Gupta, V, Levenburg, N, & Saran, P (2006) "Neeta Narula at Ebony Department Stores: Continuing Entrepreneurship in an Indian Family Business" Case 9.2, pp. 312-326, in Entrepreneurship Strategy: Changing Patterns in New Venture Creation, Growth, and Reinvention, Lisa K. Gundry & Jill Kickul, Sage Publications.

CASE 9.2 Neeta Narula and Ebony Department Stores: Continuing Entrepreneurship in an Indian Family Business

It was Monday morning, February 16, 2004, as Neeta Narula, the managing director of the Ebony retail chain, scanned the latest stack of reports on the stores' recent business performance (see Exhibit 1 and organization chart in Exhibit 2). The Darshan Singh (DS) Group, Ebony's parent company, had set 2003 as a year of consolidation. Opening only one new store (in Faridabad) and closing another in Chennai, the company operated eight Ebony stores—all in the northern region of India (see map in Exhibit 3). Ebony had concluded fiscal year 2003 with a 15 percent growth in revenue and positive profitability. H. S. Kohli, the CEO of Ebony, walked in, saying excitedly, "I believe these are harbingers that Ebony is on the right track. We should be well-poised to implement our growth plan to launch 20 new stores by the end of 2007."

Kohli laid out aggressive plans for Ebony's future national expansion. First, Kohli planned to strengthen Ebony's leadership position within Northern India by expanding into west Delhi, Gurgaon, Jaipur, Kanpur, Lucknow, Allahabad, Dehradun, and Varanasi. "We will also be evaluating new business models like joint ventures, franchisees, and mergers and acquisitions for a comprehensive regional presence" ("Ebony to Take," 2004). At an estimated cost of 1,500 million rupees,[3] the plan called for developing clusters of stores in both metropolitan areas and small (B-class) towns in south, central, and western India, with a focus on upgrading employees' skills and the retail infrastructure and standardizing processes. The new plan also called for 12 large-format stores, all situated in malls. Kohli observed, "Retailing is seeing a transition from high-street expansion to mall development. This is an encouraging trend as taking space in malls on lease would cost around one third of what we would pay in locations like Linking Road in Mumba" ("Ebony to Take," 2004).

Before assuming his present position as CEO in 2003, Kohli had been the chief operating officer of Ebony. He was very familiar with the retailing powerhouses—Shoppers' Stop, for example—that had mushroomed in large metropolitan areas, such as Delhi, Mumbai, Chennai, and Bangalore—the Category A markets. "I joined the Darshan Singh Group in 1980," Neeta remembered Kohli telling her, "and I have seen many changes in the retail landscape over the past 20 years. Probably the biggest changes occurred as a result of the economic reforms in 1991. Prior to then, retailing in India was largely unorganized . . . 12 million retail outlets—far more than in the United States—but nearly all of them were corner stores that were managed without any professional inputs.

"But," he had continued, "when the government eased the restrictions on the imports of branded as well as mass-produced international products into India, the large middle class began to adopt consumer-oriented values, seeking world-class shopping experiences. They wanted a wide range of merchandise, exclusive "shop-in-shop" (boutique) counters of international brands, and top customer service. This prompted a number of start-ups that used Western-style department store, supermarket, and discount store formats, including Ebony." Inspired by K. Raheja, the family group that pioneered the department store format in India with Shoppers' Stop, the DS Group opened its first Ebony store in South Extension, Delhi, in 1994.

Ebony was a brainchild of Harpinder Singh Narula—chairman of the DS Group and the younger son of the group's founder—Darshan Singh Narula. In 1996, Birinder Singh Narula—Neeta's husband and the son of Harpinder's elder brother—took the challenge of growing Ebony. She [Neeta] recalled Birinder telling her in 1996, "After learning the ropes of retailing in the UK, I noticed that we were doing things in a very disorganized way in our Indian operations. And, unfortunately, we were very complacent about it. We did not get into the IT [information technology] side at all . . . everything was done manually. The picture of what Ebony stores should look like, and how they could become a chain, started emerging in my mind." And Birinder had just decided to lead the group's operations overseas, and she was at the helm of Ebony as the managing director.

