opening up supermarket chains ahead of India.

## RETAIL SECTOR

Cinnamon, Chaaya and Heritance – all of which went through significant upgrading and employee training before launching – is what retailers should follow.

One of the few pioneering opportunities that were undertaken in developing the retail sector in Sri Lanka was the launch of the branded pharmacy chain Healthguard, which is building a brand around quick and hassle-free dispensing of drugs.

An example of a new retail concept that will struggle is CIC's natural juice bars, called Juiceez, as the most basic of branding principles are not adhered to here. For example, the retail brand is promoting natural juices. Yet, the Juiceez logo prominently displays the identical CIC logo that adorns CIC Pohora!

The opportunities for brand building in retail are significantly more complex than in launching a product brand, as there is an interface with a customer as well as the fact that the brand needs to be built around both intangible aspects (such as customer service) and tangible attributes (such as layout, lighting, product offerings, merchandising, etc.). The tangible configuration of the brand – which includes merchandising standards, the signage and design – are new capabilities that require skilled professional advice. Retail layout configurations and design, for example, require a highly-specialised skill currently not available in Sri Lanka.

**OPPORTUNITIES:** Because of the difficulty of testing whether a certain retail model is going to work or not, we should be looking at other countries such as Thailand and Malaysia for successful formats. The restaurant and food sector would be difficult to assess due to different food habits and cultural

issues. However, shopping is a much more universal habit, where trends in other countries are good indicators of whether the model will work here or not.

The hypermarket model is a vast area of retail space that caters to an extensive range of goods that include items from those that you would find in a supermarket to apparel, furniture, electronics and hi-tech goods. However, the concept goes beyond a selection of goods... the shopper experience is highly experiential: one has the opportunity to browse through model bedrooms, buy bread in a bakery, rest one's legs at a coffee shop and even watch cooking demonstrations in a live kitchen. In addition, the promotional platform goes beyond advertising. There is a highly interactive website which customers need to check out to see the latest happenings. The success of this model is the creation of a constant, interactive consumer experience within and outside the store. It's an entirely different concept to anything that we would find in Colombo.

Another unbranded specialty retailing chain is hair salons. These are ubiquitous around Colombo, with the only differentiator being the name of the proprietor on the signboard. Whilst it is true that the proprietor is the main attraction that draws the customers, this is an important factor only in the initial business-building phase. If anyone is thinking of unseating Ramani Salon from its current pedestal, then they have to rethink the brand route. And the possibilities are endless! To take this a step further, there is an opportunity to even create an exclusive men's salon brand which provides all the traditional services such as shaving, hot towels, etc. in a

modern format. This would not cater to beautification, but rather, focus on grooming – which is a more appropriate experience for the male.

Eric Rajapakse Opticians, which pioneered optical retailing in Sri Lanka, still exists – and so do hundreds of other followers. Once again, the competitors have no branding – essentially limiting this sector to a generic industry, with consumer choice being linked to familiarity with the proprietor or manager of that outlet, or just pure location convenience. This sector is also ready to experience a brand where customer choice will depend on different emotional factors supported by after-sales service.

Urban areas are not the only opportunity. Those companies that are able to reach into the untapped 70 per cent of the market where most of our population live – in rural areas, with retail brands catering to the needs of, say, the farmers – will have an edge over others who would follow. This requires a real pioneering spirit.

There is significant scope to fuel the growth of the retail sector in Sri Lanka through some innovative and bold decisions. The drive for businesses should be to consolidate themselves early in one of many areas of opportunity or to break the existing status quo through branded and differentiated offerings.

The key to success is to approach retailing fully aware that it is a complex business model that requires detailed and integrated execution of all of the elements that go into it, along with the right back-office support and training.

The areas of opportunity are clearly huge and are limited only by the entrepreneurs' outlook and discipline.

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The author is the founder of STING Consultants, Sri Lanka's only pure strategic-marketing and brand-consulting company. STING Consultant's associate companies include &Brand (strategic branding and creation), Brand Finance Lanka (brand valuations) and Superbrands Lanka (brand-recognition programmes).

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