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Big Bazaar Direct: A New Channel in Retail

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Abstract:

This main theme of this paper lies in the channel expansion strategy played by the future group. Future group, with its Big Bazaar (hyper market) has its presence throughout the country and has differentiated itself from traditional Indian retailers by provide a wide range of categories ranging from FMCG, consumer durables, apparels to food products. As this model has been widely accepted in Indian market, it has become a huge success to an extent that it is very easy to come across with long queues lines in many of the stores during peak hours.

With the objective of increasing its customer base the group has come up with a new and unique channel of expansion through its franchise model, “Big Bazaar Direct”.

Through this research, we have tried to analyse the potential and scope of this model by conducting interview sessions with the existing franchise owners and other retailers who can convert themselves into this model. We were able to identify the different set of perspectives and opinions among them also the advantages and the gaps that exist in it. After consolidating the comprehensive opinions, we have charted some suggestions that can be implemented to this model for improving its scale and sustainability.

1. Introduction

Future Group is the country’s one of the leading business groups present in retail media, retail spaces, asset management, consumer finance, logistics, insurance and retail. It is an Indian privately held corporation that runs chains of large discount department stores and warehouse stores. The company’s headquarter is in Mumbai. It has about more than 30,000 employees. The vision of the company is to, “deliver everything, everywhere, every time to every Indian consumer in the most profitable manner.” Various formats of retails of this group include Central, eZone, Pantaloons, Future money, Home Town, Big Bazaar and futurebazaar.com (online retail). There are over 1000 stores across 61 cities and 65 rural locations in India. The joint venture partners of the group include French retailer ETAM group, Generally, Italian insurance major, UK based Lee Cooper, Staples Inc., India based Talwalker’s, Blue Foods and Liberty shoes and US based stationary product retailer. Mr. Kishore Biyani is the managing director of the future group. Major milestones of the Future Group are as follows:

- 1987: Incorporation of the company under the name of Manz wear Private Ltd. Pantaloons was also launched in the same year.
- 1992: IPO of shares by the company.
- 2001: Launch of Big Bazaar stores.
- 2002: Launch of Food Bazaar.
- 2004: Launch of India’s first seamless mall, CENTRAL, in Bangalore.
- 2013: Introduction of Big Bazaar Direct.

Future Group, under the brand name Big Bazaar, have now launched a direct selling business model. This unique franchisee based business model is named as Big Bazaar Direct. It was first launched in the city of Nagpur. The working of this model is very simple. First, small franchisees will be appointed by Big Bazaar Direct. They will be provided a tablet called the “Big Bazaar Tablet”. This tablet will include information about over 1000 deals from the Big Bazaar stores. These tablets serve as franchisees’ store front end.

The customer can browse through the various products and the existing offers on the tablet and at the same time place their orders with the direct franchisee. Once the order has been placed on the tablet, a SMS confirmation is received by the customer. After receiving the SMS the customers make the payment to the franchisee.

Now after the order has been placed by the customers, they can expect the delivery of the ordered goods within 3-7 days from the date of order. For every order placed, the franchisee will get paid by the company. The delivery of the goods to the respective address of the customer is taken care by the company. The process for becoming a franchisee of Big Bazaar direct is also not much complex. To become a franchisee, the person needs to first pay Rs. 1000 as the application fees and then needs to submit the KYC (Know Your Customer) form for verification. Then the verification of the forms is done by the company after which the direct franchisees are selected.

The selected franchisees need to pay an amount of Rs. 3 Lakhs whose break up is as follows:

- Refundable security deposit – Rs. 100000/-
- Initial advance used for placing order – Rs. 100000/-
- Initial branding, training, tablet etc. – Rs. 100000/-

Territory demarcation is not there for franchisees while placing orders. That means, for instance, the Nagpur based franchisee can take order from a customer residing in the Bhandara area. The commission earned by the franchisees ranges from 3 to 20 percent on the products sold. For instance, for grocery items, the commission is between 3 to 6 percent; for electronics it is between 3 to 7 percent; and for furniture it is between 8 to 20 percent. The total commission earned by the franchisee every month is credited to their account in the subsequent month. The matters related to the marketing and communication of the franchisee is managed by the BBD's relationship manager. The future has a national warehouse in Nagpur.

