

Expansion Strategies for Tanishq in Bangalore

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Comments by the faculty

The allure of the yellow metal, the gold, is legendary. The demand in India can be segmented into consumption and investment. Around 57 per cent of the investment demand comes from bars and coins and the rest from jewellery. The current size of the gem & jewellery market in India is around Rs 2, 40, 000 crore. The Indian Gem & Jewellery Industry is highly-fragmented and unorganized and the local players constitute about 80% of the overall market. But with the disposable income of the customers increasing and the customers becoming more discerning, the growth of organised sector in jewellery is on the high. Tanishq, a Tata Group company, is one of the leading players in organised jewellery market with a market share of 4%.

This paper by Ms Madhuri Menon, a student of PGDM batch 2013-15, is a documentation of the summer internship project carried out at Tanishq during April- May 2014 and is a good example of how expansion strategy is to be planned and executed. Tanishq has eight retail outlets in Bangalore and is planning to expand its presence. The study was taken up with the objective of identifying an area in Bangalore where the new showroom could be set up. It required that operations of existing Tanishq showrooms in Bangalore be understood and have a good understanding of the customer base that purchases jewellery from Tanishq. Understanding competition from competitors such as “Bhima” jewellers was important and “Ghost shopping” technique was adopted in order to understand the competitor products and services.

All Tanishq showrooms use software named “Symphony” to keep track of stock and sending out requests for stock replacement depending on the type of stock. Mainly families come in large number for purchases, but young couples also purchase from the stores and belong to the middle income or higher income segment. Customers from the nearby catchment are the regular customers, but the showrooms do get customer from other areas as well as from out station. The showrooms maintain a conversion rate of 75% to 80% of customer walk-ins.

The project studied the location preferences of customers and offers insights about the customer profile of customers. “Huff” Gravity Model, which guides location of retail malls considering the customer base, was adopted in the study. A two-step approach was followed, where first the list of shopping malls in Bangalore was identified and their distances from the Tanishq showrooms were mapped. Then existing malls with potential customer base was identified. The rationale for adopting this approach of locating jewellery retail stores near malls is that builders of malls invest their money to build a shopping mall only after a proper study is done about the area and the customers and ascertaining the purchasing potential of the customers. Therefore it is a fair assumption that the location of shopping mall would be a good indicator for locating new Tanishq showrooms. This assumption was proved right as the Tanishq showrooms located near good quality shopping malls were doing better than those showrooms located near lower quality malls or no malls at all. Availability of parking was indicated as a major criterion in locating a showroom with a strong 68% of the customers opting for such allocation.

The study gains importance with increased economic activities in the country which throws up opportunities as well as threats. Companies such as Tanishq need to be geared to strategically address the same with increased vitality.

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Introduction

The current size of the gem & jewellery market in India is around Rs 2,40,000 crore and Tanishq had sold jewellery worth Rs 8,000 crore last fiscal year, thus accounting for nearly 4 per cent of the jewellery market in India. (PTI, 2014).

Gem & jewellery exports had seen a drop of 1.16% with gold in particular dropping by 32.8%. Even imports of gem and jewellery dropped by 8.52%. (GJEPC, Exports of Gems and Jewellery during Apr 2013- March 2014, 2014) .

Among the various branded jewellery stores, Tanishq, India's largest, most trusted and fastest growing jewellery brand, offers traditional as well as trendy designs in gold, diamond and platinum. They are known for their design, purity of gold, excellent customer service and mainly cater to the middle class and the upper class segment of customers.

Tanishq introduced specialized retailing in the fragmented jewellery market of India. With over 163 stores across 91 towns, Tanishq continues to rule the jewellery space. (Titan Investor Meet May 2014- Delivering value by creating brands, 2014). In Bangalore Tanishq has 8 showrooms and there is a need for them to expand in order to reach out to more customers in locations that would be convenient for them. The project studies the location preferences of customers for setting up new Tanishq showrooms in Bangalore.

In order to suggest probable locations for setting up a new showroom the customer base of Tanishq was studied by observing purchase behavior of customers in the existing Tanishq showrooms. To gain an understanding of areas with retail potential a study of shopping malls located close to Tanishq showrooms was conducted, this gave insight about the customer profile of customers in an around the showrooms.

This was followed by a customer survey in the World of Titan & Titan Eye Plus showrooms of Koramangala, HSR Layout, Basveshwanagar & Vijayanagar. The survey helped in reflecting upon the location preference of showrooms, after which it was concluded that the showroom be set up in Basveshwanagar: Between Shankar Mutt & Pavitra Paradise.

The author had the privilege of studying the issue in the year 2014 as a part of Summer Internship Project. This paper is a formal documentation of the work pursued, the methodology, findings and recommendations.

