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INDIAN RETAIL – THE BILLION DOLLAR BABY

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ABSTRACT

Nothing can be more interesting that a billion+ individuals contributing around \$700b to \$750b (FY15) retail market with an envisaged growth of around 13-16% relying on which investigative report one is reading. A market share of merely 8% to 10% by the organized segment and a 200 million+ urban buyers have attracted huge firms on both sides of the Atlantic, Pacific and Indian oceans. Additionally, e-Commerce (B2C, C2C) revenues have been rising at an astonishing rate of ~50% on an annual basis with ~\$10b (2011).

Hence, the Indian retailing scenario is extremely attractive from the perspective of both – the customers and the marketers'. The Indian client has several options to select from and has to handle merely one issue which is the issue of several options! Considering the perspective of the marketers', the retail segment is a war of all kinds, where the choice of the customers decides the destiny of the brand. Considering the appeal of the Indian client, the change in the retail segment is going to persist. The current study tried to identify crucial trends that may describe the Indian retail segment in the coming few months.

1. Trend Watch 2016

1.1 Fashion and Apparel Retail

The Indian youth especially seems to prefer placing orders with online stores. Additionally, the need for purchasing overseas brands is becoming increasingly popular. Thus, physical clothes and fashion

retailers would have to handle with competition at two varied levels – one being the persistent emergence of overseas labels in the Indian fashion landscape and next the emerging e-commerce space. The costing for regular clothes and unique wear in instant of event-wear will evolve as a crucial segregator in this segment. Hence,

the next year may see majority of fashion and clothes retailers jump into the multi-channel domain (web and mobile spaces) to draw the attention of their intended buyers. ***Competition from global brands and e-commerce would enhance indicating enhanced momentum on marketing on varied channels.***

Retailers would be driven to start exclusive showroom driven by the revenues and support experienced by in-house fashion and clothes brands. These shops would have small formats with emphasis on more variety and enhanced space productivity. Retailers would try to gain celebrity support and in-movie/event placements for enhanced visibility and mileage for the in-house fashion brands. Licensed brands especially in kids segment that would be based on the cartoons, animated characters and Bollywood and star cricketers would find favour with retail chains. This would also encompass proprietary content from domestic and global manufacturing firms. ***The season would be driven by the magic of movies and animated cartoons motivating children and impacting purchasing would lead to an enhanced Brand Licensing in kids' segment.***

1.2 Jewellery Retailing

The consumption pattern of the Indian jewellery market has seen a large transition in context of its consumption pattern. Conventionally, in India, jewellery has been

regarded to be a product for investment. The altering demographics have now resulted jewellery to be considered a sign for enhanced mobility in the community and a status of way of living. Hence, what you purchase is as crucial as from where it is purchased. Thus, destination retailers whose emphasis is on exclusive jewellery brands would appear attractive especially for customers residing in 1 and tier 2 cities. Hence, ***jewellery for pleasure instead of a piece of investment would become significant motivating retailers to invest in luxury and expensive lifestyle ecosystems.***

Indian shoppers would pursue their need for distinct jewellery pieces; on the other hand time and limited disposable income limits their capability to wait for that exclusive piece to be produced. Thus, emphasis will shift to pieces that are attractive, though lower in gold weight. In this reference, envisaging a demand pattern, handling inventory successfully and visual merchandising for improving the display in the stores would seek enhanced focus between retailers of exclusive jewellery. ***The emphasis will change from tailor-made jewellery to designer finished fashion goods in addition to visual merchandising and handling of inventory would attain novel significance between jewellery retailers to enhance competitive ability over others.***

Indian buyers have not traditionally preferred purchasing precious jewellery in retail shops that also have other segments of goods. They

prefer uniqueness in the shops, goods and services when one discusses purchasing of expensive jewellery. In this reference, expensive metals and diamond brands now opt for reduced shelf space in shops selling fashion and clothes. Costume jewellery which can act as accessories, on the other hand, would become more popular in the stores selling fashion and clothes. Consequently, *exclusive jewellery retailing would reduce in the shelves of fashion and clothes retailers while costume jewellery with semi-precious metals and gems would become popular in clothes selling fashion and clothes.*

Men influence choice of retail destinations for jewellery

Retailers featuring hedonic products of consumption for men will help differentiate retailing destinations.

In India, the decision made by men is crucial when ladies purchase precious gems and jewellery. The change in the story would be men favouring retail outlets that also have a men's collection. Retail shops that provide gem-studded gadgets, precious metal watches and accessories for men would become popular as luxury retailing destinations.

