

Mall restructuring at A-one Mall

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Introduction

Mr. Ajay Kumar, the regional manager of A-one Mall was presiding over the weekly meeting with his category management team. All his apprehensions were coming true as his team started sharing facts of the last six months. The growth was stagnant, categories were not performing as per expectations and customer feedback was also moving towards negative. The entire fourth floor was not performing and retail space was turning out to be a non-productive space. “In the retail sector, the total contribution of Food & Grocery Industry is 60-65% as per latest market reports (Maheshwari & Ghosh, 2016). I thought that food category would be a crowd puller, but it is turning out to be dampener.” said Mr. Vikram Bhathija, who was heading the Men’s Division. “It is so disappointing, but we must think of corrective actions. What if we focus on fashion category which is the second most preferred category amongst consumers (IBEF, 2017) ?” replied Mr. Ajay. Instead of focussing on corrective actions towards one category or on one floor it was decided that the entire mall including all the categories needs to be restructured for long term benefits.

About the mall

A-one Mall was a one-stop shopping destination that offered the latest in fashion & accessories from over 1000 brands. A-one mall was launched in June 2002 in Mumbai, as India’s first no-barrier concept store and the biggest lifestyle retail brand from Beta Group. A-one Mall offered options of across categories including apparels, cosmetics, fragrances, eyewear, watches, accessories, sportswear, toys, mobiles, electronics, home and much more for the entire family. A-one Mall had a countrywide presence with over 34 A-one malls across 16 cities in India.

Mr. Ajay was responsible for handling three stores in the state of Uttar Pradesh in the cities of Agra, Lucknow and Kanpur. The Lucknow Mall opened on 1st October, 2009 when the question was whether the city was ready for a mall like this with so many brands on one floor. It was a rented property with its headquarters in Mumbai. Total area of the mall was

1,20,000 square feet which included parking space. Around 20,000 square feet space was available per floor and in total there were five floors including parking.

Organizational Hierarchy & Recruitment

The organizational structure at A-one was simple divisional structure which followed product based categorization with scalar chain of command (Ouchi, 1977). At the bottom of the ladder were fashion consultants who reported to department managers who in turn reported to Divisional Managers also known as the Assistant Mall Managers. The Assistant Mall Managers reported to the Mall manager and at the top of the chain of command was the Regional Manager. All the recruitments up to the posts of Divisional Managers were handled locally and it was controlled by the head office for higher designations. In total 389 employees were working in A-One Lucknow in April 2016. Salary of the employees ranged from INR 15,000 per month for a newly recruited fashion consultant to INR 50,000 per month for a department manager.

The problem

The time when the store opened, the category team had a perception that the food was a strong category and an entire floor needed to be allocated to this category. Despite this notion Food category remained disconnected and could not pull enough traffic. The fourth floor included supermarket catering to food category which offered entire gamut of food category like grocery, packed food, fresh vegetables and fruits, etc. This arrangement was done with the purpose of creating a one stop destination which was in rhythm with the tagline of A-One Mall "Eat here, Shop here, Enjoy here!" Besides, there were private players serving ready-to-eat food items which assured higher margins for the mall. But none of them were leading national or international players in the category. The belief that people would visit the fourth floor for purchasing grocery and food items could not be realised. This led to the situation of stagnant sales and piling up of losses.

Another problem related to category allocation and space planning was that the ladies category was not on a single floor. Customer feedback taken before the mall opening indicated ethnic wear as the traffic generator in the women's wear category, but later on looking at the sales data, it was established that women's western wear and youth also had equal potential. Furthermore, within a year, menswear became the top category of Central Ahmedabad belying all previous notions about women's ethnic wear category performance.

Even though the team was able to identify these things, instant corrective action was not possible as control was in the hands of the head office.

Approach towards solution

After carefully considering all the options suggested by his team, Mr. Ajay Kumar decided to go for a three step approach for entire mall restructuring. In the first step multi-source feedback was gathered from customers, sales team and category team. The second step involved planning of brand and category restructuring as per the feedback by the combined team of Head office and mall. In the final stage implementation was carried on as per planning by the team selected for the task.

Multi-Source Feedback

Before taking a major decision like restructuring of the entire space allocation plan, careful planning and collection of feedback from various sources was inevitable. The process started with a survey by the marketing team of central wherein a questionnaire was circulated to all the store staff. The subsequent questionnaire included comments on space planning, department allocation, customer perceptions, sales patterns, etc. The customer survey included questions on profiling for which data related to demographics, information on vehicles owned, loyalty card ownership, etc. was collected. Further, questions were included to explore the purchase pattern and shopping preferences of customers. The questionnaire for customers was structured in the head office and was carried out on a sample size of 200 respondents within a month. In-depth interviews were organized for both sales team and category team. The entire process of data collection was carried out in January-May' 2016. During the survey it was established that most of the respondents were locals residing in the surrounding area and around eighty five per cent of them owned loyalty cards.

