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FICCI

EVOLVE for consumer

October 2019

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Foreword Deloitte

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The FMCG companies and retailers in India are evolving at a rapid pace and facing major disruption in various parts of the value chain. Innovative solutions, technologically advanced start-ups, hi-tech processes, modernisation and digitisation of back-end operations, tech-savvy consumers, and a growing internet and smartphone penetration are few major factors causing this disruption. Along with these, India's macroeconomic factors and favourable demographics are fuelling the growth.

The supply and demand factors are expected to further accelerate the change of growth in the consumer and retail sectors. In addition, the government is also providing strong impetus to make the business environment more conducive for companies operating in this space through developments in infrastructure (electricity, transportation, digitisation of processes and economy, skill enhancement, Foreign Direct Investment [FDI] regulations, etc.), which is facilitating growth.

It is against this backdrop that the Deloitte-FICCI report 'EVOLVE for Consumer' is developed, which looks at how the Indian consumer/shopper is evolving, how the shopper journey is changing today, and how the key decisions of the shopper (the What, When, Where, Why, Who, and the How) are evolving. These changes are driven by the rapid development of the retail environment from offline to online to omnichannel and thus, both the shoppers and channels are progressing independently and together, riding on the technology wave. In this process, it has become critical for brands to be highly adaptive to cater to these changes, and keep abreast with the rapid evolution of trends and best practices in India and globally to be able to alter their strategies and meet the consumers'/shoppers' expectations.

Foreword FICCI

Dilip Chenoy
Secretary General
FICCI

India has one of the most dynamic consumption environments globally and the country provides tremendous opportunity for the consumer goods markets owing to its favourable demographics, size of the population, growing purchasing power, and consumption class.

While India is one of the world's fastest growing major economy and has immense potential, there is a need to further promote participation and involvement of businesses for furthering the cause of nation building and achieving the societal goals of inclusive growth and empowerment of the people. The industry needs to continue with its efforts to ensure that the advantages of technology are available to all sections of the society.

FICCI Massmerize provides a perfect platform to initiate a dialogue between government and Retail, FMCG, and E-Commerce sectors on various regulatory issues and consumer trends.

We are living in the age of consumerism where consumers come first, and it is important to understand their needs and preferences. With business environment and consumer preferences fast evolving, the brands also need to continuously change with focus being on providing personalized and experiential solutions.

In this dynamic environment, consumer and retail companies would need to align their business strategies to cater to the demands of a young and technology-driven population. The companies must aim at providing seamless and integrated solutions to satisfy evolving consumers' needs.

The FICCI-Deloitte report that has the underlying theme of "EVOLVE for Consumer" is an attempt at decoding the consumer of today and help the FMCG and Retail industry connect with consumer.

I am hopeful that the report and the deliberations of the conference will provide guidance to the industry and help shed light on the contemporary issues that the industry needs to focus upon to meet the rapidly changing customer expectation.

EVOLVE for consumer

The Deloitte-FICCI thought leadership report EVOLVE for Consumer looks at various trends and activities, which are shaping the consumer markets in India and globally. The report is the third in series of Deloitte-FICCI reports released annually, following KONNECTED to Consumers in 2017 and Consumer LEADS in 2018.

EVOLVE for Consumer: The third edition of the report, taking cues from the first two editions, delves into the major aspects of a consumer shopping cycle where brands must evolve to thrive in an evolutionary consumer landscape. Since the consumers and brands are KONNECTED in a technology and internet driven ecosphere, it is a critical for the brands to realise that the "Consumer is King", and LEADS the conversation (moving from B2C to C2B). To cater to the needs of consumers in their product and service offerings, brands must EVOLVE.

Engage for better connect: Personalised advertisements, proximity marketing, leveraging modern technologies such as AR, VR, AI, chatbots, etc., are means through which brands—both offline and online—can engage with their consumers.

Voice of consumer to be paramount: Listening to the consumers' opinions, suggestions, and feedback is equally important for offering them the most suitable products based on their needs. Social media sites, company websites, blogs, emails, phone calls and texts, in-store communications, and other physical and online touch points should be used for this—brands must be omni-present across mediums to listen and act upon the consumers' needs.

Organise retail channels and trade to provide seamless and integrated solution: The retail market in India has evolved from a "Bricks-versus-Clicks" to "Bricks-and-Clicks" and is now moving towards an "Intermix". In future, the most sustainable way for the brands to cater to consumers' needs is to play across the confluence of multiple retail modes—traditional stores, modern brick-and-mortar stores, online channels, etc.,—to offer a seamless shopping experience.

Loyalty to be built by going the extra mile: There is a need to redefine the Key Performance Indicators (KPIs) for loyalty measurement. In an environment where the consumers have a plethora of options and brands to choose from, benchmarking loyalty through traditional parameters becomes highly challenging and not reflective in true sense. The brands must go the extra mile to ensure that all its consumers have a memorable experience irrespective of whether any products are bought or not.

Vouch for commitment: Consumers now actively gauge a brand's commitment to its values and promises. They have become more conscious than before regarding the sustainability practices of brands and the impact of these practices on the environment. Hence, there is a growing need for public institutions and brands to collaborate and collectively ensure sustainable measures as a standard norm in their operational practices.

Enhance product and service offering: While brands must use technology to engage with consumers more, there is also a need to enhance the shopping experience of the consumers through hyper-personalised offerings, bespoke marketing and loyalty solutions, agile and lean business models, etc. Another major trend is need for the vernacular content to cater to the consumers' needs—many brands are now catering to the demands of both urban and non-consumers by offering their services in non-English regional languages.

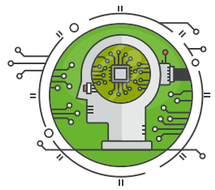
Each of the chapters entailed above looks at recent major trends—both from an Indian and global perspective. The chapters further highlight some best practices through case studies, which look at implementation of these in real world scenarios. We believe that the content and the information provided in the report will be highly beneficial for all the stakeholders in consumer and retail sectors—consumers, shoppers, industries, the government, and the academia.

Consumer LEADS: The second edition of the three-year annual series of reports puts the consumers and their buying experiences at the forefront. While it is imperative for the brands to remain connected to the consumers throughout their shopping journey, it is also important for them to listen to the consumer as he/she "LEADS".

The report delves into key action items for brands, demonstrated through best practices and select case studies, which are as follows:

CONSUMER

L E A D S



Learn from millennials for innovation and strategy

Engage with consumers to enhance brand connect

Accelerate digital investments to cater to new-age shoppers

Deliver value and convenience to be competitive

Sustainable practices to deliver responsibly

- Showcases how the youth in the country are influencing the traditional buying behaviour, and the need for brands to work constantly to cater to these altering needs through innovation and prioritisation.
- Highlights the importance of transforming the entire shopping journey of the consumers—awareness, consideration, purchase, aftersales, and loyalty—to make it more engaging and immersive for consumers.
- Develops a perspective for the brands to accelerate their investments in digital and technology to address the new-age consumer needs.
- Provides best practices and case study examples for brands to refurbish their value propositions to resonate with the consumers' values and beliefs.
- Highlights the importance of sustainable practices to ensure that the brands conduct responsible businesses.

KONNECTED to Consumer: This edition of the report explored the connectedness of consumers—the main aspect being that the internet and technology are driving the inter-connectedness of consumers amongst themselves and with the brands, and that it was critical for brands to be "connected" to their consumers/shoppers to win them. The report covered the following areas:

K

Knowledge of consumer data and insights
"Big" data generated via digital/online and through technologies used by brands in myriad forms and ways to make the consumer retail journey and experience better. The knowledge from this valuable consumer data will help brands in customised targeting, personalised offerings, and to have a more "meaningful" dialogue with their consumers.

O

Omni-channel approach unlocking the prospects
The infusion of offline and online retail modes has led to the emergence of omnichannel retail, where the shoppers may browse online and buy offline or vice versa. This has led to the shifting of major brands into both pure-play offline and pure-play online mode or a mix of both.

N

National policies impelling business growth and benefitting consumers
Conducive policies have led to increased investments that not only help the country grow monetarily, but also assist in building infrastructure, bringing modern technologies, creating substantial social and environmental impact, etc.

N

Novelty attracting the new-age shoppers
While affordability and convenience remain the most crucial factors to influence a consumer's purchase decision, novelty or uniqueness in the offering also drives the sales. Novel approach by the brands to offer benefits via digital means also helps brands in connecting with their consumers and building loyalty.

E

Environment and social practices driving sustainability and influencing consumer behaviour
Sustainable practices can help brands to stand out and build brand trust. Preference to sustainable practices such as sustainable sourcing, reduction in greenhouse gas emissions, waste management, clean packaging, natural and healthy food options, etc., is gaining traction.

C

Convenience bridging the gaps
The growing consumer needs are pushing companies to implement improvements to their last mile delivery to make it easy for consumer and shoppers to access the products. This compelling need of convenience and wanting the product "now" is giving rise to hyperlocal start-ups, which connect local buyers and stores to penetrate remote areas, etc.

T

Technology augmenting consumer experience
Factors such as improved digital infrastructure, greater use of smartphones, and increasing number of start-ups in technology space is assisting in wider acceptance and greater implementation of modern technologies for commercial retail, especially with the evolved general trade.

E

E-wallets scaling up the payment ecosystem and handiness
Greater degree of convenience, increasing internet penetration, greater smartphone usage and government support have led to the exponential growth of Unified Payment Instruments (UPI), especially m-wallets.

D

Digital marketing as growth engine
Advantages such as cost-effectiveness, consumer engagement, and personalised offerings are expected to drive the rapid growth of digital marketing in India. Going forward, native marketing—a completely non-intrusive ad format—will be used in India to make the ad experience of the consumers completely natural and in flow with their retail journey.

Engage for better connect

Engaging consumers across devices and channels

Rise in internet penetration, increase in smartphone user base, and increased usage of social media has made the consumer connected more than ever.

