

Odyssey in Calcutta: “A Mystery Unsolved”

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Abstract: Problem statement: Deccan Chronicle Holdings Limited (DCHL), the publishers of Deccan Chronicle in September 2005 approved the acquisition of south based retail chain Odyssey India Limited. Odyssey came with a Specialty Format, having introduced affluent product lines ranging from books to music, leisure, games and gifts. The success stories in all the 13 cities, mostly in the lush, sultry South, resulted in its rapid entry to the so called Culture Capital in July 2008. Odyssey launched one of the large format retail stores in South Calcutta with area coverage of nearly 30000 square feet. In its attempt to redefine leisure shopping experience for Calcutta’s people, they offered world-class ambience for undisturbed and relaxed shopping experiences. Within 10 months of its commencement, Odyssey closed down on 10th May 2009. **Approach:** The secondary data analysis had been done. The newspaper report, internet had been consulted to get the data. **Results:** A combination of expansion planned going wrong, high rentals and dipping spends made Mission Calcutta impossible for Odyssey. Within 10 months of its commencement, Odyssey closed down on 10th May 2009. What went wrong in such haste? **Conclusion/Recommendations:** Further research should be conducted based on the primary data. More conclusive results can be obtained if interviews of some employees of Odyssey Kolkata are conducted. Further a detailed questionnaire highlighting the attributes for estimating utility under conjoint analysis should be done.

Key words: Specialty retail formats, catchment area analysis, Gross Margin Return On Investment (GMROI), leisure shopping

INTRODUCTION

Odyssey, a leisure store chain was started in year 1995 with an area of 3500 square feet in Adyar located in southern suburb of Chennai. It has slowly expanded its operation in the south and many parts of central and eastern India. In September 2005, Deccan Chronicle Holdings Limited (DCHL), the publishers of Deccan Chronicle approved the acquisition of south based retail chain- Odyssey India Limited. The company at its incumbent was known as Heritage Books Private Limited and later changed to Odyssey India Private Limited. In 2003-2004 it became a public limited company. The product profile of the company ranges from books, music, movies, toys, stationery, gifts and cards. It is predominantly a book store giving the customers wide range on subjects from popular fiction, non-fiction, computing, health, management, travel, art and architecture and children’s books apart from others.

In children’s section there are a wide variety of fictions, fairy tales, work books and encyclopaedia.

The company has maintained a good mix of products to satisfy the customers’ requirements. They try to change themselves with the ever changing needs of the customers. When CDs splurged the music industry, the company shifted its product base from cassettes to CDs, stocking more CDs than cassettes. In the recent years the company has changed its store design concept to bring in a contemporary feel and enhance brand visibility. The sale of books accounted for nearly 40% of the company’s revenue. The rest comes from other segments like toys, music, movies and stationery. The company believes that their competitive strength lies in their strong position in the Indian retail market. Their uniqueness lies in their store design concept, strong experienced and professional managers, strong HR team, operational team and motivated work force and last but not the least the

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existence of strong cohesion and bonding among the employees.

Core competencies: By 2002, Odyssey established itself as the largest book retail chain in India, expanding its market to Hyderabad, Varnish and Trichy. What made it stand apart from the competitors was the quality of service delivered and the benchmark set in customer service. Ensuring user friendly designed stores with an aesthetic feel, adequate sitting area and enhanced browsing time resulted in properly benchmarking Odyssey from its competitors. It has created a children friendly environment with separate gifts and toys section, spacious reading sections for book lovers and listening post with sitting arrangements for music lovers. The new format includes Café Odyssey, a “slow food” theme restaurant catering to customer needs of relaxation with books and music, providing a holistic experience than, just the food. The seven core categories include books, music, toys, cards, gifts, stationary and multimedia. The business strategy includes high growth coupled with optimum planning and segmenting the consumer group into Section A and A+ based on the hierarchy of disposable income which has resulted in positioning themselves in the Up market locations of the cities. Over the years the company owns a considerable loyalty from the customers and also has built a strong relationship with some of the leading suppliers and manufacturers in each of the product categories. Odyssey’s internal resources include an experienced team of professionals who have strong footholds on analyzing market trends to conversions. Recruitment of these professionals is in accordance to their specialized areas in retail business which has resulted in developing a strong management team with a very low employee turnover.

