



Evoking the experience

Titan Industries is leveraging its retail network of over 530 stores to enhance its identity as a lifestyle accessory company

On a busy street in one of Mumbai's western suburbs lies one of the biggest watch retail showrooms in India. Launched in the first week of March 2010, the glittering new Titan outlet in Bandra is what the company calls its flagship store, this in spite of the company having 290 other Titan retail outlets spread across India and overseas.

So why is the 291st store attached to a 'flagship' tag? Simply because this Titan store, spread over 2,500sq ft, stocked with over 1,500 models and designs, and loaded with a bouquet of customer services, represents the new face of Titan Industries. It is this store that best establishes the Titan identity — as the purveyor of unique and niche retail experiences.

Titan is going all out to create and present a watch-buying experience that is beyond the ordinary. Apart from the stylised and luxurious ambience of its stores, Titan has designed an array of customer



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Bhaskar Bhat



services such as personalised laser engraving, a full service watch care centre, gift delivery facility, gift vouchers, and so on, all aimed at converting footfalls into satisfied customers.

The new store is just the latest in a number of unique retail experiments that Titan has

undertaken. Take, for instance, Helios, the classy watch store that Titan opened in Bangalore to market about 40 premium and international brands in an upmarket ambience. Then there is Zoya, a line of exclusive and luxuriously-fashioned boutiques launched last year that cost about Rs150 million each to set up, and is aimed at the designer jewellery market.

At the other end of the spectrum, Titan is setting up teen-oriented stores for its Fastrack brand; the stores are small (400-500sq ft), located near college campuses and cater to the college crowd by selling youth accessories such as watches, sunglasses, bags, belts, wallets and wristbands.

A time for style



Titan is the world's fifth largest watch manufacturer with a 45 per cent market share in India. **Harish Bhat**, COO of the time products division, explains

what makes the business tick despite a slowdown in the market.

In spite of a slowdown, Titan performed well in the market. Where does this solid footing come from?

There are several factors that have contributed to Titan watches becoming a dominant market leader today — the strength of our brands, our exceedingly good product innovation, our strong network (12,000 watch dealers, across big, small, semi-urban towns of India; 290-odd World of Titan showrooms; presence in 265 departmental stores and army canteen stores across the country; 800 service centres), our presence across the entire value chain for watches, the passion of our people for brand building and delivering quality and value to the customer, and the strength of our leadership.

What are the plans for Titan, Sonata and Fastrack?

Brand Titan is going to become more premium. A few years back, the highest price point of Titan used to be Rs6,000; today it is Rs17,000. Sonata's price tags are below Rs1,000; it is the largest volume brand in the country today, selling 5 million watches a year and accounting for 65-70 per cent of India's watch market. We plan to increase sales of Sonata to about 10 million pieces, at lower price points.

Fastrack is India's best known youth brand and is present today in watches, sun glasses, bags, belts, wallets and wrist bands. Down the road, we would like to be present in virtually every category. We have more than 15 exclusive Fastrack stores in the country today, and we hope to take that number up to 50.

How well is the pilot Helios store in Bangalore doing?

Helios has already hit the cash break-even point in its first year of business, which is amazing for a retail store. Helios is successful because it presents the best range of premium watches for customers who want to buy a watch worth Rs10,000-100,000 and be assured of good service.

We see this market quadrupling in size over the next five years. We have plans for a total of four pilot stores, with the second one coming up in Chandigarh very soon. We hope to ramp up to 15 stores by the end of the next financial year, and reach the 50-store mark three years from now.

The fact of the matter is that Titan today is one of India's largest retail networks with over 530 stores in its sphere of influence, covering a range of watches, gold and precious stone jewellery, and eyewear extending across the high-end, mid-range and low-budget spectrum. And, more to the point, the company is now consciously building on its retail strengths. "In all of our new stores, we are focusing on enhancing the customer's retail experience," says Titan managing director Bhaskar Bhat.