Brand and category restructuring

The reallocation process required a three-pronged approach. The confirmation and acceptability of the various brands, already present and involved in the process, was the primary need for the re-allocation to take place. Secondly, new national and international brands were to be identified and introduced. Lastly, local brands were also to be identified for possible tie-ups.

Pricing and margin working was done by the Head Office. Brands needed to agree on the minimum guarantee and the margin working. The entire process of restructuring took a time span of seven months from June'2016 to Dec'2016 which also included brand entry and exit. If space was created due to brand exit then immediate intimation was sent to the category team with a suggestion to invite and include new brands.

Earlier the concept was dedicated towards positioning A-One Mall as a one stop destination where one could eat, shop and enjoy. The focus had then shifted on creating a fashion forward concept, eliminating the food court which was not performing as per expectations. Therefore the team was committed towards having tie ups with new fashion brands. Apart from Ground and second floor rest of the three floors saw major changes as part of the category restructuring (Refer Exhibit A).

Reallocation & Implementation of new Plan

As per the three pronged approach of the brand restructuring, the following happened during implementation:

- Most of the brands present agreed to extend their contract and move to a new location within the mall.
- Previously women's section had fewer brands. After restructuring many new brands were introduced. In women's western wear category nineteen new brands were introduced after the reallocation.
- Tie up with Green Timber and Jade Black happened in the menswear section.

A total of eighteen cash counters were set up and their presence was ensured on each floor with maximum number on ground floor. The entire first floor was allocated to the women's western wear which was double the previous area allocated. Baby world, kids and Toys were shifted to top floor. The logic behind was that the customers would visit the top floor for purchasing kidswear. Third floor was allocated to youth category.

Food section was completely eliminated. They introduced KFC on the third floor and CCD on the second floor as they were leading partners. These food partners were international players and although they were offering comparatively lower margins, they were a major attraction for shoppers.

Outcome

Earlier there were fifteen brands in Women's section but the number of brands after restructuring increased to thirty four. Also the area of Ladies Western Wear section was increased to 11,000 square feet from 5000 square feet. Due to these changes, the contribution of the category increased from 7% to 12 % (2016-17) in six months. The two year YOY growth in this section in the period 2014-15 to 2016-17 was 60% every year which indicated a huge growth potential. The Ladies Western Wear category which earlier had a value of six crores had become a category with total value of fifteen crores. Earlier Ladies denim section did average daily sales of INR 2,000-3,000, now it was selling merchandise worth INR 15,000-20,000 per day. The store staff knew that such an improvement could never be achieved if Toy's section was allocated the same area. Toy's section which was earlier on the third floor along with Ladies denim was now moved to the fourth floor and Ladies denim was moved to first floor to be part of the entire women's section. In the ladies denim section brands like Lee, Levis etc. had limited options in terms of SKU but now they have increased their options considerably as they were given more floor space. A Stock Keeping Unit (or SKU) is an identification assigned to a product with respect to its distinct price, product options and manufacturer of the merchandise. Men's section was the only section which was not moved because it already had around eighty brands and sales performance was also satisfactory. Contribution of Men's section remained similar to the previous year at around 30-35%. After the restructuring, the regular customers were frequently invited to attend store promotional events. Since the new concept of A-one mall was fashion-centric, fashion shows were being regularly organized at the time of new collection launch.

Impact & upcoming challenges

In the past five years a new trend of increasing acceptance of western wear amongst young females of Ahmedabad was recorded. This was also one of the reasons for the initial proposal to increase the area allocated to Women's Western Wear. Mr. Ajay called another meeting to discuss the latest sales trends. Although the sales of Women's western wear was showing a positive increase, GMROF of the category had reduced from 56% to 40%. GMROF stands for Gross Margin Return on Footage – a measure of inventory productivity that expresses the relationship between your gross margin, and the area allotted to the inventory (Levy, Weitz, & Ajay, 2009). Out of the total footfall 46% was in Men's section, 43% was in Women's section and around 10-11% was in the Kid's section. The yearly sales of Toy's section was

80-90 lakh and it was having a de-growth of 10-20 % in the past few years. Growth of kids did not decrease despite moving to the fourth floor and it kept giving a consistent contribution of 4-5%. It was the major traffic puller in the top floor. The Average Margin for the whole store was 37-38% for the regular stock (excluding EOSS stock). Six months was not sufficient period to analyse the overall impact, however sales performance of the mall improved as indicated by six month evaluation, with major contribution to that coming from Women's Western Wear category.

Note:

Name of the organization and characters have been disguised and this case has been written creating hypothetical situations.