Internet

- Number of internet users in India registered an annual growth of 18 percent to reach over 550 million in 2018
- The number is further expected to grow by 11% to reach over 625 billion in 2019
- Of the total user base, 85-90 percent or around 500 million Indians, are regular users, having accessed internet in last 30 days
- Nearly 300 million active internet users reside in urban India, while there are 200 million active users in rural India
- By 2022, there will be around 850 million total Internet users, constituting nearly 60% of the population

Smartphones

- By 2022, smartphones will account for around 45 percent of total Internet traffic, up from nearly 20 percent in 2017
- The number of smartphone users is expected to double to over 800 million by 2022 from nearly 400 million in 2017
- India's per capita data consumption is expected to reach nearly 14 gigabytes (GB) by 2022 from around 2.5 GB in 2017
- In India, Smartphones will account for nearly 40 percent (~830 million) of all networked devices by 2022, compared to 26% (around 400 million) in 2017
- In India, Smartphones will average 17.5 GB per month, up from 3.5 GB in 2017

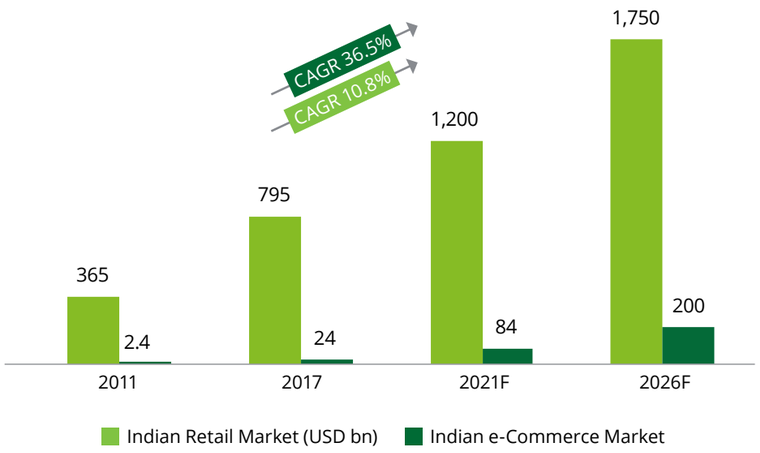
Social Media

- Active social media users in India are estimated to be over 300 million, as of 2018.
- Active mobile social media users in India are estimated at around 230 million, as of 2018.
- The social media users in India are expected to reach 448 mn by 2023
- More than 20% of social media users are from rural India, as of 2018.
- Social media and entertainment are the two activities on which the Indian mobile internet users spend their time the most

Sources: Media Articles, Statista, Deloitte Analysis

The increased proliferation of technology has given rise to e-commerce retail sales. While the total retail sales are expected to grow at a CAGR of 10.8 percent, the e-commerce sales will grow at a CAGR of 32 percent between 2017 and 2021.

Indian retail and E-commerce market (USD bn)



Source: Consumer LEADS, Deloitte, October 2018; IBEF; Media articles; Indian Retail Industry: Growth, Trends, Challenges, and Opportunity, India Retailing, 16 November 2017

The connected consumer has evolved to be more informed, demanding, and eager. The consumer now intends to engage with the companies via the platforms that are convenient to them, be it email, phone, chat apps, or social network. The modern consumers expect brands to provide tailored experiences and solutions aligned to their likes.

To cater to the connected consumers, companies will have to consider leveraging technology throughout the consumer life cycle to engage with the customers along with performing engagement activities via traditional channels. In addition to engaging with consumers via TV and newspaper ads, banners, hoardings, physical outlets for customer service, etc., it is critical to use technology for engagement, such as creating awareness about brand via digital media, providing personalised promotions to consumer to enhance his purchase, using chat bots to provide after sales service, having an online platform to provide reward points.

Case:
A major cosmetics company pioneered in the space of voice-activated assistance provider by launching its app in 2017. The voice-activated virtual personal assistant allows consumers to search for products and services offered by the brand, through the app running on smartphone or web.

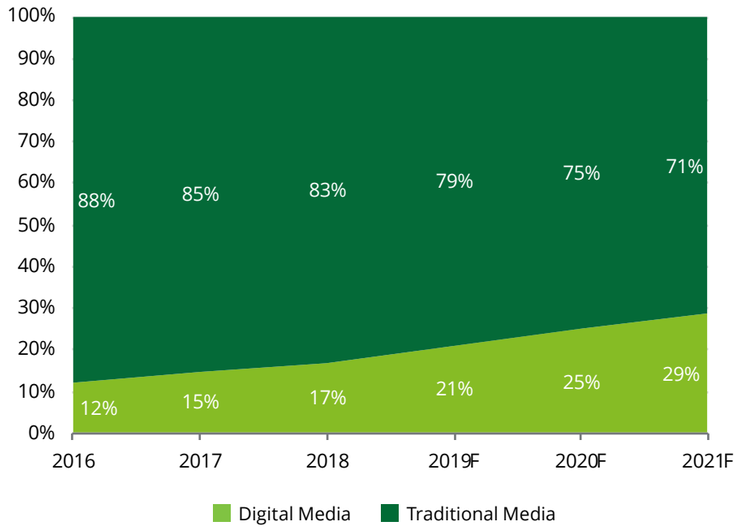
The initial services offered by the company through its voice-activated assistant include:

- Booking beauty services, such as complete make-up (appointments confirmed over email later)
- Beauty quizzes, allowing users to play quiz games and increase their awareness
- Beauty podcasts, allowing consumers to listen to exclusive beauty and brand related information

The brand plans to introduce greater functionalities for consumers in 2018.

Ad-shift towards digital
The shift from the traditional to digital channels is evident from the graph below, where spends on digital ads went up by 5 percent from 2016 to 2018. The share of digital media is further expected to increase by 12 percent from 2018 to 2021, reaching a value of USD 3.6 billion.

Share of Ad Spends - Shift from Traditional to Digital Media



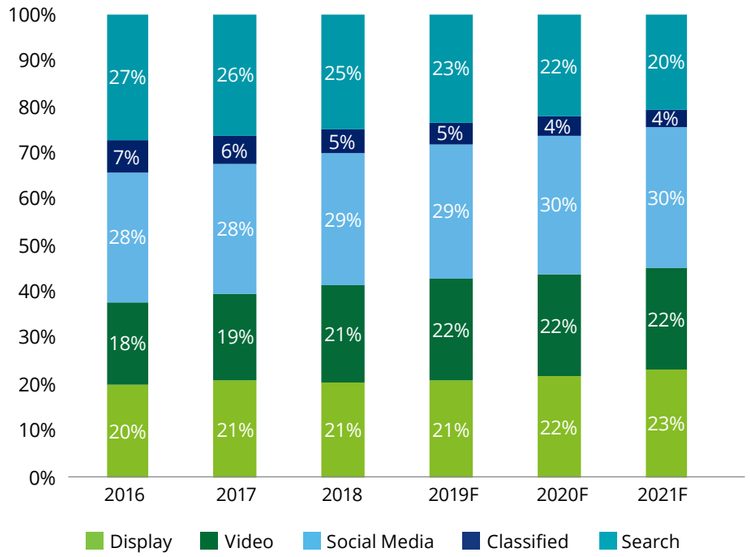
Source: Dentsu Aegis Network exchange4media Digital Report 2019, Exchange4Media, accessed in August 2019

While the overall share of spends on traditional media is expected to decrease vis-à-vis share of digital media spending, spends on traditional media, in absolute value terms are forecasted to increase to reach USD 8.8 billion by 2021. Within the traditional media, spends on TV remain the highest and are forecasted to grow at a CAGR of 8.5 percent to reach USD 4.6 billion by 2021. Print media is expected to lose share by 7 percent, while Digital media is expected to hold the second largest share in 2021.[1]

Social media holds the highest share in terms of spends on digital media. The share is expected to grow marginally by 1 percent to reach USD 1.1 billion. Digital video is expected to have the fastest growth, growing at a CAGR of 37 percent, and is expected to reach USD 0.8 billion in 2021. Email marketing, AI & Chat Bots, and SMS marketing are also becoming increasingly popular digital marketing mediums.[2]

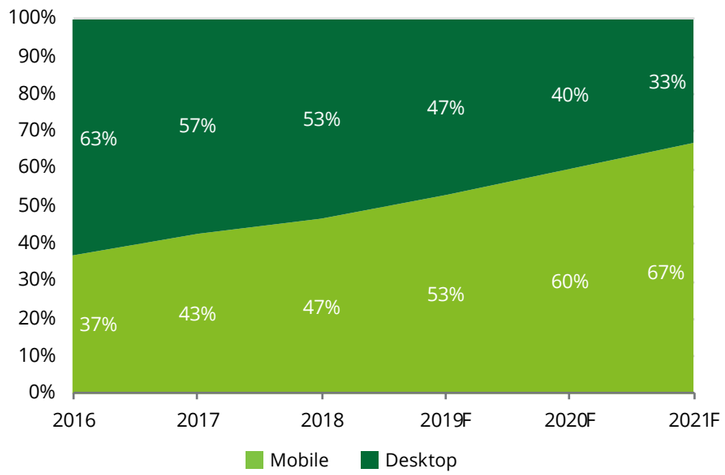
[1] Dentsu Aegis Network exchange4media Digital Report 2019, Exchange4Media, accessed in August 2019
[2] Dentsu Aegis Network exchange4media Digital Report 2019, Exchange4Media, accessed in August 2019

Spending split on advertising



Source: Dentsu Aegis Network exchange4media Digital Report 2019, Exchange4Media, accessed in August 2019

Increased smartphone penetration is driving a shift in the digital ad spends. The spends on mobile ads, which now has a share of 47 percent in the digital ad spends, is expected to grow to 67 percent, reaching a value of USD 2.5 billion.



Source: Dentsu Aegis Network exchange4media Digital Report 2019, Exchange4Media, accessed in August 2019

"One of the major advantages of the digital branding apart from it being more experiential is its durability – it stays for ages, contrary to newspaper and magazine branding."

Mr. Devendra Chawla
CEO & Managing Director,
Spencer's Retail Limited

Case Studies

Case 1: A leading sportswear brand hosted an innovative and engaging marketing campaign in 2018 in India. The intent of the campaign was to increase customer engagement, attract lapsed customers and encourage repeat purchases from existing customers.

The company, as part of the campaign, invited consumers to compete in a lottery in select outlets and gave out limited edition articles to the winners. Prior to the event, teasers were shared via social media platforms to attract young consumers. This created a lot of hype about the event and initiated digital conversations amongst different set of consumers across cities.

The event stated to be a great success as the company was able to engage with existing and prospective consumers who participated in significant numbers.

Case 2: One of the major ecommerce players engaged its customers by launching an advertising campaign which touched the emotional chords of its customers. The company released a couple of videos which identified the mothers who had sacrificed their aspirations and dreams to raise their children. The videos urge the mothers to relive those dreams and to be a girl again in pursuing their aspirations.

The campaign is perceived to be a hit and garnered more than 30 million views in less than a week.

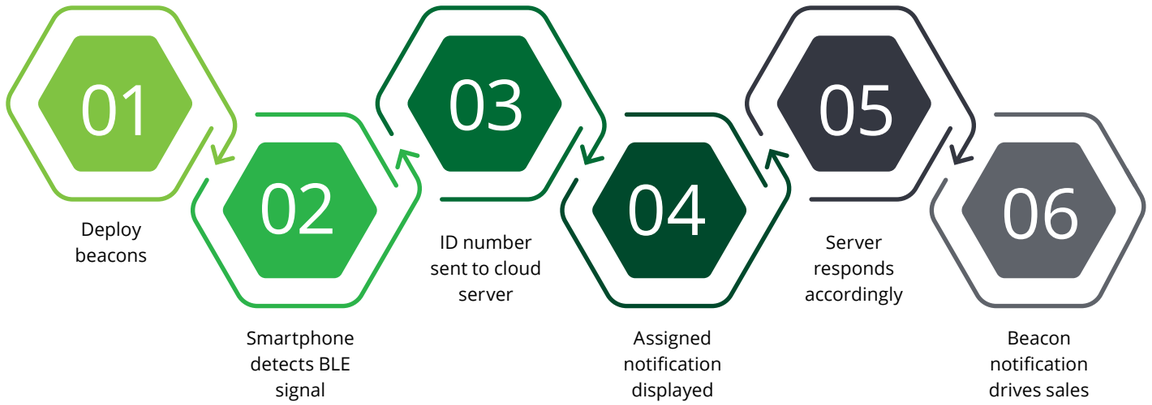
Leveraging technology for relevant marketing

Proximity Marketing

Proximity Marketing is sending highly personalised and relevant communications to the customers at the right moment. With the use of location-based technology, customers inside the proximity of a retail store are connected and sent communications to, catalysing their impulse and driving sales.

