



Theme - II

Enterprise Flexibility

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MAPPING FLEXIBILITY IN CORPORATE STRATEGY: A WESTSIDE STORY

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ABSTRACT

Flexibility is an important concept when conducting business or managing distribution channels, particularly in retailing, especially in the current era when consumer demands are challenging and competition is tense. Flexibility in retailing is an emerging research domain. There is limited research into flexibility in the market orientation literature in retailing. This article, led through a case study of an Indian retailer, is intended to stimulate research activity to develop new knowledge on marketing and flexibility. This would create a positive-gain of developing and using resource and coordination flexibilities that create the strategic options and resulting strategic flexibilities that are most useful in managing the future uncertainties facing an organization.

Keywords: flexibility, retailing, competitiveness, segmentation, market clustering

Introduction

Flexibility has been variously defined in the management literatures (Sushil, 1997). In general terms it denotes the ability to respond and successively adapt to change as well as to inflict change in others. Authors have suggested that flexibility is closely associated with other terms such as elasticity, plasticity, agility and versatility. Flexibility also seems closely associated with the marketing concept, as flexibility is needed in marketing decision making and organizational responses, given rapidly changing customer needs and competitors' strategies.

In recent years, the rapid development of major new technologies, the increasing globalization of markets, the rise of organized retailing, and the appearance of new patterns of intense competition with the arrival of Walmart, Birlas, and Reliance on the retailing sector have created unprecedented levels of environmental change and uncertainty for Indian retailers of all types. As organized retailing try to prepare for futures with significant uncertainties, they are finding that many traditional management concepts that have helped to achieve organizational success in stable environments do not effectively prepare organizations for an increasingly dynamic and uncertain future. In the worst cases, following traditional management emphases on optimizing the efficiency of current processes may commit an organization to a narrow focus that severely limits its ability to respond to a changing environment. As an alternative approach to managing for an uncertain future, new management theory and practice have begun to focus on developing an organization's strategic flexibility to respond more readily to changing technological and market opportunities.

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The article begins by defining strategic flexibility as the condition of having strategic options that are created through the combined effects of an organization's coordination flexibility in acquiring and using flexible resources (Ron Sanchez, Joseph T. Mahoney, 1996).

Through a case study of Trent, the brand owning the "Westside," the article then characterizes the process of managing to prepare for the future as fundamentally an effort to identify and achieve the right "strategic balance" in building new organizational competences that create new strategic options and in leveraging current competences through the exercise of existing strategic options (Aime Heene, Ron Sanchez, 1997). Meeting this challenge requires Westside managers create a positive-gain of developing and using resource and coordination flexibilities that create the strategic options and resulting strategic flexibilities that are most useful in managing the future uncertainties facing an organization.

The Case Methodology Approach in Mapping Flexibility

Qualitative research has not been viewed as a rigorous alternative to established quantitative methods in marketing sciences. However, this article reports on the development of a successful, structured approach to using the case study methodology in mapping strategic flexibility of an Indian retailer. The aim is to present and justify guidelines for using the case study research methodology in the flexibility paradigm as applicable in retailing, and so it should interest industry practitioners and academicians in the emerging field of flexibility in Marketing. First, appropriate positions on a range of marketing paradigms and core issues of interest to Westside are established. Then implementations of the strategic and operational decisions are examined, including the adaptive processes involved in organizational transformation. Unusual but effective uses of theoretical replication to rigorously analyze case study data are illustrated from linkage of flexibility to the enterprise can significantly affect the competitiveness and efficiency of the business. Finally, the article establishes that it requires the alignment of the flexibility with the business strategies, as illustrated in the Westside case study, something that was not done successfully in the past with traditional approaches.

Achieving Strategic Flexibility: The Trent Way of Retailing

Established in 1998 as part of the TATA Group, Trent Ltd. operates Westside, one of India's largest and fastest growing chains of retail stores. The Westside stores have numerous departments to meet the varied shopping needs of customers. These include Menswear, Women's wear, Kid's wear, Footwear, Cosmetics, Perfumes and Handbags, Household Accessories, lingerie, and Gifts. The company has already established 24 Westside departmental stores (measuring 15,000 - 30,000 square feet each) in Mumbai, Bangalore, Hyderabad, Jaipur, Chennai, Pune, Delhi, Noida, Gurgaon, Ghaziabad, Kolkata, Nagpur, Indore and Ahmedabad. The company hopes to expand rapidly with similar format stores that offer a fine balance between style and price retailing.