Scenario of the Gem & Jewellery Market in India

The Indian Gem & Jewellery Industry is highly-fragmented and unorganized and the local players constitute about 80% of the overall market. The share of organized players in the industry is growing, specifically that of regional players. However, there is a risk of reversal in this trend due to increasing regulatory restrictions on gold imports and the price differential between the official and unofficial supply of gold in the market. The supply side is also characterized by several local and independent stores in rural areas that play the role of financing entity, providing customers an investment option.

The demand in India can be segmented into consumption and investment. Around 57 per cent of the investment demand comes from bars and coins and the rest from jewellery. The high investment demand is driven by a lack of alternative financial institutions for a large section of society, a perceived capacity to hedge against inflation, ability to invest smaller value in gold, high returns in gold over the past 12 years and ease of investing unaccounted money in gold. (FICCI, 2013)

Gem & Jewellery exports dropped by 1.16%. The exports of gold jewellery in particular was Rs 66919 Cr a drop of 32.8% (GJEPC, Exports of Gems and Jewellery during Apr 2013- March 2014, 2014). The imports of gem & jewellery also did not see much improvement since it dropped by 8.52%. (GJEPC, Imports of Gems and Jewellery during Apr 2013- March 2014, 2014). This could be attributed to the 80/20 rule that was imposed, that made it mandatory to export a fifth of all gold imports.

Also due to the rules under the Companies Act that came into effect in April'14 jewellers across India have stopped their gold investment schemes on a temporary basis because these schemes are nearly equivalent to interest-free loans. The instalments that jewellers collect from customers are now deemed to be a deposit and under RBI rules, no deposit can pay more than 12.5% as return. Hence, Tanishq has stopped enrolment for such schemes & other jewellers like Joy Alukkas, GRT Jeweller have stopped schemes beyond 12 months. (Vijayakumar, 2014)

Since 90 per cent of raw materials for the industry are imported and rough diamonds alone account for over 50 per cent of India's total gems and jewellery raw material imports India needs to procure the material at a fair price so that the cost of finished goods does not go up. (Ghosal, 2014) There is a need for India to enter into a Free Trade Agreement with countries possessing raw material because securing raw materials at competitive prices is an issue of survival for India's gems and jewellery industry.

Titan Company Limited

Titan Company is the organization that brought about a paradigm shift in the Indian watch market when it introduced its futuristic quartz technology, complemented by international styling. Currently it is the 5th largest watch manufacturer in the world.

It has a number of watch brands like Sonata, Fastrack, Nebula, Xyls, and Zoop to its credit along with the multi-brand watch store Helios. The jewellery division has 3 brands Tanishq, Gold Plus and Zoya. Catering to the eyewear segment is Titan Eye Plus which offers frames, lenses & sunglasses. (Titan Industries Limited - 29th Annual Report:2012-2013).

Backed by over 7,000 employees, two exclusive design studios for watches and jewellery, 10 manufacturing units, and innumerable admirers' world over, Titan Company continues to grow and set new standards for innovation and quality.

Tanishq

Tanishq Titan's flagship line of jewellery is today a resounding success with discerning customers. Tanishq has performed exceedingly well and has set standards, in what could best be described as a largely unorganized Indian jewellery market.

The growth of the brand has been a testament to customer focus. Tanishq is today a hallmark of trust, an island of purity. It is a certified division under the ISO 9001:2008 Quality Management System Standards and the current version of Environment Management System Standard is ISO 14001:2004.

It offers a premium range of gold jewellery studded with diamonds, precious and semi-precious stones in 18 kt, a wide range of plain gold jewellery in 22kt pure gold and platinum jewellery. The Tata - Titan association evokes trust connotations and never fails to attract increasing numbers of jewellery seekers to the fledgling designer brand. Titan ensures that they are spoilt for choice, transparency and a great shopping experience with Tanishq, the jewel of its crown. Tanishq is a trustworthy, popular jewellery brand from India's largest integrated jewellery manufacturer.

Research Objectives

- To identify an area in Bangalore where the new showroom could be set up.
- Sub Objective –
 - To understand operations of existing Tanishq showrooms in Bangalore
 - To understand the customer base that purchases jewellery from Tanishq
 - To identify an area in Bangalore which has a similar customer profile

Methodology Used

Exploratory Research method was used since the market is unknown and no reference to earlier model was being used. This approach would include a proper understanding of the customer base of Tanishq showrooms through observations in existing showrooms. Method of Ghost Shopping was also implemented in order to understand the competitor products and services. (Mystery Shopping, 2014)

A Shopping Mall approach which is similar to the Huff Model (Retail Trade Area Analysis Using the Huff Model, n.d.) was followed, where areas with potential customer base was studied. Primary data was then collected by a customer survey in the World of Titan and Titan Eye Plus showrooms. While choosing customers for the survey in the showroom convenient sampling was used.