It is a granular form of location marketing, wherein customers are communicated to with a targeted approach. Consumers within 100-meter range, are connected and sent messages to try and impact their buying decisions.

Working of proximity marketing using beacons:



Source: Deloitte analysis

Proximity marketing can be achieved using the following technologies:

Using Bluetooth beacons

Beacons are low energy Bluetooth transmitters used to deliver contextually relevant notifications on nearby smartphones through Bluetooth.

Using NFC-based systems

Near Field Communication (NFC) sends the information using radio waves between two devices: one being the transmitter, the other being the receiver.

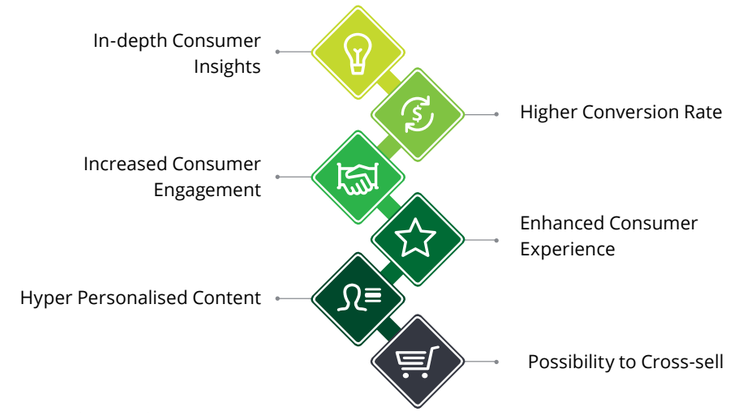
Using QR codes

QR codes are two-dimensional matrix barcodes which can store data. A smartphone or a QR code scanner scans this code and displays information.

Using Wi-Fi-based systems

A Wi-Fi connection can be used to send notifications to the consumers. The WiFi hosting website pushes the content, specific to that location, to the consumer's browser.

Why Proximity Marketing

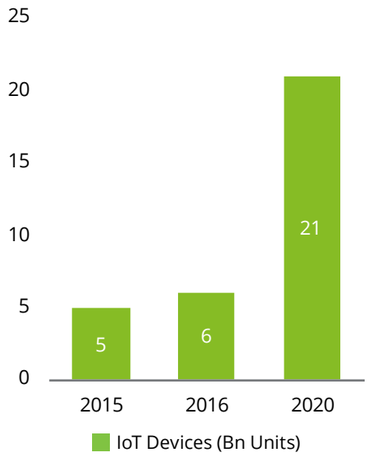


Source: Deloitte analysis

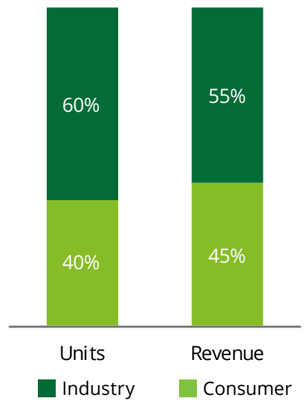
Advance technology solutions for engaging consumers throughout their shopping journeys

As the Internet of Things (IoT) market in India expands and more devices get connected worldwide, tracking in-depth data about consumers gets easier for the companies. With the help of Artificial Intelligence, this data can be leveraged to understand the specific details about individual consumers such as buying behaviour, problem areas of the consumer, content viewed, frequency of usage, maintenance needs, etc. The personal information such gathered can be used to deliver hyper personalised solutions.

Things connected to the Internet (Worldwide)



IoT Market in India (2020F)



India IoT installed base (F): 1.9 Bn units
India IoT market size (F): USD 9 Bn

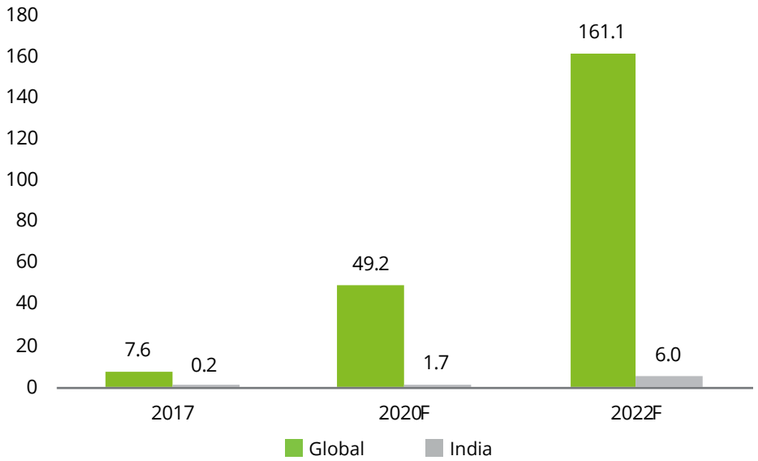
Source: NASSCOM IOT: Landscape and NASSCOM Initiatives

Consumer industry is one of the major contributors to the Internet of Things (IoT) market in the country. It is expecetd to remain so in the next few years as can be witnessed from the adjacent charts.

Augmented Reality (AR)/Virtual Reality(VR)
With the increase in IoT devices, businesses are seen to have tremendous opportunity to leverage Augmented Reality and Virtual Reality to engage with the consumers. The usage of AR/VR enhances user experience, thereby driving walk-ins and conversion to sale. AR/VR have multiple use cases such as virtual changing rooms, app-based tryouts, In-store walking directs, exploring the entire range of products, visualizing how the product would look on him/her, or how it would look in their home (e.g. a furniture item, a bathroom fitting, new curtains), etc.

The AR and VR markets in India, are expected to grow at a CAGR of 91 percent and 52 percent respectively by 2022 which is higher than the global growth, 84 percent and 44 percent, respectively of these markets.[3]

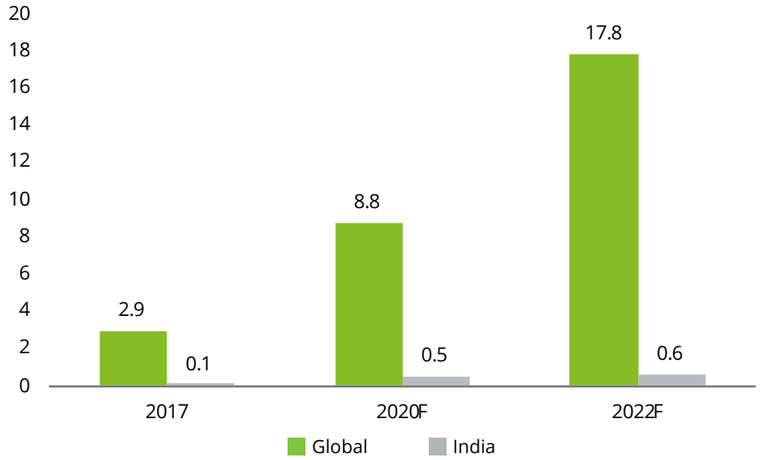
Augmented Reality Market (USD Bn)



Source: Growth of Immersive Media – A Reality Check, NASSCOM

[3] Source: Growth of Immersive Media – A Reality Check, NASSCOM

Virtual Reality Market (USD Bn)



Source: Growth of Immersive Media – A Reality Check, NASSCOM

Key factors driving the growth of AR/VR market in India

Better quality of Content	The quality of content in present is higher than that in the past and is good for remote processing and usage on mobile phone
Reduction in Cost	Cost of the content and supporting devices has reduced, thereby, driving demand and supply
Evolution of Technology	The content and technology ecosystem has been constantly evolving leading to better innovation
Better availability of talent	The talent available has increased capabilities to deliver the content
Improved Connectivity	Improved internet connectivity allows more usage of AR/VR technologies

Source: Deloitte analysis

Chatbots

Businesses are increasingly using Chatbots to automate customer service and enhance user experience. Chatbots use Artificial Intelligence and Machine Learning to respond to the customer queries and continuously learn as they answer different queries from customers. Bots try to anticipate every user's needs based on previous conversations and respond accordingly. This ability of chatbots brings in a human touch to the customer service experience.

Advantages of Chatbots

Better and more consistent Customer Service: Allows the users to skip navigating through websites for their queries

Automate Online Purchases: Provides suggestions and recommendations on products basis purchase history

Enhanced consumer engagement: Provides individual assistance, answering every query, and 24*7 availability

Better Response Rate: Responds to every single query asked improves the response rate

Reduction in errors: Provides exact and automated answers due to use of cognitive technology

Source: Deloitte analysis

Case studies

Case 1: A major consumer goods company, launched a three-day campaign for one of its toothpaste brands based on the insight retrieved from search analytics. The insight revealed that "learning how to kiss" was the second-most searched term for their website users. The campaign was launched around Valentine's Day in six key Asian markets.

Since its launch across culturally diverse markets, the company used Artificial Intelligence (AI) tools to analyse the trending social media data to generate culturally relevant content that would appeal to each consumer individually. The insights retrieved were used to create six-second ads daily and were published on social media platforms.

The company further used AI to keep a track of the online comments about the campaign and ads and used the information received to further customise the delivery message of ads. The campaign is stated to be a huge success as it touched nearly 500 million people and uplifted the brand engagement.

Case 2: One of the major food delivery companies in India launched a social media campaign where it encouraged the consumers to recreate the shape of their favourite food using the voice note feature. The campaign aligned with the belief of the company that the hunger had a voice.

The campaign is perceived to be a mega hit as the company received more than 1.5 lakh entries in 10 days. Its follower base increased by 30,000 on the social media platform the campaign was launched. Some of the big brands and prominent personalities organically participated in the campaign.

Case 3: A leading global retailer installed beacons across its hypermarkets in Europe. This allowed the company to automate delivery of its ad and marketing content via its beacon-enabled app. It also enabled the retiler to gather useful insights about the consumer's in-store behaviour. The consumers are informed about the products, services and any promotions/discounts, etc. via the app. This tech-feature enabled the retailer to increase engagement rate of its consumers by 400% and the number of app users also grew 6 fold within seven months.

Case 4: A major food aggregator company in India launched a campaign, wherein the user could access the stories of select restaurants. The stories could be on the reasons behind the restaurant's name, or starting the restaurant. To engage the consumer more, the stories consisted of pictures, videos, and key points which made the restaurant special and assisted users in making informed decisions.

As a result, users spent equivalent to two years' time (59,471,997 seconds) to watch the brand stories of restaurants such posted.

Key Takeaways

01. With the rising internet, smartphone and social media penetration consumers and brands have become more connected than ever.
02. Technology advancement has led to the digitisation of advertising and marketing means; brands thus need to adapt their strategies to customize their offerings according to the needs of the consumers.
03. While the adaption of advance tools such as AI, chatbots, AR/VR, etc. is currently limited in India, these technologies offer an immense potential to engage the shoppers.