Trent ventured into the hypermarket business in 2004 with Star India Bazaar, providing an ample assortment of products made available at the lowest prices, aptly exemplifying its 'Chota Budget, Lambi Shopping' motto. Star India Bazaar, presently has one 50,000 square feet store in Ahmedabad and plans to extend its presence across all major metros. This store offers customers an eclectic array of products that include staple foods, beverages, health and beauty products, vegetables, fruits, dairy products, consumer electronics and household items at the most affordable prices. Star India Bazaar also includes a large range of fashionable in-house garments for men, women and children, exclusively available at the store.

In addition, Trent recently acquired a 76% stake in Landmark, one of the largest books &

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music retail chains in the country. Landmark began operations in 1987 with its first store in Chennai with a floor space of 5500 sq. ft. At present Landmark have 7 stores, varying in size from 12,000 sq. ft. to 45,000 sq. ft, 3 in Chennai and 1 each in Bangalore, Gurgaon, Mumbai and Vadodara. Until 1996, Landmark’s product portfolio comprised books, stationery, greeting cards. It was later that music was added to it. Landmark also sparked the trend of stocking curios, toys, music, CDs and other gift items. What separates Landmark from other stores of its kind is the range and depth of its stock.

A new competitive landscape in retailing is emerging in India largely based on the technological revolution and increasing globalization (R. A. Bettis and M. A. Hitt, 1995). The strategic discontinuities encountered by firms are transforming the nature of competition (R. M. Kanter and P. Stonham, 1994). To navigate effectively in this new competitive landscape, to build and maintain competitive advantage, Trent requires a new type of organization. Success in the 21st century organization will depend first on building strategic flexibility. To develop strategic flexibility and competitive advantage requires exercising strategic leadership, building dynamic core competences, focusing and developing human capital, effectively using new manufacturing and information technologies, employing valuable strategies and implementing new organization structures and culture (T. A. Stewart, 1995). Thus, the new competitive landscape will require new look toward the organization for growth and market leadership.

The Westside Story

Tata’s acquired Littlewoods, a London based retail chain. This acquisition was followed by the establishment of Trent Ltd (a Tata enterprise that presently operates Westside). Littlewoods was subsequently renamed Westside.

In a rapidly evolving retail scenario, Westside has carved a niche for its brand of merchandise creating a loyal following. Currently, the company has 24 Westside stores measuring 15,000 - 30,000 square feet each across 15 cities in India.

With a variety of designs and styles, everything at Westside is exclusively designed and the merchandise ranges from stylized clothes, footwear and accessories for men, women and children to well-co-ordinated table linens, artifacts, home accessories and furnishings. Well-designed interiors, sprawling space, prime locations and coffee shops enhance the customers’ shopping experience.

Table 1: Flexibilities and Disadvantages of Westside Model

Flexibilities	Disadvantages
Full control over range, design, quality, and pricing of merchandise	Higher cost of Brand Building
Higher gross margins	Higher sourcing costs
Shift in customer preferences from brands to store labels. (International Experience)	Long haul business. Walk-ins difficult in the initial stages
Business Model more difficult to replicate	Constant need for innovation
Can differentiate on emotional/ relationship parameters rather than only on functional parameters	Need to reduce the perceived risk of customers when they buy your products – liberal exchange/refund policy

The Westside Model: The Flexibilities and Disadvantages of An 'own brand store'

Flexibility in the Organizational Structure

Westside has a flat organizational structure to allow it the flexibility of management and operations.



Figure 1: Westside Organizational Structure (Source: Marketing Department, Westside)

- The Vice President designation has been given to Head – Operations only.
- The Marketing and IT departments are headed by TAS officers currently.
- Each store has 40 or more employees including the front end sales executives, all of whom are permanent employees of Westside.