Neeta was 35 years old and a mother of two children—Birneet (11 years) and Anadita (5 years). She had told Kohli, "In ten years from now, I would like to see Ebony become a leading national retail chain with 10 billion rupees turnover." She had noted, "My strength lies in managing the core team of professionals." She also continued, "I strive to gain family satisfaction through right blending of professional commitments and family happiness."

Kohli recognized many Indian family business groups, such as the DS Group, were no longer fiefdoms. As second and later generations entered the family groups and sought new growth opportunities, well-educated, nonfamily members—professional managers—were often brought in to expand a company's skills and resources. "At first," Kohli had told her that he felt "the family was slow to accept me. But over time, I proved my loyalty and gained their confidence. I believe that is why Birinder appointed me as Ebony's CEO. I hope I can retain their confidence . . . but I do sometimes wonder if passing of senior leadership into the hands of someone who is not part of the Narula family will make a difference."

History of the DS Group

In 1947, at the time of India's independence and partition, Darshan Singh Narula and his family arrived in India as refugees from Pakistan. Settling in Delhi, Darshan Singh launched a construction company—DS Construction—building roads and other infrastructure projects through contracts from the defense forces. As the years passed, Darshan Singh expanded operations into Libya (1960s), with his younger son, Harpinder Singh, taking over the Libyan operations in 1975.

"But," Harpinder noted, "both construction and Libya were tough business domains. Since I didn't want to put all the eggs in the same basket, I decided to spread out and chart some new areas and frontiers. I moved to the UK and set up the group headquarters in London. We chose Great Britain simply because of our comfort with that place. It was—and still is—an international focal hub, and language is a great advantage that we have. Great Britain has a big Indian diaspora. So, we knew something about it." In 1994, DS Group founded the "Elegant English" chain of boutique hotels (www.eeh.co.uk) in central London through acquisitions, and it set bold plans for its growth.

"Overall," said Harpinder, "the international growth of DS Group was a slow and steady process, with the Narula family working on it in a very focused manner." Although he was only in his early 50s, Harpinder, as the group president, focused on setting the overall direction. Putting a great emphasis on building competencies for managing in diverse work cultures, Harpinder observed, "I am very adaptable. I am a bottom-line person. Currently, I work in four different business cultures—in Gulf countries, Britain, America, and India. I even change my accent accordingly."

Harpinder attributed his success to his ability to identify the right personnel and delegate work to them. He noted, "Most of the people who work with me have been home grown, and I can rely on them, which is why I can take five weeks off and not be worried about things going wrong." Yet, even while on vacations, Harpinder always carried his laptop and mobile phone with him to keep in touch with his business. He clarified, "I spend my time working on business strategies and so have to delegate work to others. Business is a passion for me, not a compulsion."

Harpinder was a father of three sons, all of whom were studying. He had told his three sons, "You will not inherit any wealth if you don't learn to earn." While giving a $2 million luxury yacht as a gift to his wife, Surina, Harpinder made sure that his sons always traveled in economy class. Harpinder explained his philosophy: "I never think of anything as a problem; there are always opportunities. Some you can cash in quickly, but others are latent. There is nothing like a problem . . . But I am a very sure-footed animal and hedge my bets. I delegate powers. I adopt a project, devote six or seven months to it, and then move on to the next. I don't borrow easily" (Mitra, 2000).

Ebony Department Store

"Despite these successes," continued Harpinder, "the biggest dream shared by all the members of the Narula family was to raise the profile of DS Group in India. We saw the Raheja family's success with Shopper's Stop and believed that we could do the same. Our families shared the same community (Rahejas), and like us, they also began in the construction business. So we opened Ebony, our first department store, in Delhi with over 20,000 square feet of shopping area. Our vision was to provide a truly international shopping experience to Indian customers . . . the store offered shoppers a wide range of products in a comfortable, luxurious ambiance. While Ebony generated positive cash flows in its very first year, it was not entirely profitable because the cash flows were not sufficient to cover the imputed rent of the land and building.

"Unfortunately," Harpinder continued, "my father, Darshan Singh, passed away in 1996. When Birinder learned of his death, he returned to India and decided to lead the Group's operations in India. Birinder told me that my father was very dear to him; in fact, that about three days prior to his demise, my father had asked Birinder to return to India . . . he said my father had a very strong wish for him to come back and meet him. And so, Birinder came home saying, 'Somewhere I felt that I just had to come back and start my journey again in India. India is where you belong, you are Indian yourselves, you also feel you must do something.'"