As the communications moves from (Brands to Consumers) B2C to (Consumer to Brands) C2B, the Voice of Consumer becomes paramount for any brand operating in the consumer space.

Voice of consumer is paramount

Voice of connected consumer to be heard and acted upon

In the current digital age, voice of consumer (VoC) pertains to the data related with consumers' shopping experiences, and their product and service usage experience. The data such collected gives deep insights into the consumers' preferences, issues, and behaviours. However, collecting data alone isn't sufficient. It is necessary for the companies to generate actionable insights from the VoC data captured using technologies such as analytics and AI. It is also essential that the companies use multiple channels to capture the VoC data and integrate it to get a holistic picture of the consumers' sentiments. Brands which use VoC data effectively are generally able to enhance their financial health and customer experience. Such companies are also able to have a higher retention rate.

Brands use various methods and platforms to extract the VoC data. Some of the key methods to gather such data are as follows:

Survey responses

Surveys are scalable and a cost-effective method to gather structured customer feedback and can be targeted at any stage of the buying cycle. To have optimum results, it is essential to have an end-goal before framing and pushing out the surveys to the consumers.

Social listening

Social listening is gleaning the insights from the social media channels, social forums, blogs, product review sites, etc., with the help of technologies such as text analytics and AI. It is becoming an increasingly popular customer intelligence tool as it provides access to the information which the traditional customer feedback tools miss to capture and an opportunity to influence the consumers by appropriately responding to the negative feedback.

Interviews

One-on-one interactions with consumers provide useful insights about their specific experiences via not just the verbal communication but also intangible elements such as body language and tone.

Focus Groups

Focus groups involve discussions with small groups to discuss specific issues or subjects.

Net Promoter Score (NPS)

Net Promoter Score uses just one question to gather the consumers' sentiment and determine the likelihood of a consumer referring the brand. The consumer responds with a score, on a scale of 1-10. Based on the score, the answers are segmented into either of the below categories: Promoters (9-10), Passives (7-8), Detractors (0-6). NPS gives deep insights into the customer service of a brand as the score is based on the consumers' entire experience with brand and not just the recent experiences.

Emails and Calls transcriptsScore (NPS)

The customer telephonic conversations and email interactions recorded by the companies are a gold mine of feedback data. The data such extracted, since it is recorded daily, generates insights which are bias free and are devoid of extreme opinions.

Physical touch points

Consumers are likely to visit service centres or retailers in case of an unsatisfactory experience with the product. Thus, the feedback gathered from the physical touch points speaks about the consumer sentiment for the product or services of company.

Website visits

Company website visits, if tracked, can provide valuable information such as the products/services consumer is interested in, any new products/product features consumers seeks from brand, etc.

Source: Deloitte analysis

The humungous data generated via digital channels and technologies can be used by brands in myriad forms and make the consumer retail journey and experience better.

A few areas where voice of consumer can be leveraged to improve the services:

Product Management

- Gauge areas of improvement and price sensitivity for existing products
- Product features to differentiate the product from the competition

Customer Experience

- Gather consumers' level of satisfaction and success of customer service strategies
- Understand the pain points of the consumer

Marketing Intelligence

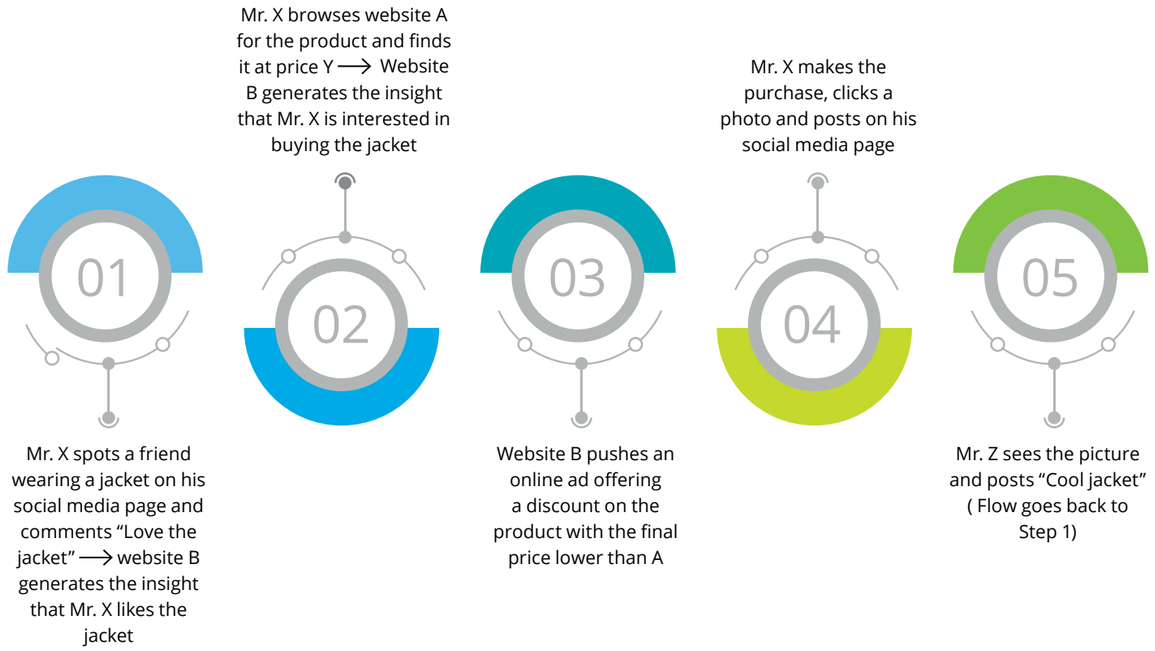
- Understand the consumers' perception of your product
- Gather the messaging to which your customer best relates to

Source: Deloitte analysis

Understanding consumers' perspective to address their needs

The VoC provides the companies an understanding of the consumer needs. Personalized offerings, quality product, aftersales services, shopping experience, etc. are the areas which can be significantly improved for servicing the consumers in a better way. In order to have long term success and consumer loyalty, it is essential that the companies align their strategies and offerings with the needs of the consumers.

Alignment of offerings with customer needs



Tailor-made offerings

While technology has made it possible to create consumer segments based on a multitude of parameters such as age, gender, likes and dislikes, purchase history, etc., consumers are also evolving and demanding offerings tailored specifically for them. Brands are capitalising on the opportunity to cater to these diverse and specific segments derived from the data and insights with the offerings that each of the segments would like. It is not only likely to boost their sales and revenues but also fetches them happy and loyal customers who would not only make repeat purchases but are likely to also influence more people to be customers of the same brand. Companies are increasingly making use of technologies such as data analytics, predictive analytics, artificial intelligence, and other cognitive technologies to gather insights about consumer behaviour and thus use these to provide tailormade offerings, products, services, promotions, loyalty programmes, etc.

Tribe Tailing

Advanced technology and changing retail market, allow the companies to discover emerging groups or tribes of consumers having specific and niche characteristics. Companies have also started catering to these consumers possessing niche characteristics by tailoring their offerings in accordance with their likes, be it their products, their ads, or store designs. Tribe-tailing retailers connect at deeper level with their target audience but may also miss out on the consumers which do not align with their niche offerings. A globally acknowledged and well-practiced example of tribetailing is for the ageing population. Various features to facilitate the shopping journey of the elderly include:

- Modified escalators to provide easy accessibility to various floors in a shopping mall/ big retail complex;
- Exclusive pension day discounts;
- Supermarkets with magnifying lenses on shopping baskets and shelves, brighter and more natural lights, non-slippery floors and emergency call options;
- Adequate shelving heights so that the older consumers are not required to either reach too high or bend too low for their common products.

Similarly, Indian consumer segments are also responding to specific needs of the elderly. New e-tailers that provide exclusive products and services for the older population are coming up in the market in times when nuclearisation is on the rise and the senior citizens require more care and assistance. While various start-ups are delving into this space in India, the market specific to elderly, especially offline, still remains in nascent stages

After Sales Service

Consumers are becoming increasingly demanding, making it important for companies to emphasise on after sales services as much as on product and service quality. Transformation in company's customer service to make it more focused on a customer's satisfaction is highly necessary to remain competitive in the rapidly evolving environment. Companies are trying out various mixes to enhance the consumer's after sales services such as use of technology to provide customer service, offering prompt repairs, quick refunds, and warranties to ensure that the consumer is satisfied, a goodwill gesture giving small surprise goodies, birthday/ anniversary wishes and discounts, etc. Technologies such as AI and Chatbots are being increasingly used by companies to provide response to customer queries in real-time. AI and chatbots, as customer service tools, are expected to grow by 90 percent and 118 percent[4], respectively in the next 18 months. Customer service agents are increasingly focusing on relationship building and revenue generation. Transformation in the area of customer service requires effort, time, talented employees, and resources which is encouraging companies to invest in agent training and technology adoption.

Evolution of Rural Consumer

Rural India, constituting nearly two-thirds of India's population, contributes significantly to the growing consumerism in India. Increasing accessibility, affordability, and awareness present a huge opportunity in the rural markets and are driving the growth in discretionary spending. Factors such as increased internet and smartphone penetration, increased social media usage and keenness to try newer products and services are leading to rapid evolution of the rural consumers. Companies need to consider aligning their strategies to tap into the rural markets owing to the changing needs of rural consumers and emerging rural markets.

	Rural	Urban
Internet penetration	25%	66%
Mobile as primary device for accessing internet	90%	75%
Growth (in %) in internet user base (2017 to 2018)	35%	7%
Mobile internet users under 25 years of age	57%	46%
Smartphone penetration	12.5%	46%

Source: Media articles, Deloitte analysis

While for a vast majority of the rural consumers, access to smart phones is still not as ubiquitous, companies can leverage 'voice' and 'vernacular' content through their feature phones – which could be the key disruptor in rural markets.

[4] Media articles

EVOLVE for consumer

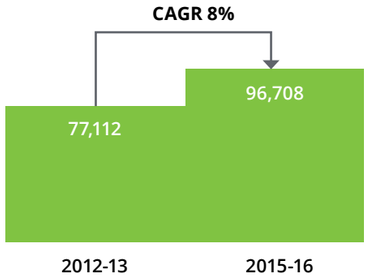
Share of rural areas

47%	As a percent of total Net Domestic Product
71%	As a percent of total workforce
40-45%	As a percent of total FMCG sales
45%	As a percent of total telecom revenues

Source: NITI Aayog, LiveMint

Annual rural income has increased at a CAGR of 8 percent between 2012 and 2016, leading to an improved living standard in rural areas:

Average annual income of rural households (INR)



Source(s): Media articles

Almost 35 percent of rural consumers are in the middle or upper middle class segments[5], implying their increasing spending ability and improving living standards.

