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Emerging flavour in retail business

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To woo customers at food courts, retail biggies are experimenting with cuisines and pricing. This may lead to a change in the business environment

In a world of intense competition, the Indian economy has been accelerating growth better than most economies across the globe. This makes India a lucrative zone for top global firms to invest in the wake of generating economic rents. Various MNCs have already availed the benefits of the new FDI policy. Retail giants, like Wal Mart and IKEA, have been aggressive in their approach towards investment. Retail stores have to compete not only with their peer incumbent retailers but also with e-commerce players. In an emerging market, the pre-eminent way is to adopt a business plan that has been successful in a developed economy. As a matter of fact, mega-retailers in India have been reshaping their infrastructure to accommodate a restraint within their structure. A routine perspective would conclude this as a new methodology to attract customers. However, there's a lot more to be unveiled from the unfolding changes in the business landscape.

The US economy has seen turbulent times, which prompted retailers, like Costco, to initiate a restaurant at their retail outlets. The food court at a Costco store offers a variety of products, like a hot dog and a 20-ounce bottle of soda for just \$1.5, a slice of pizza for \$1.99 and full giant 18-inch pizza for a whopping \$9.95. The \$1.5 hot dog has been priced the same since 1991 and is considered a loss leader for the company. The 18-inch delicacy that Costco sells for \$9.95 is one of the least priced pizzas in the US, compared to other economical vendors, like Sam's Club. Similarly, the Swedish home furnishing behemoth IKEA has restaurants in all their stores across the globe. Their signature dish 'meatballs' is known to be the best sofa-seller.

In the Indian market, Reliance Industries Ltd offers food items at a distinguished price at their wholesale mart called Reliance Market, which vends all delicacies at a flat rate of nine rupee each. Their vast menu includes Indian items like vada pav, samosa, bread pakoda, tea and a couple of other items like veg mayo roll, pizza, vegetable puffs, chocolate balls, cupcakes and doughnuts. This brings us to a dilemma that if these food courts are not generating significant profits, why are companies not curbing operations in these domains?

Drilling deeper, it was observed that core products like a \$1.5 hotdog and soda combo at Costco, the iconic meatballs at IKEA and the nine rupee menu at Reliance market, have negative profitability for the company. The rationale behind these products is not just to increase footfall. The food products served at these stores tend to elevate serotonin levels, which enhances the mood of an individual. Once the consumer is satiated, it is more likely that he/she will be convinced by the staff, thereby adding to the sales. Customers are poised to shop as soon as they step into the store, and after some time they feel demotivated and tired. This becomes the right time to strike the customers with food as it makes them stay longer in the store. This, thus, increases their average shopping time.

But a different aspect has been observed based on the consumer's psychology. Food assists retail companies to position themselves as the 'most economical shopping option' in the mind of a customer. They deliberately take a hit in the form of losses from the food court. Intention is to give a new reference standard to the customers to compare prices of goods. A potential buyer

perceives the store to be the most economical one as the food sold is really inexpensive. Further, these stores focus more on private label brands as they ramp up profitability. This not only enhances sales but also shields against the smashing losses by food courts. The concept is far cheaper and economical than advertisements. Topping it all, these stores offer food to customers with the same zeal even if they don't buy anything. This because subconsciously, a relationship is under development with the customer through the food table. Over a period of time, there's a high potential for the relationship to transfigure into cash.

From a long-term strategic perspective, it is discerned that these companies have been successful in cross-selling products to the customer. Initially opened as a home furnishing store, IKEA has been consistent in garnering more and more revenues from the food court — in 2016, IKEA reported around \$1.6 billion revenues via food court from a total of \$36 billion. Similarly, Costco has come forth as one of the largest pizza chains in the US with more than 400 stores. Times have changed. A lot of customers come to these stores just to visit the food court, thereby increasing the revenue.

With IKEA's foray into the Indian market, the retail landscape of the country is bound to change. IKEA has come up with local vendors for its Hyderabad-based store. Instead of selling signature meatballs, the Swedish company is focusing more on local food like Biryani, Idli, among others. A large restaurant with a seating capacity of about 1,000 people in the centre of the massive 400,000 sq feet store accentuates aspirations of the retailing giant. This has been done to reposition brand for Indian customers as they seem to be more thrilled with desi touch. Local foods give them a sense of belonging which accompanies in the formation of a healthier relationship with the customer. In the near future, if these companies hold back prices in the food courts, we can presume huge restaurant chains to materialise in the Indian market.

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