

A CASE STUDY OF – REVAMPING AKBARALLY’S TO AKBARALLY’S MEN’S

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ABSTRACT

Akbarallys case discusses the turnaround challenges for a family managed the business. Akbarallys started the concept of convenient shopping and family shopping under one roof. Thus began the story of organized retailing. The firm was set up by the Khorakiwallas. The family-owned business grew rapidly adding several business verticals including bakery products under the brand name Monginis. Subsequently, the organization and family underwent several changes and also added verticals to its business, such as Pharma company Wockhardt. The case discusses the business challenges of a 118yearold standing retail chain which almost went into a close-down and its revival challenges.

KEYWORDS: Family Managed Business, Turnaround, Succession Plan

Article History

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INTRODUCTION

LEARNING OBJECTIVES

- The case enables one to understand how the business format needs to change with time-Turnaround Model
- The Strategic leadership challenges in FMB-Family Managed Business
- Growth model for the family business
- Importance of Succession plan in Family Managed Business.

Nestled near the green copse of Harnimon Circle in the neighborhood of one of the oldest church of British Empire, at Veer Nariman Road stretching from Flora Fountain (now Hutatma Chowk) to the Asiatic Library in Mumbai sits one of the premium department store of India-akbarally’s. India’s first departmental stores which opened in 1987 and was way ahead of its time. Akbarally’s 100 years ago when it opened was a stylish place to shop. It was classy, elegant and the only one of its kind. One could see cricketers like Ajit Wadekar and Dilip Sardesai stepping out in their best of moods. It could be a windfall and moment to remember and boast when one could see our great legend actor Dev Anand shop. Mumbai’s elite came here to shop everything from pillows to perfumes. Akbarally’s was a status symbol for many at the location. Akbarally’s was constantly reinventing itself to stay ahead of times whether it was through products or through their gift vouchers or basket of alphonso mangoes during the mango season. They also had charming Santa Christmas Parades and Chacha Deepak drawing people’s attention which was hardly seen elsewhere. But that was in the 1980’s when the large format retail chains were still a novelty. As its premium customers moved to malls and retro-cool boutique stores, footfalls began to fall silent and akbarally’s went out of style as many of the first-timers do. **Akbarally’s** were still stuck in

a time warp until recently. Aiman the fourth generation entrepreneur from the family took the leadership to revamp the 10,000 sq foot store in the fountain and Christened it **akbarally's Mens**. Aiman says "While women do not mind spending an entire day moving from one shop to another looking for what they need to buy but in case of men they are reserved and do not follow the same behavior. Fountain also being a commercial hub in Mumbai has less number of multi-branded store but is frequented by men from various age groups and backgrounds. It has men from college to corporate backgrounds move around during the day, besides the original Akbarally's store also had the space for men's product doing good. Hence it was ideal to start a multi-branded store but this time only for MEN."

Beginning of India's First Departmental Store-Akbarally's

It was during the British rule that the Khorakiwala family, like numerous other Gujarati trading families, came to Mumbai. The journey goes back to 1897 twelve years after the formation of the Indian National Congress, a young Akbarally's Ebrahimji who hails from Palanpur in Gujarat bought a 300 sq foot spaced building near Bombay's Gunbow street to set up the first akbarally's drug store which sold medicines and provision. As his brother, Taherbhai Khorakiwala joined the business the tiny shop grew into a chain. It was in 1957 Taherbhai's eldest son Fakhruddin T Khorakiwala visualized and steer headed the modern concept of convenient shopping and family shopping under one roof. Thus began the era of organized retail and the concept of family retail outlet. He was an ambitious, and a shining example of an entrepreneur. The departmental store became a landmark in the heritage location of South Mumbai. The store grew to fill the vacuum created by the exit of British-owned stores like White way and Lard low Army and navy stores and Evan Fraser when the British left. The progress of the stores was then helmed by Taherbhai Khorakiwala son's Fakhruddin, Saifuddin, Shafakat, and Husein. Juzar, Taherbhai's grandson comments that thinking back of his grandfather, uncle and father's time it was a challenge and wasn't the best time to launch a departmental store considering many import restrictions, but the family put together whatever was available under one roof ethically to start the store. The akbarally's store was considered a branded and premium store until late 1980's.