Mapping of internal and external environment:

Internal environment: Product mix synergy which ensures meeting customer demand at regular intervals is one of the success stories of Odyssey. It is a joint responsibility of the merchandising team and the operation department which ensures satisfying the diversified and manifold demand of the customers. The mix is dependent on accurately predicting the demand, the class of the market and availability of retail space. Secondly, Odyssey’s product mix also comprises of international goods those base their products on trends, fashion and historical data. Moreover, the company is dependent on too many distributors and importers largely belonging to the unorganized sector for sourcing products from foreign publishers and foreign brands. Any mismatch on their part in product design would

affect sales volume and consequently revenue. Odyssey’s product line consists of lifestyle products which include watches, jewellery and perfumes mostly driven by current trends and novelty and these parameters cannot be quantified or benchmarked. Seasonality, shrinkage and shorter product life cycle are matters of concern. Consumer preference is susceptible to change with change in trend and service level expectation and any let down in forecasting would refer to huge inventory built-up and thereby higher markdown and thus lower margins in order to clear such inventory. Thus the success depends on ability to forecast, anticipate and respond to the changing consumer preferences with respect to time. The success is also dependent on adhering to the norms and principles mentioned in the Standard Operating Procedure (SOP) and optimizing the supply chain management principles which lead to availability of merchandise within stipulated time, lowering the lead time, logistics costs and regular shelf replenishment. Odyssey caters to the need of the higher income customer segment, retailing lifestyle products and leisure merchandise; any change in the economic scenario of the market would hit them hard because an economic downturn has adverse effect on disposable income and consequently consumers spending capacity. Moreover, the growing competition from domestic and international players adversely affects the growth opportunity in the coming years. The retail industry has the highest attrition rate, which is a challenge to Odyssey to retain their management team in such an economic scenario where other service providers are coming up. The business plan of opening up new stores and renovating the existing ones needs substantial capital and additional financing in the form of debt/equity to meet their requirement and together with this they also require regulatory approvals for their expansion plans.

External environment: Odyssey’s success will always depend upon the customer’s footfalls, choice of location of the store taking into account their segmentation of customers and positioning strategies. Factors like regional condition, social class and government regulation also comes as an important factor in consideration. It is possible that earthquakes, cyclones, floods and other natural disasters particularly those that directly affect the areas in which Odyssey’s outlets are located, could result in substantial damage on both operation and finance. Indian political scenario with a stable government and role of FII and the existence of global economic and political factors play a crucial role in shaping the external environment. These factors

include interest rates, rates of economic growth, fiscal and monetary policies, inflation, deflation, consumer credit availability, consumers debt level, tax rates, foreign currency fluctuations, unemployment trends, terrorists threats and activities, worldwide military and domestic disturbances, conflicts and other events that influence consumer confidence, spending and tourism. Retailers also have apprehensions of the co-existence of Value Added Tax (VAT) and Maximum Retail Price (MRP). Multiplicity of laws and regulation has impacted the growth of organized retail and regular agitation and violence by the unorganized sector of not allowing access to the organized sector only because they fear about their survival.

Employee management and leadership: Odyssey has professional managers who have a vast experience. They analyze the market trends properly and apply forecasting techniques to cope up with the ever changing needs of the customers. They design the stores to enhance customer satisfaction. The operations team which manages the stores has a clear understanding of the customers and they provide the right products at the right time yielding customer satisfaction. These practices have enhanced more walk-ins to the stores. The company policy attracts talent, nurtures them and gives them the scope of improvement. Proper training and potential appraisal is the key to success. The company has a very low turnover ratio which ensures stability. Odyssey believes in the customers' satisfaction. The employees are treated as internal customers. The employees believe that end customers' satisfaction can be achieved by satisfying the internal customers. The leadership is of democratic style where the employees' opinions are taken into account before implementing any policy. The hiring of employees is being done from reputed management institutes. The employees are being provided with good compensation packages. HR department works to create positive environment to enhance employee motivation. Employees are given proper recognition. The career path of the employees is clear to them. The company supports all employees to achieve new heights so that the employees as well as the company prosper simultaneously.

Retail scenario in Kolkata: "Kolkata has been very successful in franchising in the services sector but has been consistently gaining ground in apparel and food and beverages too. Franchising alone has seen a 30-35 per cent growth in the city last year" (Marya, 2009).

