

GIO Podcast Series: An Innovation Conversation with Sankalp Retail Value Stores

Transcript Title: Generating Buzz: Walking the fine line of viral marketing

Date: May 2007

Podcast Length: 9:42

Summary: Ajoy Krishnamurti, CEO of Sankalp RetailValue stores, the Indian franchisee of the California-based MyDollarStore chain talks about generating word of mouth buzz and how understanding one's market can help a niche' player survive and thrive in the marketplace.

Host: Dan Briody, Global Innovation Outlook, IBM



BRIODY: Hello, and welcome to the Global Innovation Outlook Podcast Series, where IBM demonstrates the innovative value of collaboration. My name is Dan Briody, and today I'll be speaking with Ajoy Krishnamurti, CEO of Sankalp RetailValue stores, the Indian franchisee of the California based MyDollarStore chain.

Ajoy's franchised 44 of the wildly popular stores, which only sell imported goods priced at or below 99 rupees -- or about two dollars. And he has plans to open as many as 400 more stores throughout India over the next three years.

We're going to be talking today about marketing and messaging -- a theme that has been pervasive throughout the Deep Dives on Media and Content. Ajoy, thank you for joining me today on this GIO podcast.

KRISHNAMURTI: A pleasure, Dan.

BRIODY: Now, Ajoy, you were a participant in the Mumbai Deep Dive on media and content, and during the day you and I had a chance to talk about your marketing strategy for the My Dollar Store chain in India. Can you tell me a little bit about your philosophy on that strategy?

KRISHNAMURTI: I say I think it's a philosophy that's sort of borne out of constraints. We sell imported products at 99 rupees; that's about a little more than two dollars. And everything that we import we end up paying duties and a whole lot of freight from the US to India and so on.

So we basically have very little margin to play around with. As a result, we don't have enough really to be able to market ourselves. So, we look at property locations where get a lot of traffic, and then we hope that word of mouth will kick in, and that's precisely what's been happening for us. We sort of have a retail concept that's driven almost entirely by word of mouth.

BRIODY: So many companies have tried to generate word of mouth campaigns and not been successful. What do you think it was about My Dollar Stores in India that made that campaign work?

KRISHNAMURTI: I again think maybe we're just being foolish, but when we started the first store, it was like a pilot project for us, and we had no clue what it would take to get it going.

So we opened our first store and then second and third, we opened three stores in three months. And then you sort of sat back and we said, let's see what the customer says about

GIO Podcast Series: An Innovation Conversation with Sankalp Retail Value Stores

us. I mean, we had no clue at that point of time of anything like viral marketing or the fact that we were going to sort of rely on word of mouth.

We just said, let's open the store, and let's see what customers say and do in the store. And one of the first things that we sort of noticed was that customers walked into the store, they look at the range of merchandise, and they said, "wow".

They said, are you going to be continuing to sell all this merchandise all the time, or are you just going to sort of do this for a couple of days and then sort of shut up shop?

And can you really afford to sell all this kind of products? They look at the range, and they took up the cell phone and they start talking to their uncles and aunts and brothers and sisters and said, look, there's a store like this, and this is the kind of product that's available, and we have Downy Fabric Softener, and we have Brawny Kitchen Towels and things like that that we're always looking for.

That somehow told us that there was enough of customer excitement, and that they will talk more on their own, and sort of evaluated the fact that we did not have to spend money on marketing and that we could let customers just talk about it.

GIO Podcast Series: An Innovation Conversation with Sankalp Retail Value Stores

We just had to make sure that the customers were actually happy with what they found, and it's something that we've found since the first three stores, we've opened another 42 stores since then, so we have a total of 45 stores now.

And you found it in store after store after store, we found exactly the same kind of excitement the first time the customer comes in and they start talking to others about it.

BRIODY: Now, we talked a little bit about that sometimes when you're relying on word of mouth to spread the message of your business, sometimes the wrong message can get spread around too. Can you talk a little bit about the experience that you've had recently in that realm?

KRISHNAMURTI: The products that we price at 99 rupees are actually significantly cheaper than they are on the market.

So what's happened is that customers have looked at us and said, are you sure the product is genuine? Are you sure the product is not life expired? I mean, that's when you're selling at 99 rupees.

And that has been for us a fairly tough thing to combat, because customers are looking at a good thing negatively. They just think that this kind of a price point is just not possible. And that is something that you have to try and

combat in some form or the other.

BRIODY: So how did you combat that, Ajoy?

KRISHNAMURTI: There are two things that we could have done. We realized that if we wanted to sort of advertise the fact that all the goods were fresh and that we were importing it from the vendors directly, the manufacturers directly in the US and so on and so forth.

They expect a retailer to say all those things, even if I was selling junk. So what we did was we said, the moment the customer walks in, I need to persuade the customer who's walked in that what I am selling is good stuff.

So what we are doing is that we have an absolutely unconditional guarantee. If the customer is not satisfied, he or she can walk in with a half empty jar of peanut butter, and take something else instead. There is absolutely no questions asked.

I mean, every product has our label so we recognize it, so we don't even ask for the cash memo if we know the product is ours. They just bring the product back and take something else instead.

We started putting a stamp on it, on the back of the cash memo saying, goods once sold will be taken back, because a

GIO Podcast Series: An Innovation Conversation with Sankalp Retail Value Stores

standard thing in India is goods once sold will not be taken back. So we said, let's do a flip on it. And we are hoping that that's what makes a difference.