Amongst a few of the other retail stores who are same timers as akbarally's and which were developed much before the retail revolution in India are Nalli's, Vivek's, Apna Bazar and Sahakari Bazar. These were few of the oldest players in the organized retail industry. The akbarally's, Nalli's and Vivek's when catered the elite as premium branded stores, the apna bazaar and Sahakari bhandar catered the middle --middle class and the lower middle class. They are also names which have drastically gone down in their performance post the pickup of the retail sector in India (i.e 2006).

Retail Industry

Retail holds great significance to an economy as it is the final stage for any business process in the world. Phillip Kotler states, "Retailing includes any activity of selling and buying it could be that of a product or service by the customer or consumer irrespective of whether it is for personal or non-business use. The goods could be sold through any medium via telephone, mail, vending machine or in a shop or on the street but what matters is has it been sold." home. (Source: Swapna Pradhan; Retailing Management)

Current Trends in Retail Scenario and Retail Growth Chart

When one views the retail industry in India it looks fragmented and unorganized, but the truth is it is growing by 25-30% (Annex-2-Graph Presentation of Growth of organized retail in India, Source: Technopark Analysis-Retail Outlook-2016). There are certain emerging trends in retailing.

- On line shopping
- Adoption of RFID
- Virtual Shopping
- Instant real-time engagement
- Gesture Driven Technology.
- LBS-Location based Shopping
- Clienteling-Previous preferences
- Customer life cycle management.
- Mobile wallets.

Reorganization-Movement in the FMB (Family Managed Business) of Akbarally's

During the late 1980's and between 2010 the Khorakiwalla family had around four plus business verticals, which was being taken care as part of a family managed business. It was in the year 1986 that the family business underwent their first reorganization and the group's bakery products business under the brand name Monginis was handed over to Hussein T Khorakiwalla. This was an also a time when the family concentrated very high on their Pharma business brand Wockhardt and expansion of their retail business was never a priority then. During the same time, the Indian retail industry was revamping their business models and a big revolutionary change was becoming evident. There were many brands which were entering the Indian market and competition was becoming tough but as akbarally's did not realize that their retail business was getting stuck in a time wrap, they even then positioned themselves as a departmental store with multiple commodities and brands thinking they already were a premium brand in the market, during this time the experts in the retail industry saw their vision getting drifted. Retail chains such as shopper's stop and Westside were setting up their stores besides them and they strictly followed the departmental store format but not with many categories onboard. The promoters of akbarally's had a very hazy road map for its iconic retail store during this time and stuck to their traditional retail format of jack of all and master of none thought that they would still be able to create the same ripples which they had in the 1980's but their analysis failed. While Westside and Shoppers stop had an increase in footfall, the akbarally's saw a downfall of sales and footfalls. Pantaloons who were ones upon a time supplier to akbarally's created ripples by achieving huge turnovers.

Retail Business Model of Akbarally's and its Workability-A Challenge

The iconic akbarally's stores sold everything from home appliances, durables, cosmetics, shoes, clothes, bags, and even medicines. The store had around 40 categories and 100 employee's. With the coming up of departmental and specialty stores, the scope for cross purchases declined. The store wasn't in a position to prune its inventory. With the new stores opening which offered discounts on goods, the motley product mix took a toll on the store's image. The store was neither a departmental store because it was too small nor specialty store because its portfolio was diffused. The result of the store was cramped with little moving space. During the same time, the family-run business underwent a second-time reorganization in the year 2003. The group's retail chain this time was divided between FT Khorakiwalla and Shafakat T Khorakiwalla son Shabbir Khorakiwala. Shabbir Khorakiwala was given the North West Mumbai (Santacruz) retail chain

of akbarally's and the animal husbandry business. The store run by Shabbir Khorakiwala is now known as akbarally's Epigone. The original akbarally's which opened in 1897 was now confined to 3 large format stores, four convenience stores and two furniture shops in Mumbai.