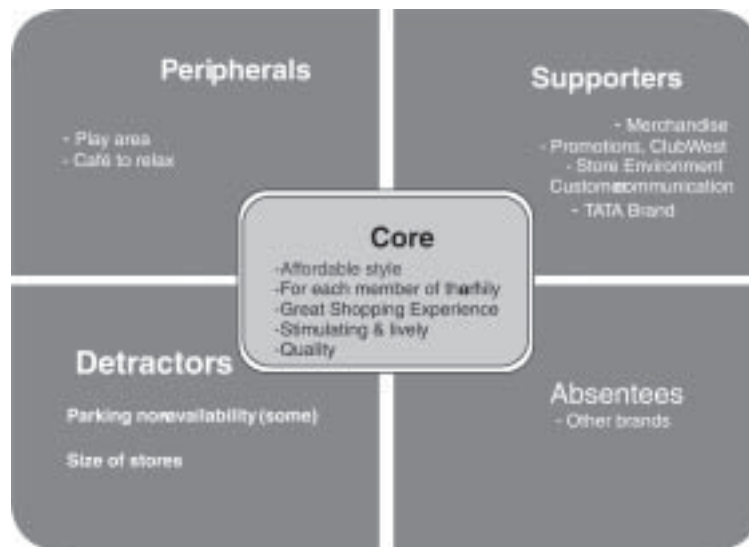


Figure 1: Westside Brand Architecture (Source: Marketing Department, Westside)

The parameters and their corresponding dimensions are briefly described below.

- Core identity: It's offering to the customers.
- Peripherals: What makes the customer spend more time at a store?
- Supporters: What helps Westside in getting more customers?
- Detractors: What prevents customers from entering a Westside store?
- Absentees: Competitive factors due to which a customer doesn't visit a Westside store

Mapping Flexibility in Corporate Strategy: A Westside Story

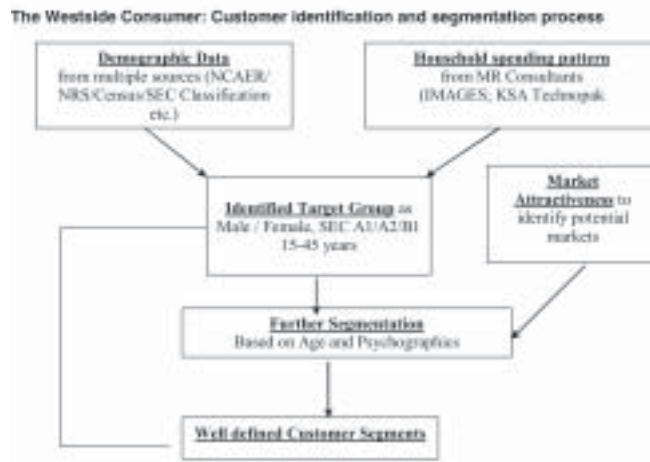


Figure 3: Segmentation Process at Westside

Based on the demographic data and the household spending patterns, Westside has identified the SEC A/B men and women as their target customers. These are the people who are in the age groups of 15 - 45 yrs.

These are then further segmented on the basis of age and psychographics, these smaller segments are address through a range of sub brands kept in the store. The segmentation study allows for considerable flexibility on the part of Westside to arrive at a well defined customer base.

Marketing Objectives

The Marketing Objectives of Westside are:

- Create awareness of merchandise range to drive footfalls to the stores
- Provide customer delight during the shopping experience
- Increase loyalty to ensure repeat business

Understanding Customer Needs and Expectations

Extensive research is carried out both formally and informally to understand the customer needs & expectations. The various methods employed for assessing the same are as follows:

- Wardrobe Audit
- Customer Satisfaction Survey
- Customer Feedback tracking systems
- Various qualitative researches
- Store Feedback
- Syndicated Studies

Market Clustering

This is an elaborate exercise undertaken by Westside to incorporate strategic flexibility in designing its marketing mix. Markets have been divided into 3 clusters on the basis of the following parameters:

- Exposure level
- Competition
- Propensity to spend
- Price sensitivity
- Lifestyle