BRIODY: So instead of pushing a message on to the consumer, you've essentially changed your service offering to the consumer and allowed that to take hold in the market.

KRISHNAMURTI: Yes, I think we have had to, because if you look at what's happening today, there are two realities. I think one is paid messaging. And I'm not so sure how many consumers believe that.

The second part of it is the unpaid messaging that's happening in terms of word of mouth and so many other things, whether it's e-mail that go around, whether it's the word of mouth that goes around, whether it's the stuff that you see on blogs and customer reviews.

You can't influence that. You can hope to do your best and make sure that the customers are happy and therefore they talk to other people about it.

BRIODY: Now, one theme that we've heard throughout the GIO on media and content is that consumers are craving authenticity these days. They want an authentic experience. They want real and honest products and goods and services. And they're tired of being marketed to.

GIO Podcast Series: An Innovation Conversation with Sankalp Retail Value Stores

It seems that MyDollarStore has been able to achieve that level of authenticity. Do you have any idea how you did it? Or did you stumble across it unknowingly?

KRISHNAMURTI: To be very honest I think we sort of stumbled across. The only thing that was there was that when we started the stores, the one thing that we were absolutely sure was that we were not going to short change customers. No matter what.

We were not going to sell product that was close to expiry, and even if we have products that are close to expiry, we're going to market them, you're going to tell customers that the products expires in a month, two months, whatever. And then let them take their own decisions.

So that's something that we sort of passed that message right down to every last person in all our 45 stores that we have now.

But other than that we just sort of stumbled upon the entire thing of messaging, like I said, we didn't start out with a preconceived notion of what we wanted to do in terms of messaging. It sort of grew that way.

BRIODY: Now, you attended a deep dive with the GIO that was on media and content, and at your Deep Dive there were a

GIO Podcast Series: An Innovation Conversation with Sankalp Retail Value Stores

lot of representatives from big media companies, television, broadcast, radio. Have you ever considered using the media to spread the message of MyDollarStore, either through advertising or public relations or any other kinds of efforts?

KRISHNAMURTI: We do use advertising once in a while. We have one little ad that goes out saying, MyDollarStore is now open at a place near you. But that's about it, because we can't afford to do anything more.

And it's not the kind of advertising that is able to keep, plugging away to get customers in or to be able to change customer mindsets.

As far as the PR part of it is concerned, we're not really used it very effectively in that sense, it sort of happened. We had a lot of press talking about us because we are a fairly innovative and different concept.

In fact, as a company we've by and large tried to keep a fairly low profile. But the press wanted to write about us because we are something that's truly different as far as the Indian retail area is concerned. In fact, we had a write up in the Wall Street Journal some time back, and a lot of people came back to us and said, how did you manage it? The reality, we didn't manage it; it happened.

GIO Podcast Series: An Innovation Conversation with Sankalp Retail Value Stores

BRIODY: So part of the authenticity is the fact that it really happened organically; it was not something that you pushed on the market.

KRISHNAMURTI: No, not at all. The only thing that was there was we had this concept and we somehow in our gut felt the concept was right for India. We got started and the rest of it happened. The messaging happened by itself. I don't think we really set out to send out a specific message.

BRIODY: Now, there are a couple of other companies that are planning to enter that market as well. And will probably provide some competition for you in the form of Wal-Mart, Tesco and Carrefour.

Do you think that when they enter the market with their mighty marketing budgets and they possibly start placing advertisements and other sort of marketing campaigns around India, will MyDollarStore have to go down that road in order to compete effectively with them?

KRISHNAMURTI: If I have to go down that road I don't believe I can compete, because our business model does not allow me today to advertise and spend marketing money to compete with them.

So I think there are two things. One is as a model we have,

GIO Podcast Series: An Innovation Conversation with Sankalp Retail Value Stores

different product and service as compared to a Tesco or Wal-Mart or a Carrefour. So that is one part of it.

The second part of it is somewhere I believe that there is nothing wrong with being a small guy, the consumer loves an underdog, as long as your product is right, they'll come to us. The only thing is we have to make sure that we are close by and we sort of fit into the overall convenience module, when a customer is out to shop at a Wal-Mart we need to be somewhere nearby so that he also drops in at our store on the way back.

BRIODY: Do you think that the consumer is savvy enough, is smart enough, to recognize MyDollarStore as an underdog and therefore want to purchase their goods there instead of the big American chain, for example?

KRISHNAMURTI: Let me put it this way. I don't think the consumer is going to look at it saying he's an underdog and therefore let me do something.

But fundamentally if we provide a good product at a good price and we are able to differentiate ourselves in terms of the product. I think the consumer will still come in.

Today we are situated next to Indian supermarkets and hypermarkets, and the consumer is still coming in. When Wal-Mart or Carrefour or Tesco come in tomorrow, I expect

GIO Podcast Series: An Innovation Conversation with Sankalp Retail Value Stores

the hyper market or supermarket to be better than what it is today... but not markedly different in terms of the kind of product, because they have to be mass merchants to succeed. I am a niche player. And by virtue of the kind of products that I sell I believe I'm differentiated already.

BRIODY: Ajoy, thanks so much for joining us on this Global Innovation Outlook podcast.

KRISHNAMURTI: Thanks Dan.

BRIODY: For more information on the Global Innovation Outlook, please visit www.ibm.com/gio.

[END OF SEGMENT]