During the year 2005, the turnover of akbarally's was a meager Rs 50 crore whereas the new entrants who were once upon a time supplier to akbarally's such as Pantaloons carved out Rs 650 crore retail business. Juzer Khorakiwala son of Saifuddin Khorakiwala during this period started to become active in the management of akbarally's. Juzer till then was only involved with the Agro-Chemical business and was the director of the Pharma company Wockhardt. As there was a dip in the business of the original store which was considered as one of the most busiest, a store level study was done to track the successful product categories so that the rest could be hacked. The reason was to free space for display and to stock the inventory. As the gamut of product categories was large so was the challenge of inventory management. Products like shoes needed huge display space as well as stocking space, so even though footwear was an average performer on the sales chart but it had to be booted out of the fort (South Mumbai) store and had to be kept at the Chembur outlet and that too only for men so that there could be control over the SKU's (Stock keeping Units). Meanwhile, the Chembur store had closed its Pharmacy section. The chain also extended itself into small-format convenience stores at petrol pumps. Akbarally's also came up with a mini supermarket. It also started to cater to gas station outlets which seemed like a comedown from catering to Mumbai's rich and to a large mass. The store also changed its no-discount policy. Banners and display promoting current discount deals were placed at the entrance. This was something the elite store abstained from. The following years though the retail business was running in loss its glamour also faded, by 2009 there were several change of hands in management till 2014 March last when it was managed by Juzer Khorakiwala son. The business saw a decline in sales and they were finding it difficult to catch up with the pace and positioning of the retail business. Finally, it reached to an extent where the iconic 118-year-old India's first organized premium retail store had to shut down for almost nine months.

New Life for Akbarally's to Akbarally's Men's

118 years after it first started, the departmental store has been remodeled to a multibrand men's store and would now be known as akbarally's Men's. At the helm of the reincarnation is Juzer Saifuddin Khorakiwala's daughter Umme Aiman Khorakiwala. The 10,000-sqft store has a concept now entirely different from its original store format. The fourth-generation entrepreneur from the Khorakiwala clan a biologist by pedigree was very sure that she had a business in her blood and that is what she wanted to do. She decided to join the family business of Agro-chemicals, Biostadt after having completed her education in the stream of genetics in US... Post working almost for seven years Aiman took a break to raise her family, but she was sure she wanted to come back and take up something challenging. Her return back came with a decision to helm the akbarally's under her sleeves. She knew she had to shake things up to bring something new and was not willing to shy away from the challenges.

New Business Format (Model) for Akbarally's Men's

The store now has re-opened with a shop in shop format with its door open for premium multi-brand and is a convenient MBO-Multi brand outlet for men.. All premium Indian and Multi-National brands are available in the store and it focuses on a gamut of clothing and accessories but only for men. When it comes to quick styling and grooming of men one cannot fail to also consider a barbershop hence the shop also has its in-house barbershop. The store provides an extensive private in-house barbershop catering to men's quick grooming and styling. Aiman says, "We are proud to own such a shop with

multiple national and international labels only for men and are very much aware of the fact that there is no other place in south Mumbai with all popular brands of men under one roof.” The shop-in-shop format houses clothing and accessories from brands such as Calvin Klein, Ed Hardy, Gas, Tommy Hilfiger, Jack and Jones and Indian brands like Being Human, Indian Terrain, Spykar brand. The store is dressed in shades of black and white with classic and minimum interiors; this is all done by restoring the original structure. The promoter is also focused on the fact that they would only work with highly organized players. Aiman's vision is very clear that they would only like to be acclaimed and recognized as a premium Men's store. Today the store gives a decent choice to its customer to do their purchase with renowned brands as well enjoy the shopping space. The store segments its customers between the age of 20 years to 40 years. The store's collection would suit the young college-going kid who can have his pick up amongst Mufti and Copperstone. The store also targets customers who exclusively prefer brands such as Tommy Hilfiger, Jack, and Jones or Being Human.

Revamping Challenges

The old business format had around more than 100 plus vendors who had good business and personal relations with the store and the family promoters from the startup to time. There were multiple vendors for multiple categories. Similarly, the inventory stock was very high and liquidating the stock was challenging. The old store also had around 100 employees on its payroll who were emotionally and financially associated with akbarally's and the family. Remembering one such incident during the closure of the old store, she shares “There was this one employee who had been working with her grandfather and had saved his life and was one of the most loyal associates with akbarally's but was old, now during revamping I had to put up saying a good-bye to him. Those were a few of the most emotional decisions I had to take”

Today the organization is following a more systematic, system-oriented approach. However, the management had changed every 2 years and almost 3 times until the year 2008, with Aiman steer heading, the fourth generation entrepreneur brought down the vendor list of 100 plus to 40. Now there are only 5 distributors she deals with for all her brands. She has put in place robust software –Oracles-ERP to manage all her database and to make her business operations easy and recorded. She has detached herself from emotional work relations to Professional Management. The original infrastructure has been maintained at the same time the store needed to look young, poised and sophisticated hence she has invested in infrastructural modifications. There has been an investment of Rs 6000 per sq ft and hence a calculative ROI of 40-50 percent is what she is looking at. She has also brought in a CEO who is highly experienced in retail to look into the professional management of the organization. The store has an SIS concept with brands like Planet Fashion, Allen Solly, VanHeusen and Louis Phillipe all of which have dedicated space.