"At the time," continued Harpinder, "I considered joining the Group's newly developing diversification into the U.S., but then decided to instead focus on taking Ebony forward to actualize the family's big India dream. The more I thought about it, the more I was convinced about the immense potential for organized retailing in India. By late 1997, I drew up the business plan for Ebony's expansion and started studying the local market."

The Organized Retail Landscape in India

Even before the 1991 economic reforms, there were national factory outlets such as Raymond and localized chains such as Nalli's in Tamil Nadu, Nilgiri's and Spencer's in the south, Akbarally's in Mumbai, and Snowhite and Delhi Cloth Mills (DCM) in Delhi. Yet, it was only after 1991 that Western-style organized retailing, based on a professional service-oriented platform to provide a holistic shopping experience, became a reality. The liberalization eased the restrictions on imports of branded as well as mass-produced international products into India and inspired a number of start-ups using Western-style department store, supermarket, and discount store formats. However, many folded up even before they could be launched, many others struggled and exhausted their capital in search of a viable business model, and still others were still evolving.

Nevertheless, in the late 1990s, India's retail sector had an estimated value of 4,000 billion rupees. The sector was highly fragmented and unorganized, with nearly 12 million retail outlets. The organized sector was estimated to be worth anywhere between 50 billion and 200 billion rupees (Singh, 2000).

Most departmental stores were seeking to compete on a platform of "international shopping experience" that combined convenience, quality, variety, and price worthiness, making it a lifestyle statement. The stores targeted affluent consumers looking for a good time and indulged them with food and entertainment. They strived to enhance the "shopping experience through innovative retail formats, or by clubbing fun with shopping" ("The Great," 2004). Birinder, however, felt that, "With several big names racing to the modern retail market . . . a shakeout was bound to happen in the retail chain industry as well because a whole lot of players enter this field without doing the necessary background work."

NANZ—India's first supermarket chain based on the international model—was a case in point. Launched in 1994 with a high-profile campaign as India's first modern supermarket chain, NANZ was a joint venture of Goetze (India), NANZ (Germany), and Marsh (United States). NANZ incurred losses averaging 2 million rupees a year and was eventually forced to shut down operations in January 2001. India's leading retail consultant, KSA Technopack, concluded that NANZ reflected not a "consumer failure but a management failure . . . NANZ was doomed right from the beginning. There wasn't any business model in place, the promoters didn't work out capitalization properly and back-end operations were never strengthened" ("The Great," 2004).

Meanwhile, other modern retail outlets mushroomed in large metropolitan cities, particularly Delhi, Mumbai, Chennai, and Bangalore—Category A markets—where consumers were believed to be most open to the platforms of an international shopping experience. Offering a combination of fun and food with shopping, the branded one-stop shops were a novelty for the average Indian consumer. They were also perceived to offer higher price tags.

Ebony's Business Strategy: Charting a Distinctive Course

Given its enterprising culture, DS Group had its eyes on the emerging opportunities in North India. "North Indians are so different from South Indians," observed Harpinder. "A South Indian works within the given guidelines. He is content with his work and the money he gets. On the other hand, a North Indian is outgoing and enterprising. He cannot be restricted. He always looks for greener pastures. That is perhaps one reason why software and other multinationals head for South India" (Sandhu, 1999).

"Birinder, my nephew, developed DS Group's plan for Ebony as a modern department store in Delhi," continued Harpinder. "He was convinced about the immense potential for organized retailing in India. He planted the seed of the idea that we should grow this business. He felt strongly that this was a good line and should not be just one store, maybe because of his exposure abroad. The time Birinder spent in the UK, learning the ropes of retailing and working in stores to get a feel for both the front-end and back-end of operations, helped him to gain a better sense of the difference between the retailing in the UK and retailing in India. That is when he began to form ideas about how DS Group could further develop the Indian operations."