In the next 2 years, Big Bazaar Direct is expecting a franchisee tie ups to over 1 lakh. This is a unique business model which is the next revolution in the retail industry. This model of business will empower millions of entrepreneurial Indians to be a part of this revolution.

2. Methodology Implemented

We have conducted a qualitative research which is exploratory in nature for analyzing the new franchise system of Big Bazaar, I.e., "Big Bazaar Direct".

2.1. Our Research Sample

As part of research, we have conducted semi structured interviews with:

- Retail Kirana stores in Nagpur, mainly in the areas like Hitwadi, Mahal, etc.
- Retail stores at Kalmewshwar.
- Big Bazaar Direct gallery at civil lines, Nagpur.
- Big Bazaar Direct stores in Nagpur. (areas : Abhyank Nagar, Dharampet & Ramdashpet)

2.2. Sample Selection Process

- **Retail stores:** We have basically selected some areas in and around Nagpur, which are more than 3Km far in distance from Big Bazaar stores. After selecting the areas, the retail stores in that area were randomly selected, also ensuring that all types of stores are covered in the research.

Later we have conducted the same survey at Kalmeshwar, at which not only Kirana stores but also some other like cooking appliances etc.

This is done in order to know about the differences in preferences, needs and opinions of retailers in rural and urban areas and the impact of distance from the Big Bazaar stores.

- **Big Bazaar Direct:** At Nagpur, there is a gallery located at civil lines. This gallery displays all the products available through BBD scheme. All the BBD franchise owners would communicate to the gallery at local level for any information required.

We have visited this Big Bazaar direct gallery and collected the details of all the Big Bazaar direct stores in and around Nagpur. There are 12 Big Bazaar direct stores in Nagpur district among which 6 stores are located in Nagpur city. Among these, we conducted the survey with BBD stores located at the areas - Abhyankanagar, Dharampet & Ramdashpet. These stores are the first, second and third BBD stores launched in India and are also located in 3 different locations in Nagpur.

2.3. Our Research Objectives Are

- Examining the awareness level among small retailers about this new scheme and the initial investment required for this scheme.
- Measuring growth opportunities, threats and barriers for both Big Bazaar & small retailers.
- Analysing pros & cons of this new strategy for both the retailers and big bazaar.

2.4. Research Questions

- What are the factors affecting the performance of the existing Big Bazaar Direct stores?
- What are the factors affecting the decision making in converting/non-converting the grocery stores in to big bazaar direct retail stores

2.5. *The Variables in this research are:*

- Medium through which awareness on BBD is spread
- Awareness level
- Interest levels among the retailers
- Conversion intent level

3. Approach

As it is a qualitative study, we have collected the data by conducting interviews with the above mentioned sample in a semi structured manner. At each of the retail stores, we have explained the whole concept of BBD with the help of news articles and videos. We have even shown them some of the videos of the program called as CNBC Maha Kumbh, at which several BBD officials including Mr. Vivek Biyani have spoken about the concept and clarified the doubts of potential franchise owners and other audiences.

After this, we have interviewed them in a semi structured manner with the below mentioned questions:

3.1. *Questionnaire for retailers/ others willing to start a business*

All the interviews have been recorded and later decoded in to text format as transcripts. These transcripts are being analyzed on the basis of some key words and variables.

3.2. *Feedback from the shopkeepers unwilling to take up a BBD Franchisee*

Out of the various general stores visited, few of them were interested but most of them did not like the initiative. The reasons for not liking the scheme are as follows:

- The initial investment has been a big factor for the retailers. According to them, if they invest that much amount initially, it would not be possible for them to gain profit out of it. In their view, such programs are beneficial for small retailers, who will be able to increase their sales and revenue as Big Bazaar is a big brand. Few of them even said that they rather invest in their own store and increase sales in place of investing in such type of programs. By doing this, they would earn more profits than that of a mere 20% commission.
- The other reason was that they did not want any other party to get involve into the functioning of the shop. They said that by investing in this scheme they would become the slaves of Big Bazaar as they would be selling the goods of Big Bazaar from their own shop. They want to have full ownership and functioning of their shop in their own way.

3.3. *Feedback from the Shopkeepers willing to take up a BBD Franchisee*

The following section would throw light on why some of the interviewed shop-owners were interested in the scheme.

