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The MobileStore looks for profit this year

More than five years after it launched its first outlet, Essar Group's handset retail chain, The Mobile Store, expects to record operating profits in the current financial year.

Of late, the chain has expanded through shop-in-shops, franchisees and its e-commerce site, Chief Executive Officer Himanshu Chakrawarti told Business Standard.

Of its 1,200-odd outlets, the chain has, in the last two years, closed 300 stores that recorded losses. Recently, the chain had also shut its consumer durable chain The Electronic Store. "All loss-making stores have been shut to have sustainable business and provide profitability to shareholders. Now, nearly 90 per cent of our stores are profitable, while the rest are on track to becoming profitable," Chakrawarti said, adding, "We have grown six to seven per cent in 2011-12, despite closing 30 per cent of our stores. We expect growth of 30-35 per cent in 2012-13."

When it launched the venture in early 2007, 2,500 stores were scheduled to be opened by 2010. It had also set a revenue target of Rs 5,000 crore by 2010 and expected to break even within two to three years of launch.

However, like other retailers that rapidly opened stores earlier, it was forced to scale down operations.

Aditya Birla Retail, which also launched operations in 2006-07, had to shut 75 stores in 2009-10. The company recently shut 50 supermarkets to stem losses. According to sources in the company, the retailer needs at least two to three years to turn profitable.

Kishore Biyani's Future Group had also scaled down operations of Ezone, its consumer durables chain. The stores, earlier present in 18 cities, were later limited to only six major cities.

Chakrawarti said growth in smartphone sales had aided modern retailers such as The MobileStore. "While the overall mobile market has remained constant, smartphone sales have grown from 0.5 million a year ago to 1.7 million handsets," he said.

Annual mobile phone sales in India stand at about 13 million. While The MobileStore has a share of 33 per cent in total sales, BK Modi's Spice Hotspot and South-based Univercell have a share of 20-25 per cent each.

Naimish Dave, director at OC&C Strategy Consultants, said, "Since the category is very price-driven, it makes sense to rationalise stores, cut costs and focus on alternatives to push sales….Volumes give players better bargaining power with suppliers, but that is limited play. They have to watch out for costs."

Chakrawarti said The MobileStore had seen a 15 per cent rise in average selling prices after it introduced the equated monthly instalment (EMI) scheme in August 2011. The chain has tied up with banks such as State Bank of India and HDFC, waived processing fees and carried out a co-marketing exercise with brands to boost EMI-backed transactions.

It has also expanded through shop-in-shops, or small counters within large stores, of Raheja-owned Hypercity and is currently putting up such shops in Tata-owned Landmark, Future Group-partnered Staples and hypermarket chain Total, Chakrawarti said. “Shop-in-shops are profitable within the first month of their operations,” he added.

The company’s e-commerce site had also aided sales, and it was now supplying products to a number of other online companies, he added.

“We are as aggressive as earlier, but the model is different. Instead of doing everything ourselves, we have a de-risked and co-opted model," he said, adding, “We will open our own stores only in well-known locations in cities.”