Mid-bracket access jewellery brands gain momentum

Retailers focus on depth and width of assortment to clock in both the indulgent and aspiring shopper.

Conventionally the emphasis on Indian jewellery retailing has been on the jewellery weight bought as a marker, while the present day client emphasises on the number of varied pieces of jewellery he/she owns rather than its weight. Thus, the emphasis is on more recurrent buying of low weight pieces. In this principle, there is a lot of range for retail jewellery brands to start with access brands, These mid-bracket access brands work since it satisfies both – the pleasure-seeking shopper who desires to augment an additional piece of jewellery to the wardrobe and those people who desire to own precious gold and diamond jewellery, which for long they could not possess from long.

Online shopping will continue to increase in this category.

Try before you buy assurance on quality and buy back add to consumers' confidence in jewellery e-tailing.

India will continue to show a rising interest in online jewellery portals. The astute youngsters would be attracted to online jewellery portals due to exciting designs, reduced base price points, options of selecting amongst 14 - , 18 – and 22-carat gold in addition to a variety of diamond jewellery. Furthermore, the option to try the jewellery before purchasing it in addition to the assurance on quality and buy back in the time to come appears to enhance the interest in this setup of purchasing.

1.3 Consumer Durables and kitchen appliances

Brick n Mortar retailers' will embrace hybrid multichannel existence to serve the market

Consumer durable retailers will attempt to increase their relevance with respect to their target audience.

As online purchasing is gaining popularity between Indian shoppers, physical shops are trying to ensure that they provide shoppers the option to buy consumer durables and kitchen appliances online effortlessly online. There would be more and more retail firms developing an online presence.

Online shopping will continue to increase in this category.

Significant price discounts from e-tailers coupled with manufacturers' guarantees will help drive this trend.

Indians are very mindful when it comes to price of a product and online retailers provide competitive costs which is advantageous for the e-tailing in consumer durable segment. The demand is further enhanced due to options such as cash on delivery and manufacturers' warranty.

Retailers' initiative in creation of secondary markets will drive consumption in primary markets

Both of online and offline secondary markets will gain momentum.

Indian consumers tend to buy consumer durables and kitchen appliances chiefly based on a requirement which is indicated by the low-churn pattern. Maybe a method to enhance the consumption of this segment of goods is by developing secondary markets in which second hand products that work perfectly can be sold and purchased. In this manner, consumers would be mentally and physically ready to purchase more durables in shorter time-frames. Producers and retail chain in tandem, would have to develop such platforms for secondary markets both at online and offline modes to enhance primary sales. The first step in that direction is the offer to exchange any product and buy other products.

Retailers' service commitment will act as a differentiator when it comes to store patronage.

Exclusive

showrooms will give room to multi-brand outlets with service capabilities.

The retailers in this domain cannot be differentiated between thanks to the immense competition and economical costs of the products between the retail chains. Maybe, the retailers' ability to provide a seamless service network would have a huge impact on buyers to re-visit the same chain on a regular basis.

1.4 Speciality Retail

Speciality Retail will be most influenced by e-tailing

Retailers need to look for out of the box engagement ideas to ensure footfalls and conversions

According to the researchers, speciality retail encompassing books, gifts and stationary, eye wear and time wear is likely to become electronic in tier 2 and tier 3 cities. There would be a growth on electronic versions of goods for both individual use and also gifting purposes; these would comprise but not be restricted to e-books, e-vouchers, e-coupons, etc. Services pertaining to corporate and even dependent gift management which are personalised and distinctly provided shall experience a spurt and this segment shall see the emergence of new service vendors.

1.5 QSR based retail formats

Cross branding and price wars will Franchising will be the name of the game

With Inflation prone inputs and Greater penetration in tier 2 and tier 3 cities, price prone customers QSRs should focus on synergy and value.

There will be a rapid rise in the Quick service restaurant (QSR) dependent retail formats particularly in the tier 2 and tier 3 nations. The sole manner for national brands to do likewise would be by employing a demanding franchisee development prototype. There would be additional interest in focusing on private brands (branded cookies, coffee powder and the like)

as these appear to be successful impulse

Indians find international foods cool, but desi khaana hot

Indianising international foods as well as standardising Indian street foods will both find takers.

purchase goods.

Presently the Indian client can easily enjoy both a *sabudana wada* and a Sub. QSRs having the ability to standardise Indian street food even at higher prices would be favoured by consumers who consider hygiene to be crucial. Simultaneously, looking at the proliferation of global cuisines into the Indian palettes, only those that actually pay heed to the Indian taste buds are likely to succeed.