The overwhelming success of retail business pioneered by Mr. Kishore Biyani's Future Group in

Kolkata had led to a confidence building for rest of the organized players, resulting in a bullish outlook for places in Eastern India, particularly Kolkata. With the growth of retail chains like Pantaloons (departmental) and Big Bazaar (Hypermarket), Kolkata has begun to see movement in the retail market and may witness a welcome spurt in shop-stops in the next few years, provided franchisees get their brands and retail destination right. Organized players like Aditya Birla Retail Ltd., (ABRL) with their brand MORE, RPG with SPENCER and Reliance with their brand FRESH, have already penetrated the Kolkata market. The South City Project, the largest shopping mall in Eastern India has shown a revolutionary change making Kolkata a destination for organized retail. In terms of supply, two more new malls-Lake City Mall and City Centre II-are scheduled to arrive in the near future. This will be followed by Riverside Mall later on. With the advent of an economic slowdown there has been a major correction in the retail rentals which has approximately corrected 25% during the last few months; in fact the retail rental scenario is now almost stabilized. Slowly and steadily new brands are setting up stores in Kolkata; South Kolkata is the most preferred retail expansion destination at the moment. There has been a shift in consumer sentiment and the footfalls in retail joints have increased by at least 20-30% which in turn has increased their conversion ratios.

Books and music retailing: Reading habit is increasingly becoming popular with the spending on books increasing to a considerable extent. Organized book retailing is having 7% share while text and curriculum books have contributed nearly 50% of the total sales. This is being considered as emerging sector. Organized book retailing is a new Endeavour. The new age retailers are bringing in revolutionary change in book retailing in India. This segment is expected to grow at an annual rate of 15%. The new book retailers are changing the atmosphere of book retailing. They used to provide the customers with an "experience". Now the retailing infuses a sense of totality by keeping music, gifts and stationery along with the books. The modern book stores also have the café and ambience of true aesthetic sense. They always try to do something innovative to attract the customers. The large base of English speaking population in India has attributed to the impressive performance of the book stores. The event of interaction with the authors or favorite personality and café inside the book store has created immense interest among the readers to visit the book stores. The value added services like home delivery and online retailing are gaining popularity day by day. In the

earlier 90's the music market was dominated by movie and devotional music. After the advent of television non-film music channels, non-film videos created interest in the mind of the consumers. The digitization of the music tremendously affected the mind of the customers. With the advent of MP3 format the music industry is converting from analog form to digital.

MATERIALS AND METHODS

The research has been conducted on the basis of the secondary data. The data was available from the internet, different newspapers and from the annual report of the company. Further research should be conducted based on the primary data. More conclusive results can be obtained if interviews of some employees of Odyssey Kolkata are conducted. The interviews of the employees were not possible as all employees were transferred to different outlets across the country. Moreover a detailed questionnaire highlighting the attributes for estimating utility under conjoint analysis should be done. One need to estimate the level of correlation between the attributes to understand and identify the important factors associated.

RESULTS

Inception in Kolkata: After the success stories in all the 13 cities, mostly in the south India, Odyssey made its rapid entry in the culture capital in July 2008. Odyssey came with its 31st store on Prince Anwar Shah Road in south Kolkata. It came up with a 30,000 square feet store in the Merlin Residency II in Prince Anwar Shah Road. Books form the core segment of the three level store. The ground floor attracts the book worm people. Besides having the core titles including bestsellers, travel, history, art, Indian culture, self-development and management books, Odyssey has a wide range of vernacular works. In its attempt to redefine leisure shopping experience for Calcutta's people, they offered world-class ambience for undisturbed and relaxed shopping experiences. Also on the cards were plans to open two more stores in the culture capital- one at Gariahat and another at Central Avenue and ten more express formats in Kolkata.

“Died in its infancy”-Odyssey Kolkata disappoints: “It's rare to find a really good bookstore chain in the cities these days and it did not come as a shock to me but I felt cheated, I was deprived of a book store near my house” (Mabaker, 2009).

Incidents have shaken one's faith in Odyssey Kolkata at least when it got the news of closing down

of the book store on 10th May, 2009. Within just 10 months of its opening, the largest book retail store went from boom to bust. This resulted in the downfall of their 31st outlet. The mission of opening up two more stores-one at Gariahat and the second at CR Avenue and ten more express formats in Kolkata remained a dream which never came true.

What went wrong?

DISCUSSION

Odyssey came out with their first ever structure on Prince Anwar Shah Road in the Merlin Residency address. The most notable part of the story is that within a distance of 500 m on the same road, is located the Biggest Shopping Mall of Easter Indian-The South City Mall.