Data Collection & Analysis

Observation of Tanishq Showroom operations to understand customer profile

Tanishq primarily offers gold, diamond and platinum jewellery. The jewellery can sometimes be machine made or hand made by the karigars in the factories. Depending on the intricacy of the design and the laying of the precious stones, the jewellery can either be hand made by the karigars or machine made. During festivals and auspicious occasions they offer discounts for the customers and Akshya Tritiya being one of the major occasions.

Six showrooms were observed:

- 1) Dickenson Road
- 2) Koramangala
- 3) Malleswaram
- 4) Kammanahalli
- 5) Banashankari
- 6) Phoenix Market City

After talking to the Store Managers, Floor Managers and RSOs of these showrooms and observing the customer purchases my observations are as follows:

The showrooms at Kammanahalli, Phoenix Market City and Banerghatta are the newer ones. Most of the showrooms operate with 20 to 25 RSO (Retail Sales Officers). The peak hours for customer walk-ins in a day would be the evenings after 5 pm. Also the weekends see a steady in flow of customers.

Most showrooms adopt a fixed counter policy. However, in the recent past, some are trying a rotational counter policy in order to achieve better product understanding. All showrooms follow the same mode of operation but may differ in terms of allowing their RSOs to rotate counters.

70% of collections presented in showrooms are common across all showrooms and 30% of collections differ from showroom to showroom according to the customer base in each region because there are some who like traditional designs and some who prefer modern designs.

All Tanishq showrooms use a software name Symphony that helps keeping track of stock and is responsible for sending out requests for stock replacement depending on the type of stock.

Mainly families come in large number for purchases, but young couples also purchase from the stores and belong to the middle income or higher income segment, but this concentration differs in terms of the location of the store too. Customers from the nearby catchment are the regular customers, but the showrooms do get customer from other areas as well as from out station. The showrooms maintain a conversion rate of 75% to 80% of customer walk-ins.

Shopping Mall Approach

A 2 step approach was followed, where first the list of shopping malls in Bangalore was identified and their distances from the Tanishq showrooms were mapped. Then existing malls with potential customer base was identified.

Rationale – When builders invest their money to build a shopping mall a proper study is done about the area and the customers, the purchasing potential of the customers. Only when the investor finds areas in the city where there is a potential customer base with the power to

spend, will they set up the mall in that region. Therefore it assumed that the location of shopping mall would be an indicator for locating new Tanishq showrooms.

Methodology

- List of Shopping Malls in Bangalore
- Mapped the distance between malls and Tanishq Showrooms
- Studied a set of malls close to the Tanishq Showrooms
- Identified potential mall area for new showroom

Tanishq Showrooms Selected for Study:

- Dickenson Road
- Koramangala
- Phoenix Market City
- Banerghatta
- Jayanagar
- Banashankari
- Malleswaram

Observations

On an average each of the showrooms mentioned above have 3 shopping malls within a 3 km radius, except for the Tanishq Banashankari showroom. Then a detailed observation of two malls was made: 1 MG Mall which was within 0.85 Km of the Dickenson Rd Tanishq & Forum Mall which was within a 2.5 Km radius of the Koramangala Tanishq. The observation helped understanding the customer base and approximate income levels by making note of car brands in the parking lot.

Following which, observations were made in 2 more shopping malls in prospective showroom areas: Forum Value Mall- Whitefield & Total Mall- Sarjapur. The Forum Value Mall, had a mix of branded and branded factory outlets & the customer base was not similar to the previous 2 malls that were observed. Even the area around the mall does not have any branded stores, it is mainly a residential area, due to which it would not be advisable to set up the Tanishq Showroom in this area. The Total Mall in Sarjapur has a similar type of customer base, the area around the mall is developing, a number of multi-storey apartments are coming up, this could be a potential location for setting up the new Tanishq showroom but it would need to be backed by a survey.

Customer Survey to Identify Preferred Location for New Showroom

A customer survey was conducted in the World of Titan & Titan Eye Plus showrooms due to the similarity in customer profile. The survey obtained the preference of Titan customers which in turn reflected the preference of Tanishq customers. A total of 9 showrooms were visited and 104 customers were surveyed. Customer Footfall in each of the showrooms were as follows:

Showrooms	Average No of Customers on Weekdays	Average No of Customers on Weekends
Titan Eye Plus (Koramangala)	65	>150
World of Titan (Koramangala)	20	40
World of Titan (Forum Mall)	35	90
World of Titan (HSR Layout)	30	60
Titan Eye Plus(HSR Layout)	20	40
World of Titan (Basveshwanagar)	20	40
Titan Eye Plus (Basveshwanagar)	30	50
World of Titan (Vijayanagar)	40	90
Titan Eye Plus(Vijayanagar)	10	25