- The exhibits reveal that a fair number were interested in the scheme as they believed that it would directly increase the sales and profits margin of their stores.
- This would also add an extra source of income to their already existing business and for people willing to work more.
- It also serves as a good side business for small retailers and this would serve as a good source of income as Big Bazaar has high brand equity.

3.4. *Feedback from existing Big Bazaar Direct retailers*

Few of the retailers in Nagpur city, who have taken up the BBD franchisee, were interviewed. Following are their experience and views of those existing BBD retailers about the scheme.

- Most of the franchisee owners were extremely satisfied. Some of them said that he experienced few difficulties during the initial days as more time was spent on the marketing of BBD and for that they even had to close the primary business store to focus more on BBD. But gradually things got back to normal and he experienced a turnover of 2.5 to 3 lakhs per month. Most of them said that this scheme is for those who want to increase their profit with little efforts.
- Some of the retailers expressed the difficulties faced by them. One of the major disadvantages was the issues related to the late deliveries and non-availability of stocks. Many customers are unhappy with the 3 - 5 days delivery schedule. Even though Nagpur has a centrally located warehouse for BBD, yet the stock-out problem still exists. However, if analysed carefully, process is same in all channels, i.e. select, pay and delivery. This is beneficial for senior citizens & working couples. Even with the retailers, bulk orders were not available for 15 days. So non-availability was also a problem. This results in decreasing customer satisfaction and also loss of customers.
- Most of them came up with few suggestions. One was setting up the store near a big organisation. By doing this, they can target even 1% to 3% of the employees.
- Currently only FMCD, kitchen appliances and furniture is sold. The wide range of FMCG products is not available through this and it is creating a difference in sales also. Initially they had started to sell FMCG products. But the profit margin was very less on the sale of such products. In the range of 1% to 3%. Hence they retrieved back the selling of FMCG products.
- BBD will get some offers which the kiranas and the supermarkets will not get from the dealers. So the kirana people can use this system to sell many more items like the fashion, merchandise, home-decors, etc. So according to them business model and concept is good but the ground reality is bitter.

3.5. Other information

- Impact will not be there on small retailers because of BBD.
- People who came from a distance of say 10 km has to spend around 2-3 hours in big bazaar that's why People at a radius of 4-5 km will only come & buy.
- Future group started a special venture called I Am In and targeting youth in apparels.
- They will check potential of person who applied for franchisee.
- Big Bazaar spent Rs.14 crore on advertisement& promotions.
- They have world class central warehouse in Nagpur, why they are facing stock outs.

4. Analysis

4.1. Retailers

We will first analyse the scheme from the retailer's point of view. The awareness level among the retailers who are yet to convert themselves as Big Bazaar Direct franchisee is very low. From exhibit 1, we can clearly see that around 57% of the retailers are unaware of the Big Bazaar Direct scheme.

After having educated the unaware retailers of the Big Bazaar Direct scheme, only 14% were interested in availing the scheme and another 29% found this scheme to be attractive, but were not very sure about investing in the same. The remaining 57% did not show any interest in availing the scheme. (Refer Exhibit 2)

While interviewing the retailers, we came across various reasons due to which they were not interested in being a part of the direct family.

- 57% said that the initial investment of 3 lakhs was not a justified amount.
- 29% though believed that even though it was a fair amount, they preferred investing in their own business rather than taking up the franchisee.
- Another 44% believed that this scheme would not add any significant value to their existing business.
- But just like every cloud has a silver lining, so is the case here. Of the interviewed retailers who were ready to invest in the program, 71% believed that this scheme will directly increase the sale and profit margins of their stores and 29% believed that this will help them as an extra source of income for people who are willing to work more. (Refer Exhibit 3)
- In exhibit 4, we tried to determine the intent level among the retailers to convert themselves into a Big Bazaar franchisee and the reasons associated with the same.
- Only a meagre 29% were interested in converting themselves into a franchisee and a minimal 14% were attracted towards the scheme but chose not to convert them into a franchisee.
- A high percentage, as high as 57% were not interested in converting themselves into a franchisee, they rather preferred in maintaining a sole ownership of their store.