List of Abbreviations:

- GMROF- Gross Margin Return On Footage
- YOY- Year over year
- KFC- Kentucky Fried Chicken
- CCD- Cafe Coffee Day
- SKU- Stock keeping unit
- EOSS- End of Season Sale

Exhibit A: Mall floor allocation before and after restructuring

Mall Floor	Before changes	After changes
Fourth	Food outlets, Food bazaar (supermarket)	Home, Kids, Toys, Babyworld
Third	Babyworld, Kids, Toys, ladies denim.	Youth category, KFC outlet
Second	Mens	Mens category, CCD outlet
First	Womens – western, ladies, youth.	Entire Women’s category including Western Wear, Lingerie, Footwear, Denim etc.
Ground	Ladies Ethnic, Cosmetics and Watches.	Ladies Ethnic, Cosmetics and Watches.

Exhibit B: Women's western wear sales growth pattern

S. No.	Financial Year	Sales Growth
1	2012- 13	18%
2	2013- 14	22%
3	2014- 15	6%
4	2015- 16	11%
5	2016- 17	12%

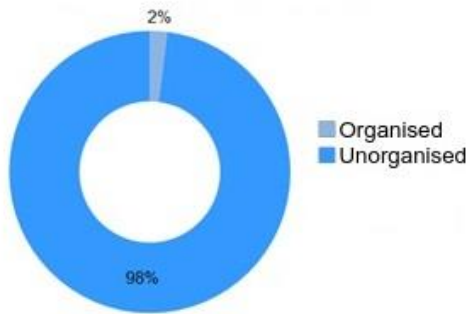
Exhibit C. Restructuring Timeline

S. No.	Particulars	Time Period	Timeline
1	Problem Identification & Overview	One year	January-December'2015
2	Feedback from stores	Two Months	January- February'2016
3	Chain Level Performance check of categories*	Two Months	March- April' 2016
4	Market Study	One Month	May'2016
5	Visit & Evaluation by project team	One Week	June' 2016
6	Information to Brands & Space planning	One Month	June' 2016
7	Brand Negotiation	One Month	July' 2016
8	Visit by brand teams, evaluation and feedback	One Month	August' 2016
9	Agreement with brands	One Month	September' 2016
10	Implementation by Project Team	Three Months	October- December' 2016
11	Hiring	Three Months	October- December' 2016

* Chain Level Performance check of categories referred to study of relative performance of all categories across different A-one Malls in India.

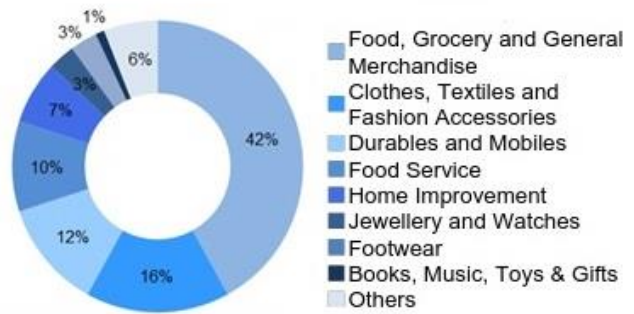
Exhibit D. Organized retail share data

Indian retail industry (2016)



Source: Indian Retail Report, TechSci Research

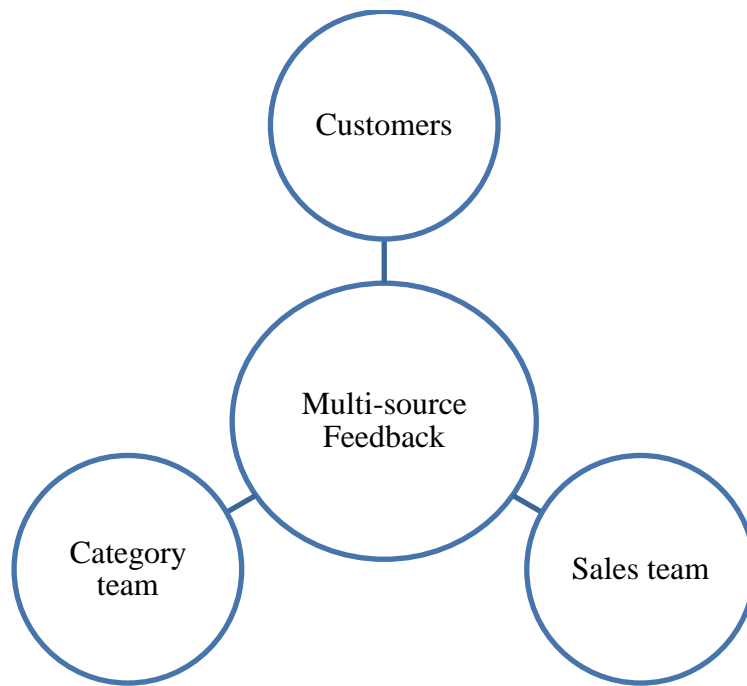
Shares in organised retail sector (2015)



Source: Indian Retail Report, TechSci Research

Source: (IBEF, 2017)

Exhibit F. Multisource Feedback System



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