This domain shall witness a war in terms of costs On the other hand, to sustain and develop, QSRs require emphasising on offering evident worth to the consumers, resulting in commitment by the consumers. This evidently is more pertinent since majority of the inputs of QSRs are inflationary in character and the typical Indian client is not really loyal in context of QSR. Furthermore, to earn revenues, QSRs need to implement synergistic business prototypes which consequently would result in the important emergence of cross branding.

1.6 Personal computing and electronics

Devices based on non-conventional energy sources and hybrid formats will emerge

Multi-brand retailers need to create touch points that translate these attributes into enhanced customer experiences.

New involvement experiences are needed with new equipment. With the increase of high power devices and bigger screens, energy management is going to be a crucial issue and customers using mobile phones would be drawn to portable mobile power kits particularly those that rely on solar energy.

The purchase choices for consumer durables appear to be dominated by online

E-tailing will continue to increase

Service quotient may be the only differentiator of brick and mortar stores.

reviews and contrasting of characteristics. Additionally, hard-hitting costing, e-tailers also rank on the facet of assisting direct contrast of characteristics especially for smart phones. A big facilitator would be video which would also act as a differentiator to provide tailor-made reviews and characteristics to the buyers.

The focus on service quotient may be the only method to pull and retain these value shoppers at the actual retail shops.

Lifestyle based branding and access brands will both continue in this category

Digital retailers, a category committed to retailing mobile devices will increase in number.

Manufacturers are forced to adopt a way of living dependent brands for their products thanks to positive demographics, rising interest in technology driven devices. Researchers also envisage digital retailers solely handling phones and other mobile devices setting up premises that are dedicated for themselves by isolating themselves from multi-brand consumer durable chains. At the same times brands at affordable cost points would persist permeating the mix in the market between the big segments of aspirers. Bearing in mind the degree of technological obsolescence, secondary markets would rise in this segment.

2. Talent Management as a key challenge

It is envisaged that presently more than 10m individuals are employed in the Indian organized retail segment and anticipated that that this demand shall touch 70m by 2018. One individual is employed for every 200-300 sq feet depending on the size and format of the retail shops. This proportion changes in

speciality shops where the need is for additional skilled manpower.

75% to 80% of these assets need to focus on Store functions and 80% of this man power is anticipated to be at least Diploma holders or have at least be educated till Class XII or lesser. Retail enterprises require focusing on large scale talent management actions or associating with learning and development firms to back them in this sector. Many policies need to be employed including platform based learning and certifications, merging positive actions programs with huge scale skill advancement, collaborating with state and central organizations on National and sectoral skill advancement initiatives.

The main issues that the India retail segment faces is the skill to interact in the domestic language, skill to manage the product and its aspects, the skills to sell new goods, client communication management abilities. It is envisaged that large skill development entities would be formed whose focus shall be across India compared to service providers who emphasize on specific regions.

Summary

1. The main motivator shall be the rising market access.
 - a. Overseas retail chains shall carefully read the fine print of FDI in the retail segment prior to making a huge leap..
 - b. Majority of the retail brands will opt for an omnichannel approach, by enhancing their

online stores and providing better online experience.

2. Retail brands will continue to emphasise on the middle of the pyramid consumers.
 - a. Access brands would become more popular across all retail segments.
 - b. There would be a rise in the focus on private brands as ones that can earn more revenue maybe even in total store structures.
 - c. There will be a rise in the personalised marketing market.
3. The main differentiator shall be customer experience management.
 - a. Tier 2 and Tier 3 cities shall see a rise in the cash and carry format.
 - b. There will be a rise in the retail service firms; these would also encompass consultants in Visual Merchandising, consultants who recruit manpower, IT, supply chain and those who provide logistics services, retail audit firms and also E-waste management firms.
 - c. Apart from reducing outlays and enhancing shopper involvement through new methods, loyalty management would fine emphasis in the current year, since retail firms would not be able to give up on their prized customers.
 - d. Big retail firms may espouse mobile based quick checkout choices to lower the billing and check out time.

4. Majority of successful firms would have enhanced or collaborated with talent management bodies. There would be immense demand for talent as attrition linked outlays and personnel contentment risks may increase.
 - a. There shall be a rise in platform dependent training and certification.
 - b. Tier2/3 cities shall prefer merging positive activities and implementation of skill development initiatives.

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