Birinder's plan, developed in 1998, called for Ebony to become a national level chain by the end of 2001 and a viable and acknowledged leader in the Indian retail market. The plan was based on three major elements: (1) value-driven proposition, (2) small town strategy, and (3) cluster format approach. However, the first step of the strategy was to revamp and modernize the systems based on information technology [IT]. Advanced IT tools facilitated better logistics and inventory management and generated lower operational costs. Birinder recalled, "I had already started building the team in 1997–1998 for putting in the IT side. The Delhi South Extension store started with a very basic fox-pro system in 1994. I forced them to move into a Windows system, though it required designing our own Windows platform system. Though our new system did not have all the features we desired, it gave us the information we needed. In fact, we were the first store to adopt the bar code system in North India. As I built the team, the inputs encouraged us to experiment a bit more. We put the first Sensormatic electronic article surveillance system in department stores in North. The expansion then started anew."

Value-Driven Brand Proposition

Despite rapid growth, a shopping mall culture was not very common in the Indian consumer market. Therefore, a core aspect of the strategy was to define Ebony as a "good-value-for-the-money" brand, with a scalable proposition. Unlike most other department stores, DS Group felt that it should not define Ebony's target customer to be a high-end consumer. Rather, Ebony should offer options for the middle class, particularly if it wanted to become a flagship brand for the DS Group's strategy in India. Consequently, the company decided that it would "provide customers [with] a fabulous shopping experience which is quality merchandise at a reasonable price, a comfortable luxurious ambience, backed by international service." Noting that it would be operating in a buyers' market in which customers were discerning and savvy, it vowed not to "showcase anything that carries an outlandish price tag" (Chakravarty, 2000).

Harpinder observed, "The strategy behind Ebony has been to provide quality goods for the price-conscious bourgeois class." He continued, "The new Indian wants the ambience, the location, and all the trimmings but does not want to pay a penny more." Ebony began importing a good portion of its merchandise on its own and later started an in-house line. "By importing the products ourselves, we have ruled out the payments made to middlemen, pricing our products at least 15 to 20 percent lower than normal rates." Another aspect of Ebony's strategy was Harpinder's belief that Indians do not shop for leisure. He felt that the concept of shopping being a family outing like going to the movies was an incorrect picture. Instead, he reflected, "the biggest commodity is time, and people here don't want to waste time while shopping" (Deshpande, 2000).

Small Town Strategy

Recognizing the crowding in the Category A markets, Birinder believed that the smaller so-called "B-towns," with populations ranging from 1 to 2 million people, were ready for the Ebony-type concept. While the affluent segment of customers in Delhi and other large metros had an option to experience international shopping by going abroad, the people in smaller towns, or mini-metros, had fewer opportunities to travel overseas and so would have a greater desire for international shopping experiences. Birinder had also found newly published information that discredited the assumption that the purchasing power of the B-class towns was low. In fact, Birinder learned that many industrial families and families with large agrarian holdings lived in these B-class towns and that they often traveled to larger cities, such as Delhi and Mumbai, just for shopping.

Moreover, DS Group felt that it already had some knowledge of the consumers from the smaller towns. Birinder reflected, "We have relatives in most of these places. We would sit down and talk with them for hours to find out what traffic was like coming into the stores, what the people were like, and what they thought about a concept like Ebony. Finally, there was the gut feeling . . . and we finally said we just have to do it."

DS Group estimated the target segment in B-class towns to be 20 to 25 percent of the total population, which it felt was sufficient to sustain a store. According to Birinder, these towns were evolving rapidly due to media exposure and the increase in disposable income, and people were willing to pay for the convenience, variety, and availability in the modern retail format. Moreover, there was little competition in B-class towns, so Birinder reasoned it could attain a first-to-market advantage. In addition, the low costs of real estate in these towns would lower the overhead.

Cluster Format Approach

To further ensure the viability of the small town strategy accessible to the middle class, DS Group devised a unique cluster format approach with each cluster covering a major metropolitan area, satellite towns (suburbs), and nearby B-class towns. Within each cluster, a flagship store would be launched with branches nearby, so as to achieve both wider coverage and economies of scale, with a common advertising strategy geared toward the region's unique characteristics. A single regional warehouse would manage the entire supply chain and logistics.

The company planned to invest 1,500 million rupees over a three-year period, from 1999 to 2001, for its expansion from one store (city) to 13 stores (cities), to achieve a sales base of 3,000 million rupees in 2002. Rather than leasing, it planned to purchase properties outright, using internally generated funds. Birinder elaborated, "In India, the retailing is not really of the three-figure markup yet, as seen in the UK. We have 25 to 35 percent margins, and if the biggest component—real estate—is going to make it unviable, then the business is a non-starter."