Rural income grew nearly by 40% over the 3-years period from 2012-13 to 2015-16

Nearly 90% of the rural households have a bank account with around 55% reporting savings

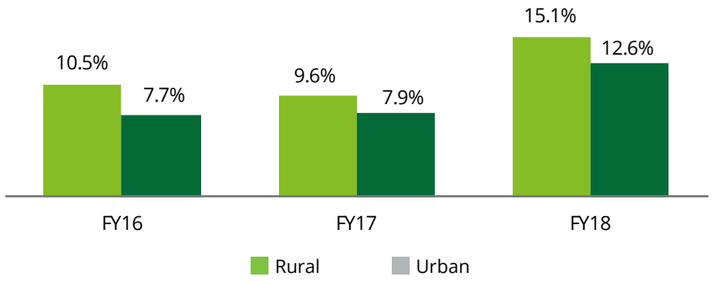
Annual average decline in percentage of poor is more in rural regions than urban regions. Poor population in rural declined by 2.32% in the period 2005-12, while it declined by 1.69% in urban regions in the same period

Source (s): Media articles, Deloitte analysis

[5] https://medium.com/texas-mccombs/three-billion-rural-consumers-can-marketers-profit-from-them-792d141049f4

The increased spending ability is fueling rural consumption. India's rural consumption expenditure grew faster than that of urban India in 2011-12, for the first time since 1991. Rural contributed nearly 40-45 percent of total FMCG sales and outpaced urban consumption by the widest margin in 2018[6].

FMCG sales growth - by value (in %)



Source(s): Nielsen, Media Articles

Rural markets are expected to increase their growth momentum and continue to thrive owing to increased accessibility, better affordability, and growing consumer awareness.

"To address urban, rurban and rural markets there is a need for brands to have consistency in their product and branding. Companies are tying up with local retail stores to supply their products and increase penetration to non-urban regions. There is also an increase in number of malls coming up in tier 2 and tier 3 cities."

Mr. Rachit Kumar
Manager – Marketing & E-commerce
Liberty Shoes Ltd. – Lifestyle

[6] Media Articles

Accessibility
- Better road connectivity
- Easier to reach bigger towns
- Leading to greater consumption

Affordability
- Better infrastructure
- Increased non-agrarian employment opportunities
- Higher disposable incomes

Awareness
- Greater penetration of phones and internet
- Increased awareness

Source: Deloitte analysis

Case study:

Case: Radio subscription for brand advertising
A major FMCG company leveraged the traditional radio service with an innovative approach by offering:
Free of cost radio subscription services
It allowed consumers to subscribe, even on their feature phones

The services included entertainment offerings interspersed with brand advertisements

Basis the call duration, the company measured the level of engagement of the user"

Key Takeaways

01. As the consumers become more engaged and opine their interests and preferences, brands must take cognizance of their views and act upon them.
02. The rural markets offer a massive potential and thus, there is an urgent need to prioritise those markets in order to increase the footprint of the brands and increase customer-base. potential to engage the shoppers.

Technology and internet have put both the rural and the urban markets at the forefront. While modern retailers and brands need to increase their foothold in non-urban centers, small retailers and kirana stores must adapt to the changing consumer needs and upgrade their offerings. In such an evolutionary landscape, integrating both the channels to provide seamless services to the consumers will assist brands in thriving in a highly competitive environment.

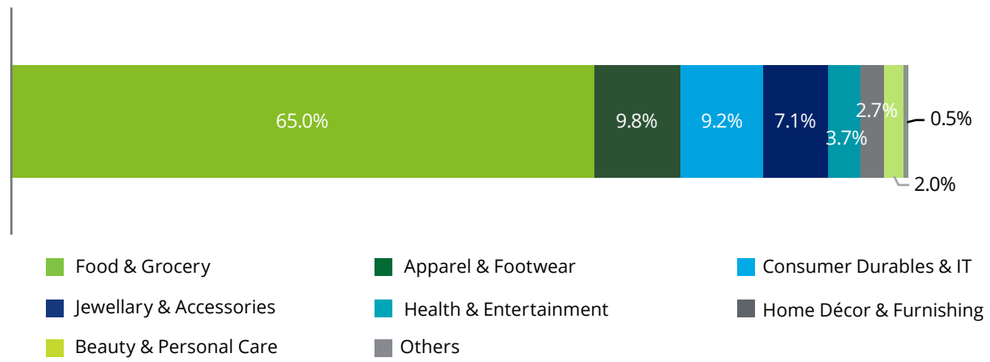
Organize retail channels and trade to provide seamless and integrated solution

Collaboration of General Trade (GT) and Modern Trade (MT) – the seamless retail offering is the need of the hour

Indian retail market is one of the fastest growing across the world and is the fifth largest retail destination globally. The factors attributed to the growth are economic growth, increasing consumerism and growing disposable income. The industry is expected to grow exponentially to reach USD 1,200 billion by 2021 and USD 1,750 billion by 2026. The growth is expected to be not only witnessed by large cities and metro but also Tier 2 and Tier 3 cities.[7]

The increase in consumption expenditure also drives the growth in the retail industry. The total consumption expenditure is expected to grow at CAGR of 25 percent to reach USD 3,600 billion by 2020, from USD 1,824[8] billion in 2017. Of the total retail market, Food and Groceries comprise the largest share, followed by Apparel and Footwears.

Segments of retail market (share by value)

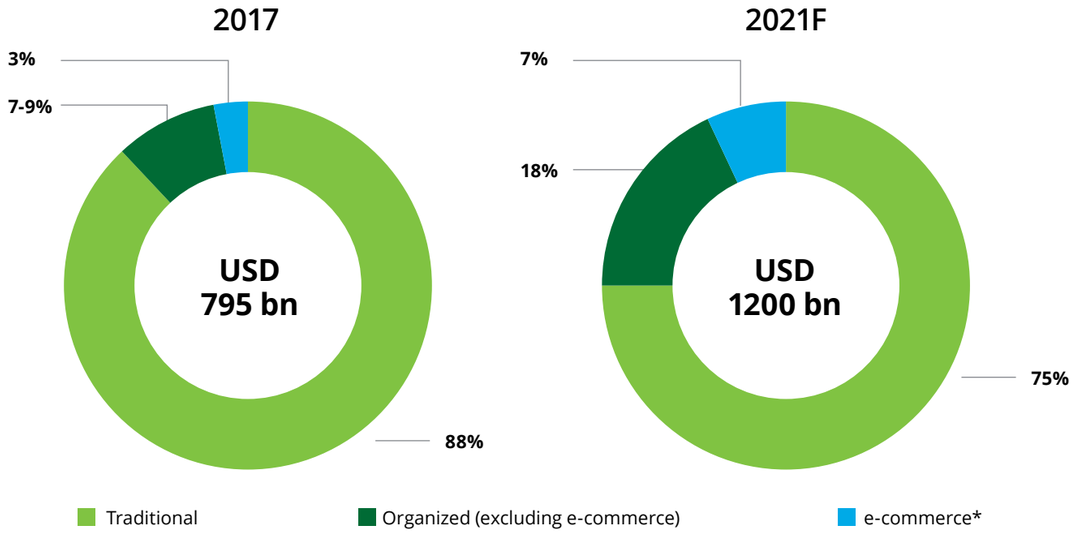


Source: Consumer LEADS, Deloitte, October 2018; Economist Intelligence Unit, accessed in April 2018

[7] Consumer LEADS, Deloitte, October 2018
[8] https://yourstory.com/mystory/indian-retail-market-on-the-way-to-glory-58zdqio8b6

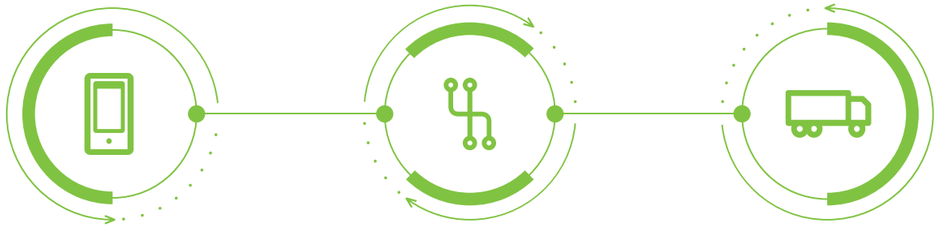
While the share of organised retail and e-commerce is likely to increase, the traditional retail is expected to continue to hold a major share of the Indian Retail market.

Split of retail market by retail type



Source: Consumer LEADS, Deloitte, October 2018; Economist Intelligence Unit, accessed in April 2018; Media articles; Indian Retail Industry: Growth, Trends, Challenges, and Opportunity, India Retailing, 16 November 2017
Note: e-commerce market here refers to sale of products and services through electronic transactions, home shopping is also considered a part of e-commerce

Despite the rapid growth in modern trade and e-commerce over the past years, traditional retail still holds a major share of the retail landscape in India and is expected to continue to dominate in foreseeable future. Unique offerings of traditional retail outlets such as ease of access due to locational proximity, local community knowledge, and personal relations with customers have given an edge to traditional retail stores over organised outlets. However, each type of stores and e-commerce platforms have their own challenges:



Challenges of Kiranas:

- Lack of latest technology
- Working capital issues
- Competition from modern retail outlets
- Lack of space
- Lack of capital to improve store fit out/ambience

Challenges faced by Modern Trade:

- Lack of strong supply chain
- Getting the right merchandise mix
- Unavailability of affordable Real Estate
- Infrastructure and Logistics issue

Challenges faced by e-Commerce:

- High cost of customer acquisition
- Infrastructure and logistic issues, high cost of delivery
- Too many returns making reverse logistics an issue
- Poor last mile delivery connectivity
- Low Profitability

Source: Deloitte analysis

While modern trade channel, along with e-commerce, strives for the largest share of the Indian retail pie, the challenges hinder the growth of these channels. Thus, the need of the hour is a confluence of the retail channels, wherein each channel complements the offerings of the other and provides a seamless shopping service for the benefit of the consumers.

Large modern brick and mortar retailers and e-commerce players are advancing towards leveraging the wide spread network of Kirana stores to increase their retail presence and to win over the Indian consumer. With just 3 percent of Kirana stores being tech-enabled and the rest with the willingness to adopt technology (70 percent of Kirana stores in big cities and 37 percent of Kirana stores in Tier II cities want to be tech-enabled)[9], the retail giants using this opportunity to technologically and financially empowering the Kirana stores. E-commerce companies are collaborating with Kirana stores for increasing their outreach, and are also providing them with an additional source of earning by way of acting as their channel partners/ distributors.

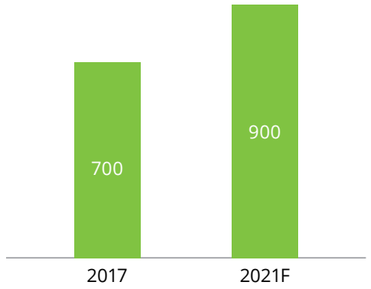
For tech-enablement, Kirana stores are provided with POS billing systems, app payments, and back-end integration with wholesaler. To help Kirana stores cope with working capital shortages, easy loans are provided. Additionally, to improve profit margins, stores staff is trained on planograms, assortment selection, and product placement.

[9] India's mom-and-pop stores are finally ready to embrace technology, Quartz india, 18 April 2018

Role of traditional Kirana stores and their USPs

The traditional Kirana stores form the backbone of Indian Retail, holding an 88 percent[10] share of the total retail market. The country has a total of 12 million[11] Kirana stores, which comes to ~10 stores per 1,000 Indians.