4.2. BBD

After having interviewed the retailers, we moved on to gather the opinion on the current operation of the already existing Big Bazaar Direct franchisees. One of the main motives to start a franchisee was that it led to an extra source of income. The store owners believed that anybody who has the zeal to work more can be a part of this initiative. Diversifying the already existing business lured the store owners to take up this initiative. Some store owners also believed that this scheme would add a brand value to their store. The initial investment of 3 lakhs didn't affect their decision in fact they found the amount to be fair and justified. After joining hands with future group, the store owners were given training so that they can run the business in an effective manner. But as the program is still in its nascent state, the store owners faced some difficulties in running the store.

- 67% believed that the marketing strategy was not promising enough due to which the visibility is low and so is the awareness level among the public.
- Yet another 33% faced technological difficulties, wherein at times, the tab provided for ordering would not respond properly or the application at times may suffer goof ups.
- 67% faced difficulty in availability and consistency in the products provided. At times, the products demanded by the customers were not available at the stores.

The biggest defect in the system was the absence of the FMCG products. Big Bazaar Direct initially started with providing FMCG products to the consumers. But the margin offered in these products was very low, which was around 1%. On the other hand, there was a profit margin of 3-5% on FMCD products such as home and kitchen appliances. Hence Big Bazaar Direct was forced to remove the FMCG products after one month. Due to this, the stores were not able to fully satisfy the requirements of the customers as the average spending per family is about Rs. 2000 to Rs. 3000 per month on groceries which includes a great deal of FMCG products. Due to this, very limited numbers of products were available in the tablet and in order to purchase the FMCG products, the customer had to visit another grocery or Big Bazaar store. Due to this, the main purpose of the BBD was not being served and would lead to loss of customer loyalty and customer base. So a major change that the store owners would like to bring about in the system is the implementation of the FMCG products.

Other drawbacks of the Big Bazaar Direct scheme were as follows:

- Card payment is not accepted
- Call centre executives did not have sufficient information about the schemes.
- Even though they have central warehouse (located in Nagpur), still they are facing problems of stock out, which is a rising area of concern.
- Balance statements are not provided on a monthly basis to the store owners, due to which there exists a certain level of ambiguity between the amount debited and credited.

5. Findings & Remarks

- Currently the Big Bazaar Direct supports the franchisee owners in promoting their stores. But the visibility is still low among the people. Hence Big Bazaar Direct should participate more actively in formulating effective marketing strategy to increase the awareness level on BBD. Awareness is spread primarily through newspapers and articles. Pamphlets and Digital Media should be used more extensively to promote Big Bazaar Direct.
- Even though FMCG products provide a very low margin, they should still provide them to the customers as FMCG products are the most selling ones and a high net sales would provide higher revenues. If all FMCG products were introduced, this difference will be eliminated and footfall will increase. Even though FMCG products offer low profit margins, their sales quantity would make up for it.
- Availability of the product should be made more consistent. Customers often complaint of having to wait for 3-5 days to avail a product. This wait time should be reduced by maintaining a significant level of inventory.
- Balance statement should be provided to the store owners on a monthly basis, so as to ensure that the process of transaction is transparent.
- A more structured training should be given to the BBD store owners to improve the efficiency of the business
- Promotional campaigns should be carried out to make the retailers aware of the schemes.
- The initial investment of 3 lakhs is a major hindrance for the retailers to invest in the scheme. Efforts should be made to justify the significance of this investment value to the retailers as many are not able to afford this amount.
- Though many retailers are interested in this BBD scheme, they are unsure of the benefits they would gain out of the investment as they consider it to be risky. They can try and launch special schemes to boost the morale and confidence of the potential retailers.

6. Limitations of Research

There are some limitations to our research, mainly:

- This Research is not considering the opinion & behaviour of consumers.
- Sample is taken only from the Nagpur Region.
- The data collected in the study is valid till March, 2014.