Times have changed

The focus on retail is the latest stage in Titan's business history. Over its 25-year existence, Titan has undertaken several pan-organisation changes — it started out as a watch company, and then moved into the jewellery-making business with its hugely successful Tanishq brand. A couple of years ago Titan further extended itself as a lifestyle company by



entering the eyewear industry with its brand Eye+, a business that is making its mark in the prescription eyewear space. A smaller operation is the precision engineering division that manufactures components for industries.

The new business lines have made a tremendous difference to Titan's balance sheets. Last year, jewellery contributed nearly 65 per cent (Rs27.63 billion) of Titan's turnover, making a much larger contribution to revenue than the older watch business (Rs9.08 billion). The rest of Titan's business lines — eyewear, accessories and precision engineering — brought in

Eyeing the future



Titan Eye+ aims to redefine the eyewear market in India, with a line of stores selling prescription lenses, frames, contact lenses, sunglasses and accessories.

Ravi Kant, COO

of Titan's eyewear business, talks about future prospects and challenges.

How has Titan Eye+ performed in the two years since its launch?

After the initial pilot programme in three cities, Titan Eye+ now has over 85 exclusive showrooms across 40 cities. In the first year itself, many of our stores have achieved sales comparable to that of top opticians of the city; we find that the consumer response has been quite encouraging.

Eyewear has a proliferation of both foreign and local brands. How does Titan

differentiate itself?

We hope to raise industry benchmarks through our stylish products and quality standards. We offer a wide range of products, including frames, lenses, contact lenses, accessories, etc, in both international (Levi's, Esprit, Hugo Boss, etc) and house brands (Titan Eye+ and Dash). We have created world-class optical stores with a unique browse-select-buy format, making the products easily accessible; we offer world-class equipment for zero-error eye testing and qualified optometrists trained at the reputed Sankara Nethralaya.

What are the targets for the company now?

The business goal is to become the most preferred optical store and the market leader in the eyewear business in India by 2012. In addition to retailing, the business is investing in lens manufacturing; this unit has just commenced production. Eyewear is a high margin business with the potential for healthy returns on capital expenditure and profitability once we achieve a scale of about 300 stores.



another Rs1.36 billion, taking the total to Rs38.47 billion.

Titan's net profits stood at Rs1.59 billion in the same period, with jewellery bringing in the majority share at 55 per cent. The numbers reveal the fundamentals of both the watch and the jewellery business lines — volumes are higher in the jewellery business but the volatility of gold prices squeezes margins. Watches, account for a smaller component of revenue but add more to the bottom line on a per piece basis.

This fact underscores Titan's strategy of increasing its penetration of the watch and jewellery

markets through a focused and targeted retail drive meant to attract customers across the value spectrum. From a business perspective, Titan has transitioned completely from being a manufacturing company to a brand-led company, to its latest phase — that of being a retail-led organisation. "The manufacturing side of our operations will continue to be critical — it gives us width and depth in our portfolio, and ensures our quality standards. Retailing allows us to capitalise on both brand loyalty and store loyalty," explains Mr Bhat.

Transition time

When asked whether Titan is changing to become more a retail-led organisation than a manufacturing one, Mr Bhat says, "It's an evolution of sorts, a journey. Titan has always been a customer-

New glitter for gold



Jewellery makes up nearly two-thirds of Titan's revenue and has overtaken the watch business in contributing to the bottom line. **CK Venkatraman,**

COO of Tanishq, talks about GoldPlus and Zoya, the company's lateral extensions in the jewellery business.

What are the factors enabling the jewellery business to grow, in spite of inherent competition from unorganised and local retailers?

The size of India's jewellery market is close to Rs900 billion; of this we account for only Rs30 billion. There is a huge scope to increase our market share and Tanishq is trying to capitalise on this by impressing more and more customers by our unique set of values: purity, design, relevant choice, excellent services and an exceptional shopping experience.

What is the strategy behind the expansion into new customer segments with GoldPlus and Zoya? What are the sales and profit

expectations for these ventures?

GoldPlus caters to the huge, traditional, 22k-gold jewellery customer segment in small-town India. This opportunity is quite large in terms of sales and quite decent in terms of ROCE (return on capex). Since the customer tastes in this segment are rather different, it made sense to launch GoldPlus as a new brand with a different business model.

