Undoing 'Future' King

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Indian Retail Industry is considered to be the fastest growing in the world. It is expected to touch ₹76.87 Lakh Crore by 2020. The organised retail sector in India has quite big players. Future Retail with around 1,500 retail stores across several sectors with a strong presence of brands such as – Big bazaar, Nilgiris, Ezone, Foodhall, Easyday and close to 300 stores under Central and Brand Factory is one among them. But in this growing retail industry and with huge infrastructure at its disposal, Big Bazaar and entire Future Group is all set to be acquired by Mukesh Ambani's Reliance Industry Limited. What unfolded as a highly ambitious and appealing venture suddenly after 20 years is all set to wind up for Mr. Kishore Biyani.

Mr. Kishore, Biyani, (India's Sam Walton) is a first-generation Indian entrepreneur. With all good intentions he dreamt of creating a space where 'everyone could get what only rich can afford'. 'Is se sastaa is se accha aur kahin nahi' being the punchline of Big Bazaar. Making available everything under one roof and value for money was USP of Big Bazaar to Indian household. The concept was a huge hit among Indian middle class. This scripted a new era of success. Mr. Kishore Biyani became synonymous with value retail. He roped in some big and contemporary successful names – Mahendra Singh Dhoni and Vidya Baalan. The Retail King worked on to target new generation of consumers by positioning itself as 'New India Ka Bazaar', he went on to lure Gen X by roping in Varun Dhawan and Katrina Kaif. This was an attempt to upgrade its image.

He launched ₹ 999/- annual fee for 10% discount which did not appeal much to the masses. He introduced a day reserved for big discounts. But he started giving more priority to sell his private brands which was around 35 – 40% over popular brands. The quality however was compromised as reported by customers. He kept on losing customers as he kept replacing popular brands with his own brands for eg. he lost loyal customers of Nilgiris and Heritage due this strategy. Private brands fare well for retailers, but the quality has to be maintained to replace established or popular brands. Deep discount policy failed as customers looked for quality as well. His suppliers complained that it was difficult to secure payments from Mr. Kishore.

Years after years, Mr. Kishore Biyani went on investing heavily in infrastructure. His acquisitions of EasyDay (₹ 500 Crores), Nilgiris (₹300 Crores) and Heritage (₹295 Crores) and around 1100 small non performing stores landed him in huge debts. Sources reveal debts as on September 2019 rising to ₹12,778/- crores. Due to the government's exemption of Covid related debts, Mr. Biyani was lucky enough to escape insolvency. His aggressive expansion and higher capital-intensive projects did not yield profits. Against his ambitious projections of garnering ₹20.000 crore by FY 2021, he touched a figure of ₹4040 Crore in FY 2020. Added to this, high rental costs which have been reported as 10% to 20% of cost, which otherwise should be within 5%.

Further, there was no strategy to ensure a lockdown crisis. He partnered with Amazon but there was a long waiting period for the delivery staff to pick supplies. Bigbazaar did not provision facilitating separate counters for delivery staff.

All these issues couples with pre-existing liquidity crisis added to Mr. Biyani's woes. And thus, the Retail King had to embrace Hobson's choice, where there is no alternative over selling it. The lessons are learnt hard way and so is the case for The Future Group.

Question

Discuss the reasons that led to the downfall of a great retail empire of Mr. Kishore Biyani.

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