Table 2: Marketing Clustering for Westside

<u>Cluster 1</u>	<u>Cluster 2</u>	<u>Cluster 3</u>
<ul style="list-style-type: none">• Mumbai• Delhi• Bangalore• Pune	<ul style="list-style-type: none">• Kolkata• Chennai• Ahmadabad• Hyderabad• Baroda	<ul style="list-style-type: none">• Nagpur• Indore
<ul style="list-style-type: none">• Style• Shopping Experience• Individualistic	<ul style="list-style-type: none">• Family• Value for money• Style	<ul style="list-style-type: none">• Value for money• Style

Space and Category Planning: Store Format, Size and Space Planning

Area

Westside is in the format of departmental stores. The store area varies between 15000 – 30000 sq feet. However there is a tolerance of 2000 sq feet depending on the city & the location. The Westside store, located at Infinity Mall, Lokhandwala in Mumbai is the largest store. Each store also has a small warehouse of about 1000 sq feet.

Location

Westside stores are located mostly as anchor properties in major malls. But in a few Tier 2 cities, it is present as a stand alone store. However, even within these cities, the standalone stores are present in major shopping areas so as to ensure high footfalls. Westside has now tied up with DLF Corporation in order to acquire real estate to take care of the shooting real estate prices & to counter the multi-format strategies of Reliance & Future Group in their own premises.

Site Analysis

The location for opening a store is evaluated on a no. of parameters such as:

- Catchment area
- Credit card penetration
- Vehicle density
- SEC profile of the people staying in the locality
- Concentration of other similar stores around that location

Space Allocation per Product Category

In Westside, the major product categories are Ladies Wear, Men's Wear, Kids Wear, and accessories like footwear, bags, jewellery, watches, cosmetics, perfumes and the home section. Of these, women's wear category occupies 60% of the store space. The margin varies from 60 – 100% across merchandise. Most of the apparel is private labels, whereas for the accessories, Westside rents out the space, under the condition of a minimum monthly turnover of Rs. 100,000 & margin of 36%. Anything, over this would fetch additional revenue of up to 30% of the sales value.

Inventory Turnover

The stock is replenished on a weekly basis.

The turnover time for the stock is around 3 weeks on an average.

Store Visual and Atmosphere

Exterior

The front face of the store always has the distinctive 'Westside' signage. There are also window displays of the latest fashion and merchandise. The huge glass windows allow a look into the store. There are separate entrance & exit. The baggage counter is located at the entrance itself.

General Interior

The interiors of the shop are not very opulent; it is comfortable, neat & clean. Westside being a highly cost conscious and lean organization, is not keen on spending much on interior decorations. Even during Diwali, Christmas or New Year, not much decoration is done inside the shop. Recently Westside has appointed professionals in each store for visual merchandising.

Store Layout & Design

The ladies wear is usually on the ground floor along with the accessory section as these are the major foot fall attractors. The men's & kid's wear are placed on the 1st floor. The ladies section is divided into western, casual, ethnic, nightwear & lingerie sections. Also within these sub-categories, the stock is assorted as trousers, tops, etc. The men's section is subdivided into formal, casual, ethnic & sports wear. The kids section is divided into boys & girls & based on age groups. The girls section occupies more space than the boys space. Apart from this, there are the trial rooms, special customer desks for the members of the loyalty programs and the cash counters.

The free space in the shop provides ample flexibility to conduct various promotional activities like the "Jungle Safari" in April/May 2007 and also for placing mannequins etc.

Store Economics

The stores have an average footfall of 1700 per day in weekdays which can go up to 2400 during weekends. During Diwali, there were 17 lakh footfalls across the stores. The footfall is measured by the security guard standing at the main entrance & also the axe spray device.

The conversion ratio is around 20-30%, with the average bill size of Rs 1000. Westside has more than 4 million ClubWest customers, out of which 70% is active. Each store has around 40 employees including the front end sales executives, all of whom are permanent employees of Westside. The average salary of the sales people is around Rs. 5000. They have to undergo a training program of 2-3 days before being put onto the job. This involves things

ranging from handling customer complaints, to grooming, to speaking politely etc. Each sales person is given 3 uniforms in a year. Around Rs 10,000 is spent behind every employee in a year terms of uniform, training & all other facilities. All stores are in rented or leased area, there by minimizing direct capital investment for the company.