Zoya is a pilot effort to check out the opportunity in the luxury space. The potential for profitability in the Zoya line is very high, but the sales opportunity is not anywhere close to Tanishq or GoldPlus.

With GoldPlus and Zoya, have the margins for the jewellery business improved in any way?

GoldPlus margins are lower than Tanishq margins, while the Zoya margins are higher. But neither business is yet big enough to influence the jewellery division's margins significantly.

Have business plans for Tanishq been impacted by the steep rise in gold prices?

Volume growth is much lower than the last few years on account of gold prices. We had, however, budgeted for this and our sales are in line with our budget.

focused organisation and we have to change along with her.”

Her? The reality is that nearly 70 per cent of Titan’s customers today are women. “Almost all of jewellery business, a third of the watch business, and about 35 per cent of the eyewear business comes from women,” says Mr Bhat.

Apart from gender, Titan has seen the Indian customer profile changing dramatically in other ways as well since the country opened up its economy. For one, watches are now style accessories rather than time-keeping devices. Another factor is that the Indian watch market has seen a deluge of foreign brands, both high-end premium names and cheap Asian imports.

Titan hopes to cater to the new customer and counter the competition by building its brand equity and reinforcing customer experience. “Titan is in a unique position where, unlike other retailers, we own the product brands and the retail space. In our own retail space, we need to control and enhance both the product and the buying experience. We are now interacting with our customers at one level deeper than before,” says Mr Bhat.

The benefits of being a retail-led organisation go beyond connecting with the customer. According to Mr Bhat, Titan is able to cash in by retaining both the product margins and the retail margins, which add substantially to the bottom line.

This equation may explain the huge impetus to Titan’s retail drive last year, when the company experienced the largest expansion in its retail network — as many as 135 new stores were added across all business lines, making the total 487 stores at the end of 2008-09. The current financial year will see the numbers going up even more.

Good times

Titan’s retail story could well be the reason why the company, in spite of operating in the consumer durable business, a segment that was hit badly by the economic slowdown, showed a remarkably upbeat performance in 2008-09 with sales and profitability actually going up by 26.6 per cent and 14 per cent respectively over the previous year. “This year we have done even better,” twinkles Mr Bhat, in a modest statement that is backed up by the jump in profitability shown in the half-yearly results released by the company.

The retail transformation has meant that Titan has had to change more than the face it shows its customer. Internally, the company has had to develop new capabilities in the business of setting up new stores. One such development is the formation of the integrated retail services group, a new support function



created last year that provides expertise on locating new sites, handling negotiations, creating interiors, training sales staff, etc. Once up, the stores are linked to a management information system (MIS) that keeps senior management updated daily on which products are selling, and more importantly, which are not. “At the end of each day, the information from all our stores is collated and we get a sales update by SMS or an email,” says Mr Bhat.

All three of Titan’s consumer-oriented divisions (the fourth is the B2B precision engineering division) are going all out to increase the retail numbers. Fastrack alone is expected to open in 50 more franchised stores this year. Titan’s flagship store format will be replicated in Delhi, Kolkata, Hyderabad and Chennai in the coming fiscal year. Eye+ is planning to open over 50 stores this year, eventually scaling up to hit the 300 mark. Helios is slated for 15 more outlets in the next fiscal year.

It is obvious that Titan hopes to leverage its retail presence to push real growth, in terms of both volume and value. When asked what is Titan’s biggest challenge, finding markets or deriving margins, Mr Bhat is unequivocal — “Markets! Margins are not an issue at all, we can command our price. But we need to find the markets and pull in the customers.”

Finding markets is indeed a business imperative. Though Titan sells watches in 25 countries apart from India, it has not fared well in retail expansions overseas. Last year’s economic meltdown in the US meant that the company had to close down its two Tanishq showrooms in that country. This year’s obvious signs of economic revival have led Titan to reopen plans of expansion into the Asian markets.

With the customer and her buying habits at the core of Titan’s operations, the name of the game is customer experience. And that is what Titan’s retail thrust is expected to do — pull in the customers. And keep them in. ●

Gayatri Kamath