While analyzing the Catchment area analysis for both the structures, the result for Odyssey was quite surprising. Any retailer at the stage of pre-operation will opt for a Catchment analysis before opening a store at a particular location. A catchment analysis will give answers relating the size of the population, family size, education level, profile of customers, demand for categories, frequency of purchase, transportation facilities and matters relating to disposable income and its spending. On identifying the Primary Trading zone which consists of 50-80% of the consumers, Odyssey's results do not show a very good picture. Even though the trading area has a huge density of population, good family size, the standard of living and income earning capabilities of consumers in that trading area is substantially low for a leisure lifestyle retail to survive.

Moreover the South City Mall is placed at a premium location tabbing all possible high income and high middle class consumers in their trading area. If a comparative study is done with their education level, size of population, family size, disposal income and spending habits, the trading area of Odyssey will come always second in comparison to South City. Moreover the presence of the retail giants like Starmark and Music World in South City Mall has drained out more consumers from Odyssey. So as is evident, the mistake on locational strategy was one of the major reason for dipping sales and thereby profitability.

Moreover as the South City Project was coming up in Prince Anwar Shah Road, the land valuation in the near by areas have escalated almost thrice the rate. Areas like Jodhpur Park, Dhakuria, Jadavpur and Lake Gardens are among few where the rental costs are increasing with the passage of time. On being interviewed Sidharth Pansari of Crossword said definitely not in south Calcutta, reason being high

rentals. Odyssey came up with a three-level store with almost 30,000 square feet during that time of higher rentals, thereby escalating their investments and operational overheads. It has been argued that in Indian retail scenario, a specialty retailer like Odyssey has opened a store beyond their operational efficiency. In India, departmental or hyper retailers prefer to go for such big formats only because they carry a huge product line and depth far beyond to that of a specialty retailer. A very large independent store has to entail a huge amount of investment which seems great in the time of retail blues and pain during economic downturn. Thus when sales were dipping and rentals were high, it directly affected their bottom line; Gross Margin Return On Investment (GMROI) and Gross Margin Return On Floor space (GMROF) was showing alarming figures.

Odyssey caters to higher ends of the customer segment, retailing lifestyle products and leisure merchandise. Any change in the economic conditions of the market can affect their performance drastically just because consumers use more of their disposable income for spending in conducive economic scenario. Any change in the general economic conditions like a recession or a slow down, otherwise may result in a significant reduction in the disposable income and consequent consumer spending thereby adversely affecting the sales, financial condition and results of operations. Odyssey's sales declined during the peak season during December-January resulted in a steep decline in the Average Ticket Size. Restricted spending habits and curtailing marketing of Leisure products has resulted in a poor conversion ratio.

Statistics shows books sold in Kolkata is less than Chennai, Bangalore, Delhi and Mumbai. For the Starmark outlets majority of revenue comes from books, not music and films. If one compares it with Odyssey their product line includes books, music, cards, stationery, gifts, toys and multimedia and showcases exquisite brands. Presence of specialty retailers in Kolkata like Crosswords, Starmark and Fountainheads in book sector, (College Street being the major hub), Music World and Planet M in the music sector, Odyssey's positioning is highly confusing in nature. It seems that they are available in all segments without being specialized in any particular segment. That was a major reason why Odyssey enjoyed a variety of consumers who are more prone to window shopping and not regular readers. A customer quoted- "From the first day when I started visiting Odyssey I found out to my dismay that hardly there were book reading public. It may be very close to all those

moneyed people but it necessarily did not mean that they would purchase books" (Mabaker, 2009).

Another aspect which has to be taken into consideration is the decreasing rate of young reading population. With life becoming tough and fast, overall reading population is not increasing as it should be. Moreover presence of unorganized book sellers and pirated pavement sellers are few factors hindering growth of the Organized Book retailers.

CONCLUSION

Lastly, it seems that Odyssey Kolkata is but a stepchild of the larger all India Odyssey chain: the same standards of business practice and customer service do not apply at the Prince Anwar Shah Road store that apply to the other stores all over India. There have been numerous instances of poor customer services parameters with regular complaint from customers revealing the appalling state of customer service at the outlet and makes it clear that this store at least has not heard of the idea of earning goodwill. It is an internationally accepted rule of business that if customers are happy with you they keep coming back. If you don't treat customers well, no matter how great you are, they won't come back.

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