Unorganized retail market (USD billion)



Source: Consumer LEADS, Deloitte, October 2018; Economist Intelligence Unit, accessed in April 2018; Media articles; Indian Retail Industry: Growth, Trends, Challenges, and Opportunity, India Retailing, 16 November 2017

"Local grocery shops (Kiranas) shall remain relevant as they offer good services to their customers, provide a handy credit facility to them and have built relationship with them over time. However, they need support in modernization and digitalization of their stores and we, as METRO, are providing that support to them. As an example, we are transforming their business by educating them about planogram, inventory management, quality management, etc. We are providing them with Point-of-Sales (PoS) devices to track their daily sales, inventories, P&Ls, immediate ordering, etc. We are also helping them by providing apps where customers can order online and products can be delivered from that store to them. Customers would have a lot of functionalities through that app by way of analyzing their spending and purchases, getting tailor-made offers, etc."

Mr. Arvind Mediratta
MD & CEO,
METRO Cash & Carry, India

[10] Consumer LEADS, Deloitte Touche Tohmatsu Services, Inc.
[11] https://economictimes.indiatimes.com/industry/services/retail/indias-ubiquitous-kirana-stores-are-finding-themselves-in-great-demand/articleshow/69707009.cms

Value Propositions of Kiranas

The key reason that Kirana stores still sustain themselves and hold a major share of the Indian retail market is because of the multitude of value propositions they bring on the platter.

Ease of access
Locational proximity to residential areas provides an advantage of easy accessibility

Free home delivery and credit
Availability of free home delivery in less than an hour, and also provide credit by accepting delayed payments

Flexibility
Provision of flexible conditions for product returns and exchange

Personalized offerings
Personalized offerings basis the consumption patterns of local community, ordering specific items as per special requests

Wide reach
Catering to the most rural areas of the country

Source: Media Articles, Deloitte analysis

Traditional retailers also enjoy competitive advantage due to low operating costs and extrinsic knowledge about local community, which allows them to have limited product choices in the outlet while keeping their stock with distributor.

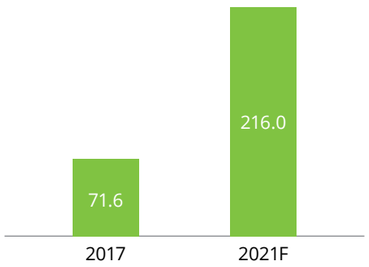
USPs of Kirana stores

Source: Media Articles, Deloitte analysis

Role of modern retail stores and their USPs

Modern trade being an important part of the retail landscape, contributing 9 percent to the total, focuses on synergy and collaboration between brands and retailers. Demonetisation and GST have been important policy factors that have further boosted their growth in the past couple of years. Sales from modern trade stores is expected to grow at a CAGR of 32 percent to reach a share of 18 percent[12] of total retail in 2021.

Organized retail market (USD billion)



Source: Consumer LEADS, Deloitte, October 2018; Economist Intelligence Unit, accessed in April 2018; Media articles; Indian Retail Industry: Growth, Trends, Challenges, and Opportunity, India Retailing, 16 November 2017

[12] Consumer Leads, Deloitte

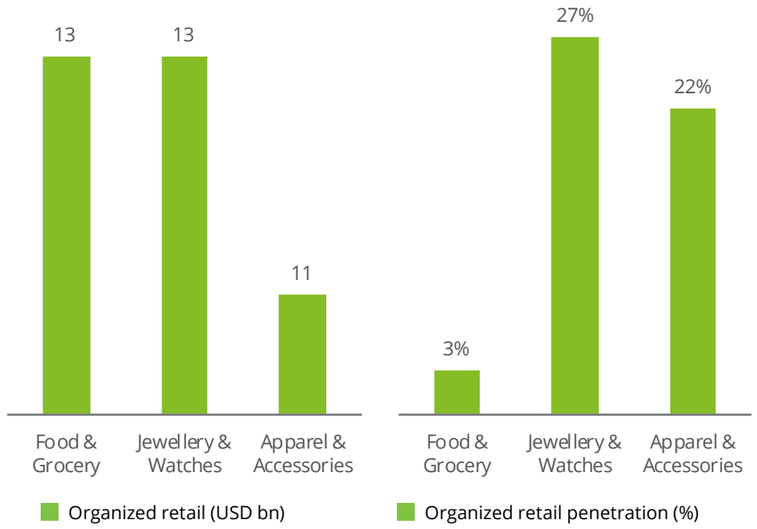
Key Modern Retail Outlet formats are Hypermarkets, Supermarkets, Hybrid Supermarkets, and Modern Convenience Stores. Characteristics of each of the formats are:

Format	Hypermarkets	Supermarkets	Hybrid Supermarkets	Modern Convenience Stores
Average Store Size	30,000 - 1,00,000 Sq. Ft.	3,000-15,000 Sq. Ft.	20,000-30,000 Sq. Ft.	500-3,000 Sq. Ft.
Category wise revenue share	F&G: 30-35 percent Non-Food FMCG: 15-20 percent Others: 45-55 percent	F&G: 60-65 percent Non-Food FMCG: 20-25 percent Others: 10-20 percent	F&G: 45-50 percent Non-Food FMCG:20- 25 percent Others: 25-35 percent	F&G: 65-70 percent Non-Food FMCG: 20-25 percent Others: 5-15 percent
Key Differentiating Factors	• Enhanced shopping experience • Larger variety of assortments	• Convenience due to proximity of location • Lesser prices • Enhanced shopping experience	• Area wise and product offering wise, a mix of hypermarkets and supermarkets	• Offers lesser product variety, largely FMCG • Caters to areas in close proximity

Source: India Retail, Return of the Roar, Edelweiss sourced via Deloitte database

The major categories having significant scope of penetration in the organised retail include Food and Grocery, Jewellery and Watches, and Apparel and Accessories. Organised food and grocery, which, in 2016, was pegged at 3 percent[13] of the total Food and Grocery market, has significant room for growth. The segment is expected to reach USD 75.1 billion by 2025, constituting 6.4 percent[14] of the total food and grocery market.

Organised food and grocery market and penetration



Source: India Retail, Return of the Roar, Edelweiss sourced via Deloitte database

[13] Consumer Leads, Deloitte
[14] India Retail, Return of the Roar, Edelweiss sourced via Deloitte database

However, modern trade channels have made the entire shopping journey of consumers more convenient. Consumers' preferences are increasingly shifting towards Modern Trade due to acceptance of digital payments, ability to browse through product categories, availability of assortments, exciting promotional offers, ease of shopping, loyalty programs, etc.

Source: Media Articles, Deloitte Analysis

"Various bigger retailers (both online and offline) are running their pilots for modernizing the traditional retailers which is beneficial for the industry. However, there is a need to deliberate on two aspects:

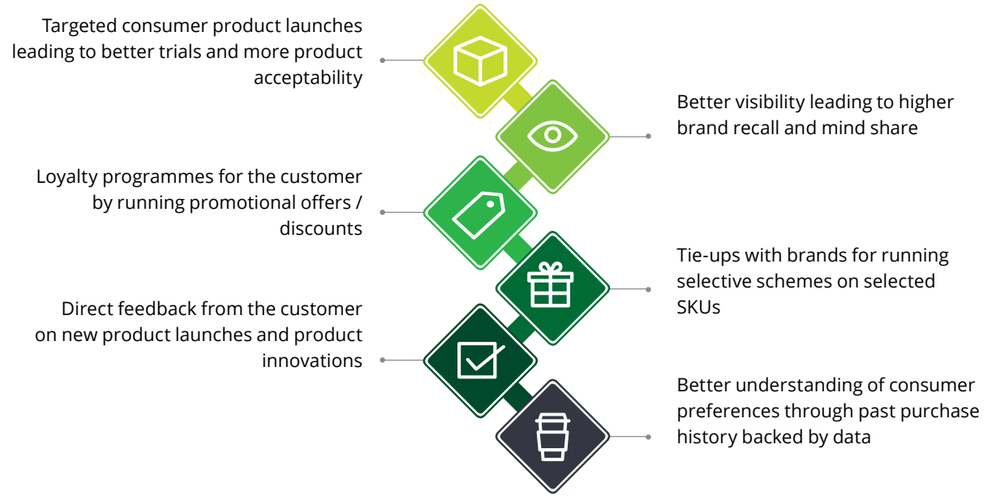
1. The benefits derived by traditional retailers, vis-a-vis the costs associated with modernization
2. Benefit to the country's economy as a whole owing to this modernization"

Mr. Shashwat Goenka
Sector Head – Retail & FMCG
RP Sanjiv Goenka Group

Organised retail outlets have grown at a CAGR of 11 percent between 2016 and 2018 to reach ~18,197 outlets. The number of modern retail outlets grew at a CAGR of 9 percent in metros, while, in towns with population less than 0.1 million, they grew at a CAGR of 26 percent[15].

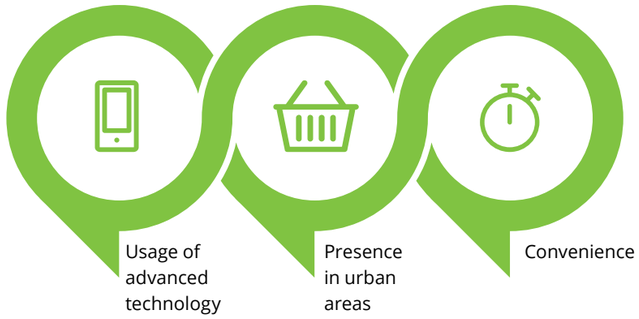
The number of modern trade outlets is likely to increase in the near future as major brands are eyeing store expansion with a focus on improving sales growth with increased footfall catering to mainly middle-to-premium segment customers, supported by liberalisation of the FDI norms in retail.