7. Annexure

Name:

Store Address:

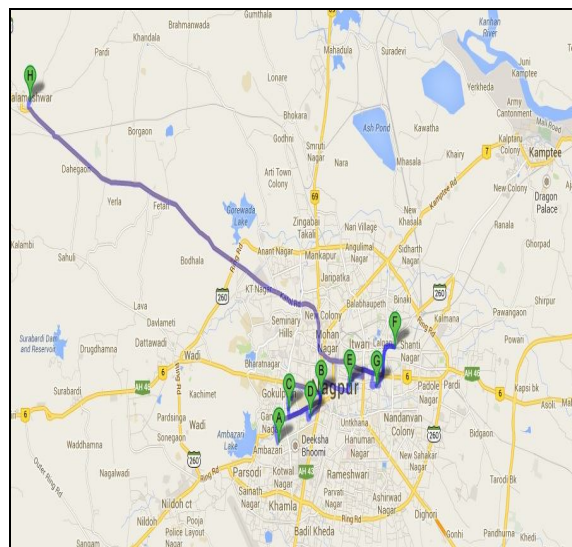
1. From where did you get to know of this venture?
 - Newspaper
 - TV
 - word of mouth
 - internet
 - others
2. Why did you opt for this new scheme?
3. Is the business functioning according to your expectation?
4. What are the pros & cons in running this store?
5. Do you aspire to make any changes to this new scheme for improvement?
6. Does this scheme have any impact on your original business?
7. What are the problems that you are facing?
8. Is there any training provided by BBD?
9. What are the types of products sold?
10. What is the type of billing system in place?
11. What is the delivery time and process and is there any monthly report available?
12. Do you aspire to make any changes to the scheme for its improvement?

Exhibit 1: Questions asked to existing BBD franchisee

Name:
Store Address:

1. What is the impact of organized retail (big bazaar, etc) on your business and do you feel they are your competitors?
2. Do you know about the new scheme of Big Bazaar Direct? If Yes
3. From where did you get to know of this venture?
 - Newspaper
 - TV
 - Word of mouth
 - Internet
4. What is your take on this initiative and you think this is a good opportunity for retailers?
5. Are you interested in the idea given the level of initial investment in the program?
6. Are you ready to convert yourself into a franchisee?

Exhibit 2: Questions asked to the Kirana stores



Map of covered area

Percentage	Outcome
43%	Aware of the BBD Scheme
57%	Not aware of the BBD Scheme

Exhibit 3: Awareness Level of Big Bazaar Direct among Retailers

Percentage	Outcome
57%	Not Interested in the BBD Scheme
14%	Interested in the BBD Scheme
29%	Maybe. But Scheme is attractive

Exhibit 4: Interest Level among the Retailers

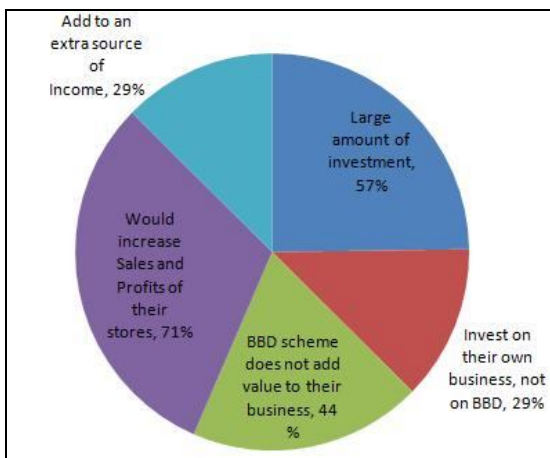


Figure 1: Feedback from Retailers

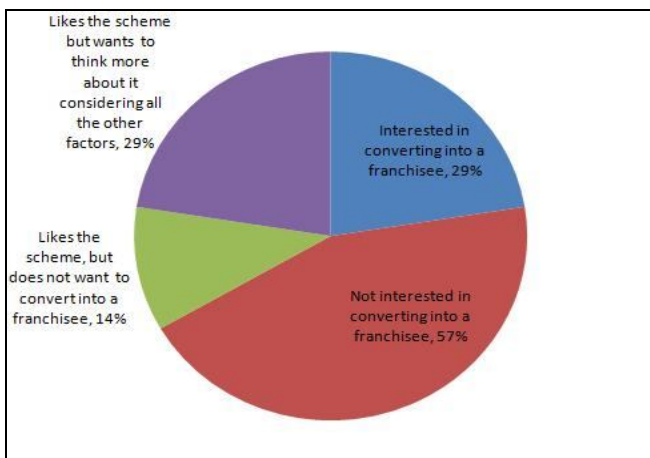


Figure 2: Conversion intent level among retailers

8. References

1. <http://bigbazaardirect.com/>
2. <http://www.futuregroup.in/>
3. Videos of the program “Retail Mahakumbh” telecasted in CNBC Awaaz.