DS Group decided to put the cluster approach into action first in the national capital region in Northern India, starting with Delhi and Chandigarh, and extend into Ludhiana, Lucknow and Jaipur. Harpinder observed, "We want to shed the image of being focused on the northern part of the country." He added, "There will be no room left for the small general store or corner store, unless it is a boutique," and he expected DS Group to be "ahead to capture the retail market" (Vidyasagar, 1999). Therefore, after the Northern India cluster, DS Group planned to develop a Western India cluster, starting with Mumbai, Pune, Ahmedabad, and Indore. Eastern India was perceived to be least developed in terms of consumer attitudes toward modern retailing; here, DS Group expected to focus on metro Kolkata first. Finally, the company would seek to expand into Southern India, where many modern retail outlets were being set up building on the dynamism from the IT revolution.

Implementing the Plan

According to Birinder, implementing Ebony's plan proved to be quite challenging. The target customers had mistaken perceptions about the value because the other players in the department store segment were focused on premium foreign products and high-income customers. "While the small town customers were fascinated by the international shopping experience, they were intimidated by the modern looks of the store," said Birinder. "Also, the anticipated efficiencies from the cluster format strategy proved to be limited, as the company strived to be more flexible and adaptive to the local needs for being close to the customer in the small towns. Moreover, outside of the North India region, the company could not find a viable and cost-effective deal for launching its cluster flagship store."

Supply Chain Management

One of the rationales for the small town strategy was the potential synergy in marketing, sourcing, logistics, and inventory management arising out of the integration of the flagship store in a metro area with the smaller cities. DS Group, however, quickly realized that the differences in local needs limited the efficiency benefits of complete supply chain integration, and it therefore began emphasizing the lead-time benefits of separate warehouses and local shelf management, giving each store the flexibility to order replenishments, subject to a 12-week initial inventory. For instance, the company found that it "would not stock very many saris in a place like Ludhiana" (Bose, 2003), where the women preferred salwar suits, but would do so in Noida (Uttar Pradesh), bordering Delhi.

Real Estate Model

In smaller towns, DS Group adapted its retail outlet size, using smaller 10,000 to 15,000 square feet models, compared to 30,000 square feet models for the larger towns. Ebony achieved square feet sales of 5,000 rupees per year, which was less than the 8,000 rupees of Shopper's Stop but was still viable because the real estate costs in the smaller towns were less than half of that in the larger towns.

To execute its cluster format approach in North India, in 1998, DS Group acquired new land to build second and third Ebony stores in Chandigarh (May 1999) and Noida (August 1999), respectively. It aspired to build North India's largest shopping store at Chandigarh. However, Chandigarh was the home of the failed NANZ store, which became a negative factor for DS Group. Birinder noted, "The moment we gave the first ad, people said it would be just another NANZ. The core business people said that it's a wonderful concept for Delhi, but you should take another look at it for Chandigarh."

Managing Growth

After what was viewed as a successful launch in Chandigarh in October 2000, DS Group decided to open much larger stores in Ludhiana (Punjab) and Rajouri Garden (Delhi), in time for the local festive season at the start of the winter. Commenting on these new openings, Birinder remarked, "The first thing that strikes you when you go abroad is their large and grand department stores. This is what I have always wanted to establish in India. I am glad that I am well on my way to fulfilling my dream of setting up a chain of quality department stores in all major cities of India" (Prashar, 2000).

However, the property prices in most major cities of India had reached extremely high levels, and the company recognized a need for greater flexibility in its initial plan to consider only the outright purchase of properties. In October 2000, Harpinder noted that the company would consider the option of leasing the land as well. While expressing concern about the high rent in the retail chain industry, he indicated an interest in evolving innovative schemes like mini-malls with an anchor shop. In this scheme, Ebony, as the anchor shop, would rent more than 25 percent of space in the mini-mall, thereby securing concessions from the developer (Ghosh, 2000).

