

India can emerge as the largest market for Metro: Arvind Mediratta

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Arvind Mediratta is known for setting up the cash-and-carry business for US retailer Wal-Mart Stores, Inc. in India. This February, after a two-year stint at Wal-Mart Stores in the US, Mediratta returned to India as the managing director and chief executive officer of Metro Cash and Carry India Pvt. Ltd, the local arm of German wholesaler Metro AG, a rival of Wal-Mart. After six months at the helm, Mediratta sat down with the German parent to finalise a five-year strategic plan for India—one of the most important markets for Metro.

Arvind Mediratta, 49Mediratta has a B.Tech from IIT Delhi and is an alumnus of IIM Kolkata. He was corporate vice-president (merchandising) at Wal-Mart USA before joining Metro Cash and Carry. He has also worked as chief marketing officer for South Asia at Yum! Foods and at Whirlpool India Ltd.

In an interview, Mediratta speaks about how the company is trying to ensure profitable growth so that India can emerge as the largest revenue generator for the German company.

Edited excerpts:

In March 2015, Metro announced its plan to invest Rs.400 crore to turn India into a focus market and open 50 stores by 2020. What does the new strategic plan entail?

There's a new strategic plan for the next five years for the Indian market. It's confidential and I will not be able to divulge details. The numbers do not change. We'll have to deliver the numbers. The revised plan, in a nutshell, is about focusing on maximizing value—how can we get more share of the traders' wallet, how can we get them more often at our stores. We need to cover more traders with our sales force. It's about how much more we can get from each store and each customer by enhancing value. We have to open new stores, and get more out of the existing stores. We are standardizing our stores.

We have made some changes in our expansion model to make it more viable by making it more cost efficient. The approach for expansion would be cluster based as it is easier to develop and manage the supply chain in a cluster. We may also look at smaller real estate for future stores as one of the options. There will be more focus on

people and individual performance. Overall, we need to ensure profitable growth that is sustainable. We'll be investing in people, stores and technology to ensure our market leadership.

Will there be a change in the top level at Metro Cash and Carry India?

We are looking at strengthening the team. We'll get more people on board, essentially at the top level. We'll have the best talents in the industry in our team. Some of this is likely to happen by end of the year. This business is all about the right people in the right jobs. However, accountability is going to be key.

Metro Cash and Carry entered India in 2003, and it had a net loss of Rs.110.72 crore in the fiscal year ended March 2015. Is there a fresh mandate for you to grow faster?

Of course. India is one of our priority markets. Priority means growth market. We are right now growing at a very rapid and healthy rate. I can't share the numbers. We are one of the fastest growing companies. Our base is quite big in terms of revenue. We are going to more than double our business in the next 3-4 years on a big base.

Metro has always been very bullish on India. There was never any doubt about the potential that India has. Now we feel it is time to take off. Unlike the initial years, we are now opening stores faster, almost one every two months. Over a period, I think, India can emerge as the largest market for Metro.

So, will you open more than 50 stores by 2020?

Yes, if we can open more than 50, we will. If we can do 50 by 2019, we'll do it and we'll open more stores but as I said earlier, we are not for reckless expansion. We are for profitable expansion. We are talking about thoughtful expansion and it's going to be aggressive because each store requires Rs.50-60 crore of investment. We want that every store we open is successful. So, we spend a lot of time understanding the trade area. Only then do we enter a city.

How many more stores do you think you can open ensuring profitability?

Our thumb rule is that we can have one store for every 10 lakh population. At the moment, we are focused on 6-7 big states. The opportunity in existing states is huge, and our expansion is cluster driven. Supply chain is easy to build and manage. We need to saturate a cluster before we open a new one. However, we are also entering new markets. There's no rocket science in retail or wholesale. What you need is a lot of common sense.

Also, we are piloting an online service in Jaipur. In this, traders can order online and get products delivered, typically in 24 hours. The response is good. Over a period, this will contribute significantly to our wallet. Through this, we can actually reach people

who may not be within the immediate time zones. So, if you are in one part of the city due to real estate challenges, right now only people near that store—10-15km—can buy. But, once you have people going out and taking orders, delivering and collecting payment, I can expand my catchment to 30-40km. With this, our coverage will intensify. We will also put more sales people on the ground.