One of the most special venture akbarally's Men's can boast within the format is the unique bespoke tailoring wing. Akbarally's Men's have a segment of Indian and Italian fabrics. The store has a full-fledged bespoke tailoring arm which tries to understand and caters to the clientele preference and styles. There is a special kiosk which has the option of design templates which helps the customer to choose, pick and make customization in their clothing. The store has specialized tailors who keep knowledge about the latest trend in the market and can make something which fits one's look and style. The store also offers home service for measurements to the bespoke tailoring arm in South –Mumbai. The store has around 40 sales staff of which more than half is provided by the brands because they have an SIS format with akbarally's Men's while the remaining are on the payrolls of akbarally's Men's. Aiman has also carved out performance-oriented incentive structure to reward the performers and to keep their energy levels high and motivated. The organization also provides with periodic training programs. She has seen that there is young blood in the organizational functioning as well as grey heads with experience.

Customer-Centric Service

Akbarally's always considered their customers special even 118 years before and now. They have always researched as to how to make their customers feel special if it was alphonso mangoes and gift vouchers earlier akbarally's Men's have started to plan for a loyalty program which they would run through mobile numbers and e-mails. The store also sees to it that the customers are taken care and are served beverages such as tea, coffee. Cold drinks as a warm and friendly gesture. Aiman argues that it is their service-oriented atmosphere which would set them apart.

Promotion

Aiman strongly feels that akbarally's have been always been close to the hearts of people for its various social cause events whether its city's cleaning drive or riot relief, Parades of Santa during Christmas, Deepak Chacha and more. The store had been a landmark at fountain even then and now. People living in Mumbai will always remember it as a grand rich store, especially in Mumbai. Then it went through a downturn and larger retail players and brands came in, this did shake the foundation but the fact remains that akbarally's never lost its charm of being a branded store. But still, Aiman is leaving no stone unturned to promote themselves as akbarally's Men's in order to strengthen their position as the premium store. The store would not avail discounts unless it is a sales season. The other promotional tools are Print media, tie-ups with Men's fashion magazines, Eatery outlets and corporate. Recently to akbarally's promoted their brand by joining hands with BNParibas bank to host an event called Beat the trend where the shop space was utilized.

Competition (Offline Vs Online)

Aiman speaking about competition and competitors "The true competitors are not the other big retail players but e-commerce is the biggest challenge. Akbarally's Men's have not yet jumped for this challenge. The promoter mentions that once the store gets established with its new brand name they would accept the online challenge. She also feels that the advantage of physical stores is that the sales staff can offer recommendations and shopping can become a memorable experience. However, at the same time, Aiman is aware that the future would be of on-line breakthrough. Online platforms can offer photos and video to assist the consumers in purchasing decision. Promotions through on-line platforms would be more cost-effective. Presently most of the big retail players opt for on-line trades even if their brick and mortar model of business format is doing well. Most of the traditional business offline are being outplaced because of the fast-growing online business. The promoter of akbarally's Men's also mentions that if they would go online it would not operate through a third-party e-commerce platform.

Future Pathway of Business

Aiman has plans to adopt the franchise model and extend the business to Tier-II cities in the next one-year span of time. Everything seems to be in place, the team seems to be charged to create the same ripples of the 1980's with a young dynamic leader steering it from the family. Aiman recollects "We had the option to shut down, sell or give it out on rent and get on with life, we had our other business to look after, but it is this store which has laid the foundation for all of us, we had to take it forward..."

Assignment Questions

Q1. What went wrong with akbarally's India is the first branded organized retail chain. What do you think should have changed?

Q2. Is Aiman's business model good enough to presently face the retail industry competition, which trend in retail would you recommend Aiman to follow and why?

Q3. What are the strategic leadership lessons, which one can learn, from the fourth generation entrepreneur.

Q4. What are the lessons learned from the FMB-Family Managed Business Case study.

Q5. Were the promoters right in their decision to reopen the shop. Justify the answer.

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