The opportunity to open the sixth store in Northern India cluster emerged in early 2001, when a client in Jalandhar (Punjab), attracted by Ebony's strong brand, expressed interest in bringing the store to his city, and offered his property for rent. The size of the property, at 10,000 square feet, was just right for the small city. However, DS Group found the location of the property to be only average, as it was far away from the central market.[4] The customer recognized the reluctance of DS Group and offered his property for a percentage share of revenues instead. DS Group agreed to this proposal because it minimized the overhead that would need to be covered. The store was launched and became profitable quite quickly, making "more profits than the Delhi stores" and at the same time allowing the "collaborator to earn more than he would get on a standard rent." Birinder observed that this performance was an eye opener for the company and underlined that Ebony had now created a niche as a "destination point" in the North.

On the whole, by early 2001, the company appeared to have perfected its strategic business model. Of the six Ebony stores, four had already broken even. The company reported a break-even time of between 12 and 18 months, or at least two seasons, with an investment of 80 to 100 million rupees in a standard 40,000 square-feet Ebony store in metro areas and a smaller investment in smaller towns.

At the same time, the company was finding it difficult to find viable deals for opening new stores. It had to back out of advanced negotiations for renting property in Kolkata to create a flagship store in the Eastern region. The ongoing negotiations for renting property in Mumbai for a flagship store in the Western region also failed. Given this turn of the events, the company decided to revise its strategic plan, and to first focus on South India. Birinder observed, "Our mind was focused on cluster management; we had wanted to build up a cluster North, and now we are trying to build South as a cluster. Mumbai (in Western India) had to be on our map, but we assessed which is the better cluster to go for. South had big metros as Chennai, but Cochins and Coimbatores also had large opportunities."

DS Group planned to invest 500 million rupees in six to ten stores in South India, across cities such as Chennai, Bangalore, Hyderabad, Kochi, and Coimbatore, by end 2002 ("Chennai To Be," 2001). Given the presence of a large number of modern retail outlets in South India, the region was increasingly being described as the "mecca of retailing." Birinder observed, "South India is far ahead in the retail formats and, importantly, the customer's acceptance of such formats. They just walk in very easily and are easy about it. They won't shy away as the customers do in the North, where we are still the fanciest thing in the region."

In October 2001, Ebony opened its flagship store in South India in Chennai (Tamil Nadu), along with an entire office "with buyers and category managers to oversee five to six stores." The Chennai store, spread across 40,000 square feet, was largest in the city, with six floors. To give a sense of being more than a complete department store, it adopted a shop-in-shop format and formed alliances with several leading companies. Some prominent alliances included Chennai-based appliance retailer Vivek's, which rented a space at Ebony for selling kitchen gadgets; Bata for selling footwear; Sify for offering an Internet café; Airtel for selling cellphones;

and Musicworld for selling music. Moreover, the space was also leased to Ebony's concept bookstore, Wordsworth, which formed an alliance with Qwiky's Coffee Pub for a browsing-and-coffee place in the store.

Yet, the awareness about the Ebony brand was very low in Chennai. In a prelaunch dipstick survey, only 3 percent of the target customers in Chennai were aware of Ebony retail brand. After the launch, 28 percent of the target market was found to be aware ("Ebony Scouting," 2002). The company faced a tough time in trying to create a loyal base of customers in a market already dominated by four big players—LifeStyle, Globus, Shoppers' Stop, and Westside—besides several smaller players. DS Group expected that it would take about two years to break even at the Chennai store. The average number of people visiting its Chennai store was only 1,000 on weekdays and 2,000 during the weekends.

Organizational Effectiveness

Until 2000 to 2001, Ebony generated positive cash flows overall, although these did not fully cover the cost of the property. However, by 2001 to 2002, Ebony had become a profitable business, with a profit of 10 million rupees on a sales base of 654 million rupees. Furthermore, by 2002, Ebony had emerged as the largest retail chain in Northern India. DS Group consolidated this position by opening its seventh Northern Indian store at Amritsar, the fourth in the state of Punjab, in October 2002. The eighth store was opened at Faridabad, the fourth in the national capital region, in January 2003. In total, the company had invested 450 million rupees in opening nine Ebony stores since its inception in 1994 (Bhushan, 2004), less than one third of the 1,500 million rupees it had planned to invest in 13 stores in 1998.