Value Propositions of Modern Trade



Source: Media Articles, Deloitte Analysis

USPs of Modern Trade

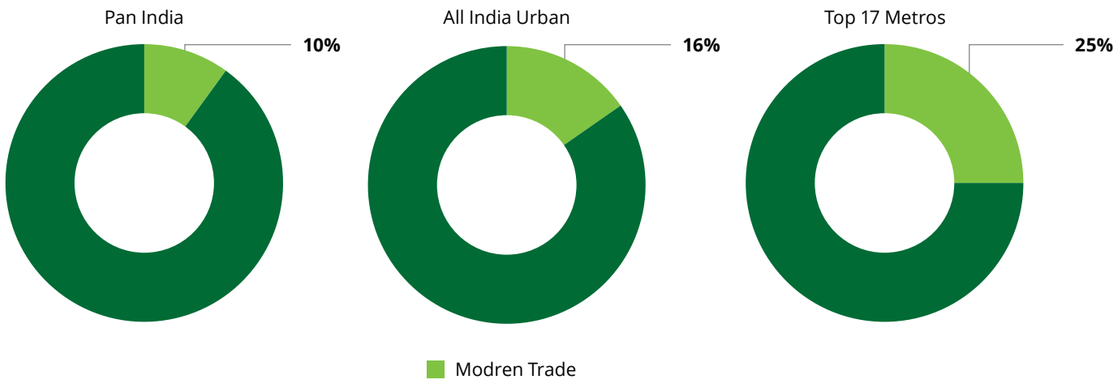


Source: Media articles; Deloitte analysis; Reformatting Retail in India, Neilson

[15] Reformatting Retail in India, Neilson

- **Advanced technology:** Usage of advanced technology in various areas such as inventory management, display of assortments, analysing consumer behaviour, planogram, etc.,
- **Presence in urban areas:** Strong presence in urban areas due to changing shopping patterns and interests of the consumer
- **Convenience:** Increased convenience due to better visibility of assortments

Contribution of Modern Trade



Source: Reformatting Retail in India, Neilson

"Technology in CPG is leveraged majorly at two fronts:

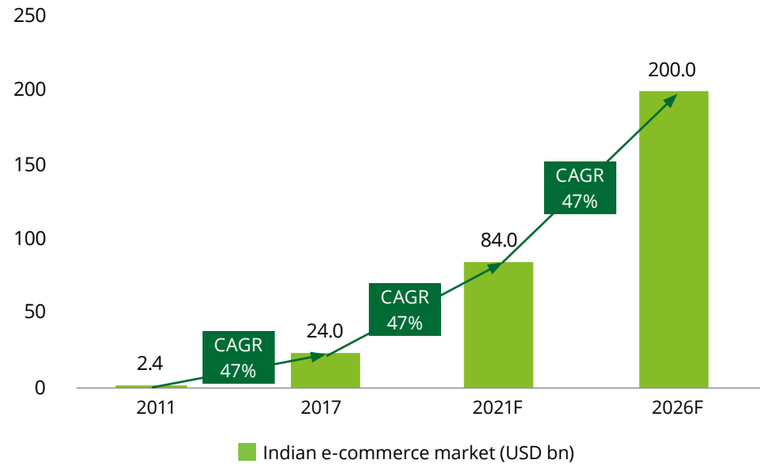
1. Consumers – Collecting and mining data and getting useful insights through analytics. This is happening extensively, especially owing to the growth of ecommerce and digital marketing
2. Businesses – Alterations happening in supply chain. As an example, businesses are revamping their entire supply chain model to have more relevant GTM process as the channels, stores, etc. are also evolving."

Mr. Devendra Chawla
CEO & Managing Director,
Spencer's Retail Limited

Role of e-commerce and their USPs

Owing to increased internet penetration, smartphone penetration, and large millennial population, Indian e-commerce industry is witnessing exponential growth and is expected to reach a 7 percent share of the total retail market by 2021.[16]

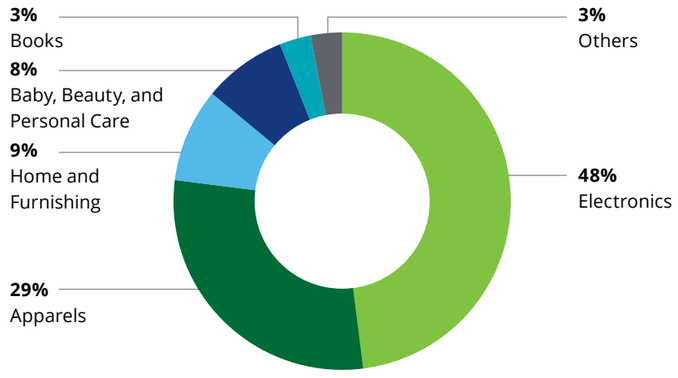
Indian e-commerce market (USD bn)



Source: Consumer LEADS, Deloitte, October 2018; Media articles

Electronics is the biggest contributor in e-commerce retail, followed by apparel and books. Non-electronics categories are poised to grow to 80 percent of total online retail market by 2025[17].

Shares of segments - E-commerce market by Value



Source: Media articles, Consumer LEADS, Deloitte, October 2018

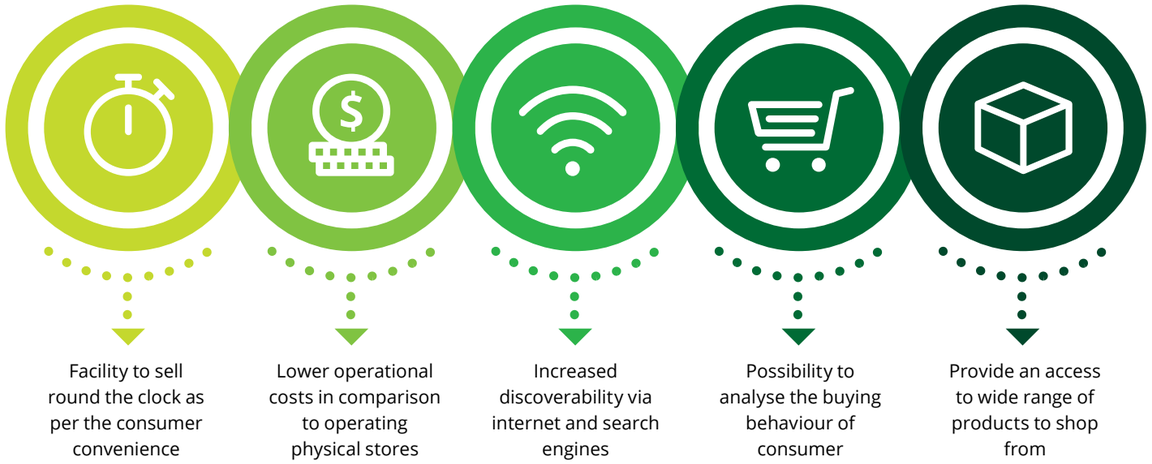
[16] Consumer LEADS, Deloitte, October 2018; Media articles
[17] Media artciles

The number of online shoppers are expected to increase from the current 15 percent of the online population to 50 percent[18] by 2026. The average online retail spending in India was US$ 224[19] per user in 2017.

In 2017, around 2 million shipments were handled daily where half of this demand came from the metro cities[20]. However, e-commerce is increasingly attracting customers from Tier 2 and 3 cities, where people have limited access to brands but have high aspirations. More than 30 percent online shoppers are from Tier II and below cities while the rest are from Metros and Tier I cities. This number is expected to increase to over 55 percent[21] for Tier II and below cities in the next three to five years. Low servicing costs in Tier II and below cities is expected to be a key driver for growth in these cities.

Owing to the rise in demand from Tier II and below cities, and given the challenge of last mile delivery, the e-commerce companies can be expected to consider exploring partnerships with traditional retail stores to reach the consumers in hinterland.

Value Propositions of e-Commerce



Source: Media Articles, Deloitte analysis

"With an increase in e-commerce transactions, the competition in logistics space has increased and is becoming more organized, specially the packaging and courier services."

Mr. Rachit Kumar
Manager – Marketing & E-commerce,
Liberty Shoes Ltd. – Lifestyle

[18] https://www2.deloitte.com/content/dam/Deloitte/in/Documents/consumer-business/in-consumer-RLS-2019-noexp.pdf
[19] IBEF, e-Commerce Report, May 2019
[20] IBEF, e-Commerce Report, May 2019
[21] IBEF, e-Commerce Report, May 2019

USPs of e-Commerce

Source: Media Articles, Deloitte analysis

A sustainable model of integration of traditional and modern retail

"Offline vs online" is now turning into "offline complements online", the way forward for the Indian retail industry seems to be from 'Bricks-and-clicks' to an 'Intermix' of channels and offerings. Partnerships between brick-and-mortal retail (both traditional and modern) and e-commerce companies are testimony to this trend. Companies are increasingly finding innovative ways to collaborate with their counter retail channels and leverage their strengths. Collaboration between traditional and modern retailers is expected to provide consumers with a better shopping experience as well as increases the revenue shares of both retail channels.

"While it was easier for larger companies to upgrade their IT systems and become GST compliant, small businesses faced various challenges which delayed their GST implementation. We organized GST helpdesks to get them on-boarded and help them understand the processes. Now, even small businesses realize that the change is beneficial for them as well as for the consumers"

Mr. Arvind Mediratta
MD & CEO,
METRO Cash & Carry, India

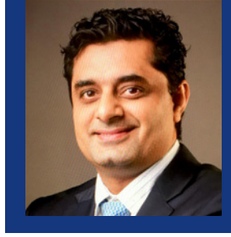
Confluence of GT and MT

Traditional Retail		Modern Retail (including e-commerce)
• Word of mouth	**Awareness**	• Ads via digital medium • Ads via traditional medium – print, TV, radio, banners, hoardings, standees etc. • Digital hoardings
• Visit store to check assortments • Discounts provided by local retailers • Personal relations and trust on the retailers • Proximity of the outlet	**Consideration**	• Visit store to check assortments • Check assortments on app/website • discounts/promotions provided by retailers • peer reviews • price comparison • online influencers
• Purchase in the store • payment via cash (some outlets also accept mobile wallets and cards) • -vail credit facility • store pickup / free home delivery	**Purchase**	• Purchase in the store • purchase via website/app • payment via cash, mobile wallets, card, other digital means • store pickup/home delivery
• Visit store/local service centre for complaints and returns	**Consideration**	• visit store/website/app/local service centre for complaints • complaints/reviews via social media websites, blogs • visit store for returns • returns via home pick up
• Personalised offerings/extra discounts/goodies provided for loyalty • Garner trust due to personal connect	**Loyalty**	• online loyalty programmes • enhanced consumer shopping experience • personalised offerings such as discounts, promotions etc.

Source: Deloitte analysis

Retail channels can collaborate in variety of formats--each catering to different set of problems and providing a unique set of benefits.

"Retail companies will have to be omni-channel players – there is no other choice, they have to be present online and offline to address all segments of consumers, B2B and B2C."



Mr. Devendra Chawla
CEO & Managing Director,
Spencer's Retail Limited

Collaboration of traditional retail with e-commerce

E-Commerce platforms using Kirana stores for last mile delivery

Such collaboration is expected to cater to Tier II and below cities. It could solve e-commerce companies' last mile delivery problems and help them save associated logistics costs.

Case study:

A global e-commerce marketplace, due to constant struggle with reducing the logistic costs and improving the supply chain dynamics, is leveraging the network of local retailers for last mile delivery. Each delivery centre is linked to a fixed number of Kirana stores and drops the package at the linked outlets. These outlets are responsible for sorting, customer self-pick-ups, doorstep delivery, and customer returns of the packages.

This allows the company to increase its storage capacity by 20-25 percent and utilise it on a need basis, improve first attempt delivery strike rate, and reduce last mile delivery cost. Approximately, 28 percent of packages are delivery via these Kirana stores.[22]

Kirana store owners acting as e-commerce facilitators to the end consumer

An alliance of this nature would expand the reach of e-commerce to rural areas. It will allow the rural consumer, who is not tech-friendly, to enjoy the variety of options available on e-commerce platforms.

Case Study:

An e-commerce startup, intending to cater to the rural India, has integrated with traditional retailers and is leveraging their strengths in a very unique manner. It provides retailers with internet-powered tablets which facilitate customers to browse and shop through partner marketplaces. The retailers makes the purchase on behalf of the customer, and takes the payment in cash. The order is delivered within 48 hours. Such retailers also make bill payments, insurance payments and do recharges on behalf of the customer.