Assortment Strategy

The assortment is divided into Women (60%), Men (20%), Children (10%) & Non Apparel (10%). Out of this, in women's wear, the focus is more towards ethnic wear. The party wear collection is very limited. Its assortment is almost same across stores across regions. Assortments are not customized based on regional tastes to cut down on the cost. The footwear and home section are the only two sections that are somewhat customized from store to store. These however are not necessarily present as a part of all the stores across the chain.

Supply Chain Management

- The apparel range is predominantly private labels. The assortment is sourced from suppliers in Kolkata, Delhi & Mumbai.
- The designing however is done in coordination with the Westside personnel. A lot of emphasis is placed on quality & a system of thorough checks is in place to ensure the consistency in quality of the products.
- The orders are placed 3 months in advance.
- Westside has central distribution system with common warehouses in Pune and Bangalore. The entire logistics and transportation is done through road.

Pricing Strategy

- Westside positions itself as a provider of good quality clothes at low price and their products are generally priced by about Rs 100-150 less than competition.
- Westside also believes in a no discount policy. The discounts given even during the festival seasons usually are in the range of 10 – 20%.
- It does not organize regular discount sales, except during Diwali, when it gives special offer e.g. like one Titan watch worth Rs 1000 for every purchase of Rs 2000. This scheme, organized during the last Diwali season was a huge success in the market. The Titan watches were procured at Rs 600. Although there was reduced margin (from original 60-150% on apparels), the huge volumes made up for the decrease in margin.

Merchandising Strategy

This is the most important part for retail and Westside has an independent department dedicated for this function. A lot of the Westside merchandise is inspired from the trends in the west. The Westside officials go abroad regularly, especially Barcelona, London and New York for the various designs & adapt the same as suited for the India market. To gain from economies of scale, they generally do not customize the merchandise based on regions. The same merchandise is available across stores. However the SKU weight may vary from store to store.

Growth Strategy and Flexibility

With the changing times, Westside is now trying to change its positioning to "Stylish and Fashionable" instead of "Stylish and Affordable." Westside would focus on providing fashionable

merchandize to its customers and develop efficiency in its supply chain to derive the maximum margin. There is an imminent need for more research on flexibility on brand positioning. The strength of a brand like "Westside" is presumably important for flexibility, because this seems to facilitate brand stretching, which may increase the capability for strategic flexibility. However, there may be some negative consequences of flexibility, such as potential negative effect on the consistency of brand positioning. Systematic research is required to help understand such issues in much more detail, and they deserve much more attention in the marketing literature, because of their importance to both marketing researchers and retailers alike.

Managerial Issues

The introduction of more flexible working time arrangements has become an important managerial objective in India. This is particularly the case in the retail services sector where management has sought to obtain greater freedom and flexibility to match staffing levels more closely to fluctuations in the volume of customer demand (Stephen J. Deery, Andrea Mahony, 1994). Such arrangements may not, however, be in accordance with employee preferences. Research on flexibility in retailing should also examine the issue of temporal flexibility by looking at the employment policies of a large retailing firm like Westside as well as the attitudes of its employees to the introduction of flexible working hours. Contradictions are identified in the company's labour utilization strategy, which have attendant costs for both the employees and the organization.

Conclusion

The strategic use of flexibility concept is now and has been a fundamental issue for every business. In essence, flexibility can alter the basic nature of an industry. The effective and efficient utilization of market information to be successful in the competitive marketplace (P. F. Drucker, 1992) requires the alignment of the flexibility with the business strategies, as illustrated in the Westside case study, something that was not done successfully in the past with traditional approaches. New methods and approaches are now available. This article takes a look at why it is required to harmonize marketing strategy, business strategy and flexibility. The objective is to build an organizational structure and set of business processes that reflect the interdependence of enterprise strategy and marketing capabilities. The attention paid to the linkage of flexibility to the enterprise can significantly affect the competitiveness and efficiency of the business. The essential issue is how flexibility can enable the achievement of competitiveness and strategic advantage for the enterprise.

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