The year 2002 was a watershed in other ways as well. When the store in Amritsar was being built as part of a then under-construction mall, Birinder visited the place for a market survey. He "overheard a person saying that the Ebony Mall was coming up," although the mall was not named the Ebony Mall and Ebony was just one tenant. The incident at Amritsar indicated to Birinder that people of the town were proud that Ebony had arrived in their city. "Though [because of their lower incomes] they themselves may not even be consumers of Ebony, for them, it's a big thing as a status symbol of the city. Now those people could tell any visitor to their city that 'my B grade town has something international.'"

Birinder was proud that Ebony has begun making such an effect in small towns. He recalled that soon after Ebony got successfully established in Chandigarh, many other organized businesses, including Wills Sports, Reebok, and Nike, also entered the city. "This is wonderful because with our vision, we have that extra responsibility of creating something. For every new business, it becomes very easy because of prior acceptability of the concept."

Moving on to the Next Frontier

In January 2004, Birinder decided to shift his focus to Libya to oversee the DS Group's construction business, DS Constructions. The DS Group was expecting a surge in international competition in Libya because of the Libyan government's promise in December 2003 to dismantle its weapons of mass destruction and to end its support of terrorists.

Meanwhile, as of the end of 2003, less than one third of the funds that had been allocated for Ebony's start-up had been invested. Ebony was still a Northern India player, with presence only in national capital region and the state of Punjab. DS Group had set 2003 as a year of consolidation and opened only one store (in Faridabad in February 2003). As part of its consolidation strategy, in late 2003, the Chennai store was closed, leaving the company with only eight Ebony stores—all in the northern region.

Yet, Ebony had achieved a 15 percent overall revenue growth and positive profitability. While the retail business of Ebony was now consolidating, DS Group was eyeing other growth opportunities after enjoying a substantial jump in its worldwide revenues in 2003 to 2004. (See Exhibit 4.)

As Neeta reflected on Ebony's growth, she wondered how long it might be before the DS Group's vision for Ebony would be realized. Was DS Group's business model the right one to make Ebony a nationally successful and leading brand? Moreover, she wondered, how will she continue the tradition of successful entrepreneurship of DS Group, a tradition that started with Darshan Singh and has been continued by Harpinder Singh and her husband, Birinder Singh? What role might H. S. Kohli, a professional manager, be able to play in this regard? Would Kohli be committed to the highly conservative family philosophy of internally financed growth and close family control? And most significant, how would he perceive reporting to a woman managing director, who also happened to be much younger than him? (See Exhibit 5 for Neeta's personality profile.)

SOURCE: This case was written by Vipin Gupta, Simmons College; Nancy Levenburg, Grand Valley State University; and Pankaj Saran, EMPI Business School, Delhi. Used with permission.

Exhibit 1 Actual Versus Target Revenues

Year	*Actual Revenues*	*Target Revenues (Jan. 2001)*
2001–2002	Rs. 654 m	Rs. 1,000 m
2002–2003	Rs. 698 m	Rs. 2,000 m
2003–2004	Rs. 812 m	Rs. 3,000 m
2007–2008	N/A	Rs. 5,000 m

SOURCE: Company records.

Exhibit 2 Evolution of Ebony's Organization Chart

Organization Chart, February 2002

Harpinder Singh Narula (DS Group Chairman)

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Birinder Singh Narula (Managing Director and CEO – Ebony)

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HS Kohli (COO - Ebony)

↓

Organization Chart, February 2003

Harpinder Singh Narula (DS Group Chairman)

↓

Birinder Singh Narula (Managing Director – Ebony)

↓

HS Kohli (CEO – Ebony)

↓

Rakesh Malhotra (COO – Ebony)

Organization Chart, February 2004

Harpinder Singh Narula (DS Group Chairman)

↓

Neeta Narula (Managing Director – Ebony)