Area-wise Analysis of Customer Responses in Each Showroom was Performed:

a) Koramangala:

Location: World of Titan & Titan Eye Plus Showrooms

No of customers surveyed: 33

Majority of the customers surveyed in the Koramangala region were from Madivala & Koramangala region. Nearly 80% of the customers surveyed were between the age groups of 20-29 and 30-39 & were married couples who had dual sources of income since both men and women were working and had a high a higher capacity to spend. Majority of them owned either a Maruti or Hyundai Car and bought jewellery from either Tanishq or Bhima Gold. When asked about the location preference for the new showroom, 30% opted for the area between Forum Mall & Passport Office & 27% opted for the area between Sony World & BDA Complex.

b) HSR Layout

Location: World of Titan & Titan Eye Plus Showrooms

No of customers surveyed: 23

The HSR Layout showrooms mainly received customers from the HSR region since it's a residential area. The age profile of customers in HSR Layout was similar to that of Koramangala region, with more than 80% of customers being in the age group of 20-29 & 30-39. In terms of sources of income, there was an equal share of customers who had a single source of income and dual source of income and owned cars like Maruti, Hyundai and Toyota. 34% of customers in this region already purchased jewellery from Tanishq either from the Koramangala- Sony Signal Showroom or had to go to areas like Dickenson Road & Jayanagar. The next 25% of customers bought from Bhima Gold, hence we can see in this region as well that Tanishq & Bhima Gold were the 2 major players.

When asked about location preference for the new showroom, 39% of the customers opted for the region next to Total Mall, Sarjapur hence supporting the study done in shopping malls, where Total Mall, Sarjapur seemed to be the location which had a similar customer base.

c) Basveshwanagar

Location: World of Titan & Titan Eye Plus Showrooms

No of customers surveyed: 26

Majority of the customers surveyed in Basveshwanagar showrooms were from Basveshwanagar, Kamakshipalya & Basveshwanagar II Stage. This region saw a shift in the age group as compared to Koramangala & HSR Layout, where the concentration was more on 30-39 & 40-49. Another major difference seen was that most married women were housewives so 73% of the married couples had only single source of income. 50% were Maruti customers and Malabar Gold & Diamonds had a strong foothold in the region, along with the next highest player being Bhima Gold.

When asked about location preference for the new showroom, a strong 65% of the customers opted for the region between Shankar Mutt & Pavitra Paradise.

d) Vijayanagar

Location: World of Titan & Titan Eye Plus Showrooms

No of customers surveyed: 22

55% of the customers surveyed in the Vijayanagar showrooms of Titan were from the Nagarbhavi area. 41% were in the age bracket of 40-49 which seemed a bit similar to the age profile of customers in the Basveshwanagar region. A strong 94% of married couples that were surveyed had only a single source of income where the men were owning a business and the women were housewives. Hyundai & Maruti dominated the customer preference for cars in this region and in terms of jewelers, Malabar Gold & Diamonds has a strong hold, but Bhima Gold & Tanishq have an equal set of customer base in this region.

When asked about location preference for the new showroom, a strong 68% of the customers opted for the area near World of Titan since parking in the other areas is a major problem.

Recommendations

Using customer base as reference, shopping malls near Tanishq Showrooms were identified. It was observed that Tanishq showrooms located near good quality shopping malls appear to be doing better than those Tanishq showrooms located near lower quality malls or no malls at all. Hence studied shopping malls in well performing showroom area of MG Road & Koramangala, in order to study the shopping malls in the proposed areas. Out of the 2 potential mall areas studied, the Total Mall on Sarjapur Road seemed to have a good potential.

Then customer survey of World of Titan & Titan Eye Plus customers revealed an understanding of the preferred locations for the new Tanishq Showroom. The customers of Koramangala preferred the area between Forum Mall & Passport Office, HSR Layout customers preferred the area near Total Mall-Sarjapur, Basveshwanagar customers preferred the road along Shankar Mutt and Pavitra Paradise and the Vijayanagar customers preferred the lane in which the World of Titan showroom exists.

While mapping the results from both the studies a conclusion was arrived at, that the location of Total Mall, Sarjapur which is within 5.6 km of the existing Tanishq showroom in Koramangala & area between Forum Mall & Passport Office and the Tanishq showroom of Koramangala would not be suitable since they are too close to each other. However the area between Shankar Mutt & Pavitra Paradise, Basveshwanagar seems apt since the nearest jewellers like Malabar Gold and Bhima Gold are in Rajajinagar and as per the survey nearly 50% buy from Bhima Gold & Malabar Gold & Diamonds, hence if Tanishq opens store in this region between Shankar Mutt & Pavitra Paradise they could have the first mover advantage in terms of the 1st branded jewellery store in the area.

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