↓

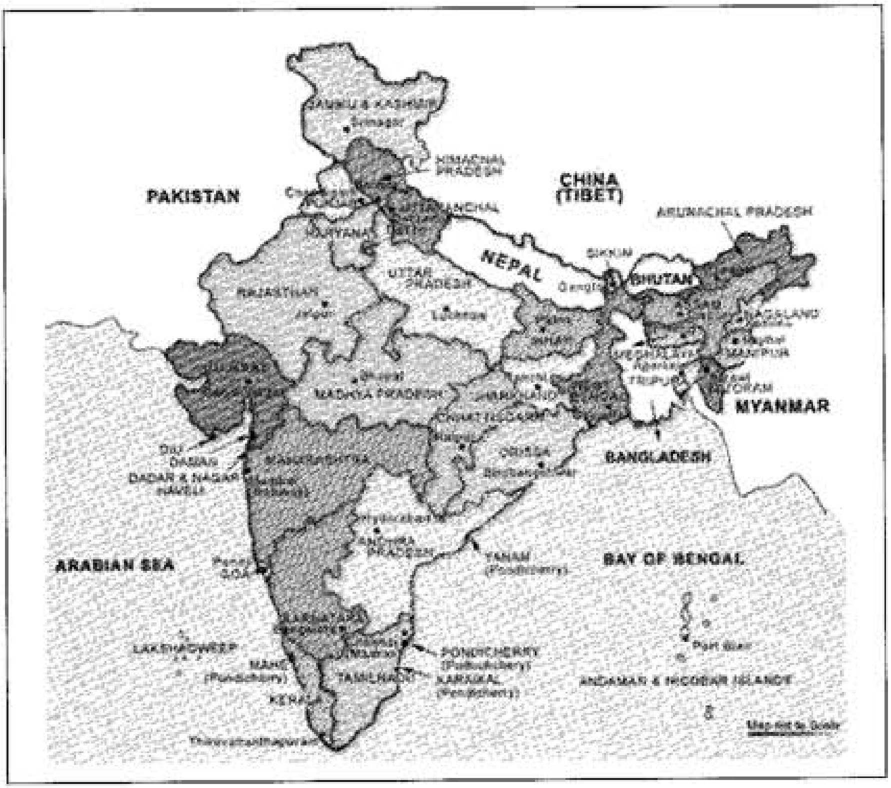
HS Kohli (CEO – Ebony)

↓

Rakesh Malhotra (COO – Ebony)

SOURCE: Company records.

Exhibit 3 Map of India (States and Their Capitals)



States and Cities Mentioned in the Case

Northern India *Punjab:* Chandigarh, Jalandhar, Ludhiana, Amritsar *Uttar Pradesh:* Noida, Kanpur, Lucknow, Varanasi, Allahabad *Uttaranchal:* Dehradun *Haryana:* Gurgaon, Faridabad *Rajasthan:* Jaipur *Delhi*	*Western India* *Maharashtra:* Mumbai (Bombay), Pune *Gujarat:* Ahmedabad *Madhya Pradesh:* Indore
Southern India *Tamil Nadu:* Chennai (Madras) *Kerala:* Kochi, Coimbatore *Karnataka:* Bangalore	*Eastern India* *West Bengal:* Kolkata (Calcutta)

Exhibit 4 Revenues of the DS Group and Ebony Retail Holdings, 1999–2004

Fiscal (Apr–Mar)	*DS Group*	*Ebony Retail Holdings*
1999–2000	Rs. 15.1 b	Rs. 220 m
2000–2001	Rs. 17.1 b	Rs. 560 m
2001–2002	Rs. 19.1 b	Rs. 654 m
2002–2003	Rs. 21.8 b	Rs. 698 m
2003–2004	Rs. 27.5 b	Rs. 812 m

SOURCE: Media releases.

Exhibit 5 Neeta Narula's Personality Profile

People I admire most:

	Indian	*Foreigner*
Style Icon	Amitabh Bachchan	Tom Cruise
Business Person	Kumarmanglam Birla	Bill Gates
Person living full life	DS Narula	Madonna

My favorites:

Hobbies: Designing, cooking, traveling, listening to music

Pastime: Interior designing

Sport: Tennis

Holiday destination in India: Goa

Holiday destination abroad: Paris

SOURCE: Images Retail. (2004, April). "Neeta Narula—CEO Interviews."

Notes

1. Dundon, E., & Pattakos, A. (2003). Seeds of Innovation. *Insights Journal* 1:91. Used with permission.

2. Quoted in Gary Rivlin, "Does the Kid Stay in the Picture?" *The New York Times*, February 22, 2005, New York edition, p. G1.

3. 1US$ was approximately equal to 45 rupees during the early 2000s.

4. Less than 1 percent of the population owned an automobile; therefore, lacking an efficient connection through public transport system, a rapid growth of suburban shopping centers was not possible.

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