The startup has been able to build a network of 47,000 retailers across villages and towns and witnesses substantial transactions every day, generating a revenue of $300 million annually.

"Bigger companies and retailers are tying up with local distributors and logistics providers to increase penetration and sales, especially in non-urban centres. However, there is also a flip-side to tying up with local players in the sense that the larger players cannot directly control the delivery and timelines for local partners."

Mr. Rachit Kumar
Manager – Marketing & E-commerce,
Liberty Shoes Ltd. – Lifestyle

[22] Company website

EVOLVE for consumer

Collaboration of Traditional retail with Modern Retail

Modern Trade "Cash and Carry" outlets selling to Kirana stores

Such an amalgamation increases the outreach for the wholesaler, eases the process of supplying and distributing products to the retailers, and provides easy access to credit for Kirana stores.

Case study:

To address the pain point of Kirana stores wherein they have to source from APMC yards and have to interact with different distributors for different brands, a global wholesaler company, supplies to the Kirana stores directly, provides all commodities in one place and at a cheaper price. The company also provides flexibility to pay via any medium. Further to support the Kirana stores, it provides them with credit facility as well, which remains a challenge for Kirana stores. It also helps in digitisation of the Kirana stores associated with it. The company provides the store owners with a POS device, and offers an EMI option to purchase the same. The POS machine helps the store owner to accept digital payments, make utility payments, transfer money, and use it as an ATM machine to give cash to its customers. The machine also stores data pertaining to the most selling products and about the customers who are loyal. Store owners are also assisted in converting their stores from closed to open format stores.

The company has 25 wholesale distribution centers, supplying to 5,000 suppliers. Further, due to digitization, the footfall of the Kirana stores increased, by as much as by 30 percent for many stores.

Kirana stores bulk purchasing goods from Modern Retail Outlets

Local traditional retail stores are leveraging the discounts offered by modern hyper and super-markets. Such Kirana stores purchase packaged goods and other consumer products in bulk – and thereby obtain heavy discounts. This leads to a substantial increase in their margins compared to if they would've obtained the same products through their distribution channel.

These bulk discounts are generally offered during the festive period or end-of-season sales and the Kirana stores purchase and stock the products for future use, selling at their normal rates and earning higher margins.

"We are tying up with companies to remodel traditional retail stores – currently most of the kirana stores are closed door formats and we are encouraging them to become open format like supermarkets where customers can enter their stores. Such a conversion takes only around 48 hours, and we have seen the sales go up by 30% in such stores after conversion, even at places like Bangalore and Hyderabad where ecommerce penetration is very high. If the traditional retail stores follow the modernization and digitalization process, they will continue to grow by 30% despite the modern retail progress"

Mr. Arvind Mediratta
MD & CEO,
METRO Cash & Carry, India

Key Takeaways

01. Retail in India is undergoing a major transformation where amalgamation of the various general and modern trade channels is the need of the hour.
02. While the Kirana stores are expected to remain highly relevant in the foreseeable future, there is a need for them to digitize their processes and upgrade to service the consumers better.
03. At the same time, the modern retailers and the e-commerce channel still faces significant challenges in regard to the last-mile delivery and requires assistance from Kirana stores to penetrate the hinterlands.
04. Organizing retail channels via the confluence of modern and general trade channels, to offer seamless services to the consumers provides a sustainable win-win solution for the consumer companies to cater to the masses.

As the brands start catering to various set of consumers across the country, they must also ensure that consumers make repeat visits to their stores/ websites and become loyal to some extent. Customer retention is thus expected to play a major role, over and above the customer acquisition part, going forward.

Loyalty to be drawn by going the extra mile

Customers are becoming increasingly demanding when it comes to expectations from the brand. At the same time, brands are under huge pressure constantly to exceed the customer expectations and delight. Today when there is a myriad of brands available in the market fighting for the customer mind share, brand recall is becoming increasingly difficult.

Brands easily lose customers if they cannot provide what appeals to them such as quality product/services, impeccable after sales service, personalised offerings, etc. With ever-changing consumer preferences, it is imperative that brands keep on innovating themselves in terms of their core offerings and also invest in mechanisms that make their customers feel valued to drive loyalty.

Consumers over a period of time start trusting the brand and develop loyalty. Brands also use different tools like incentives, free trials, etc., to create brand loyalty. According to a recent research, brand loyalty is amongst the major parameters which have a high impact on the market. However, retailers perceive consumer loyalty differently than the consumers do, who value brand loyalty as a key factor for "sticking" with a brand vs other aspects like pricing, ease of substitution, etc.

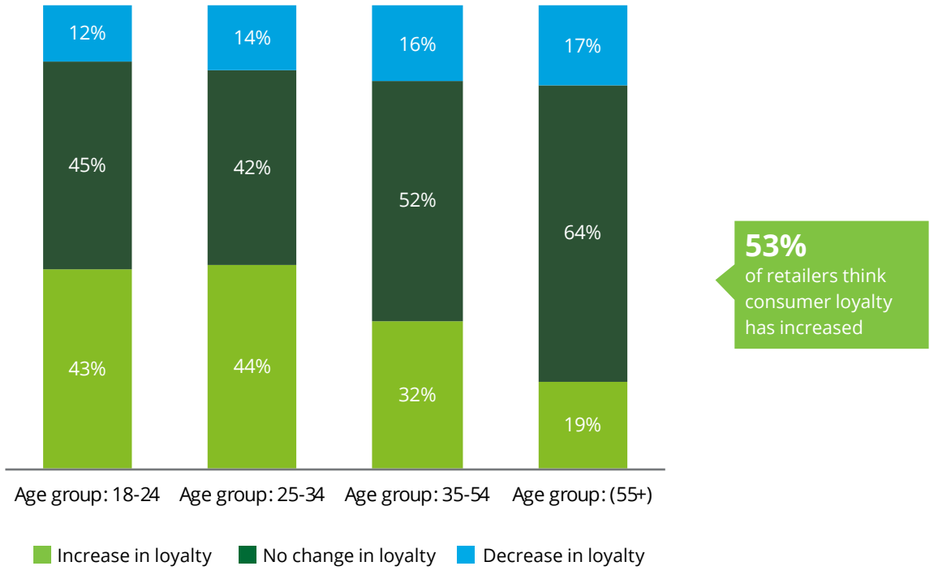
While, more than half of the retailers think that consumers are more loyal today than they were five years ago, around 44 percent of millennials say that they are more loyal today, which is the highest amongst other categories of consumers.[23]

"Increasing penetration of online retail is leading to a price war for products in categories such as apparel, footwear, consumer electronics and durables, cosmetics, etc. Consumers can easily check and compare prices of products at different stores/ websites and make their decisions basis that. Loyalty has thus altered from what it used to be 5 years ago. We, at Spencer's, are in process of providing instant loyalty benefits to consumers - rather than incentivising consumers for their future purchases through loyalty points, we are working towards providing them with on the spot benefits for their purchases."

Mr. Shashwat Goenka
Sector Head – Retail & FMCG
RP Sanjiv Goenka Group

[23] Oracle Retail Report, 2019

Consumer loyalty is less than the loyalty as perceived by retailers



53% of retailers think consumer loyalty has increased

Source: Oracle Retail Report, 2019

Loyalty programmes and brand recall

Loyalty programmes are effective means to generate loyalty and boost purchase frequency because they keep customers motivated to make their next purchase to earn valuable rewards. This is profitable for both brands as well as customers.

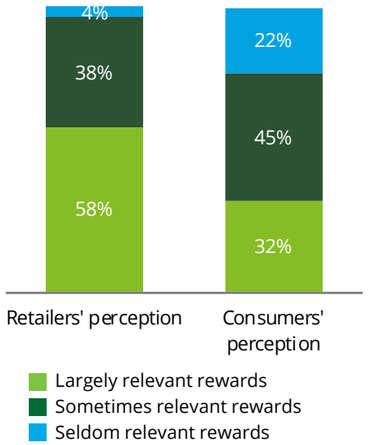
Brands get more repeat business and customers get more value by being loyal to a particular brand, but this is true only as long as the loyalty program is relevant/ meaningful for customers.

Key advantages of loyalty programmes

Source: Deloitte analysis

However, there is a gap in the perception of retailers and consumers towards the loyalty programmes companies offer. While nearly three-fifths of the retailers feel that the offers they make as part of loyalty programmes are relevant, less than one-third of consumers feel that the offers made are relevant and around 22 percent[24] feel that the offers made are irrelevant.

Perception of relevance of rewards offered as loyalty benefits



Source: Oracle Retail Report, 2018

Further, contrary to the retailers' belief that almost three-fifths of the consumers join loyalty programmes, only 32 percent[25] of the consumers do so.

Enrolment in loyalty programs

63% of the consumers use only one of three loyalty programs

Source: Oracle Retail Report, 2018

"In metros and urban centres, there is greater brand consciousness and awareness of various brands, which is impacting the brand loyalty. There is a significant role of social media in terms of stimulating a brand's awareness and rapport and communicating the trends and benefits of particular product as there is greater online research in urban areas."

Mr. Rachit Kumar
Manager – Marketing & E-commerce,
Liberty Shoes Ltd. – Lifestyle

[24] Oracle Retail Report, 2018
[25] Oracle Retail Report, 2018

While customers demonstrate their loyalty via their conduct and actions, nearly one-third of the retailers take into account only the actions to measure consumers' loyalty. Behavioural aspects like word of mouth marketing (recommending brands to friends or NPS) and the growing role of social advocacy (brands' online activity, Social Media posts), etc., which also play a very important role in brand loyalty, are not taken into consideration by the retailers.

Loyalty of consumers reflects both in actions and conduct

Actions	Conduct
• 34% consumers make more regular visits to the brands they are loyal towards • 31% consumer make higher spends with these brands, as compared to other brands • 25% opt for loyalty programs	• 31% suggest friends to try these brands • 20% follow brands online • 14% reviews these brand online

Source: Oracle Retail Report, 2018

Therefore, it is essential that loyalty programmes are well curated. For a loyalty programme to generate best results, it is essential that it caters to certain essential aspects.

Key features of loyalty programmes

Source: Deloitte analysis

Brands can also leverage partnership loyalty programmes which provide an opportunity to the companies having similar consumer base to come together and enhance their offerings. Such programmes offer great value to the consumer as consumers get additional value along with what the brand usually offers.

Custom offerings to be the way forward for loyalty

Brands need to constantly innovate themselves while targeting customers so that perceived benefits to the customer exceeds their expectations and they become more loyal to the brand. Brands that are able to provide custom-made solutions specific to the needs of the customers in real time may find it relatively easier to retain consumers in today's competitive landscape.

Source: Deloitte analysis

Analysing customer data is most important before customising loyalty programmes. Important insights can be generated from the customer data with help of analytics and AI to generate a "single" view of the consumer. The insights speak about consumer behaviour, lifestyles, and aspirations, and help create different customer segments based on similar likes, demographic profile, etc. The advent of technology may create "segments of one". The loyalty programmes, if customised for each defined segment, are expected to reap the best benefits.

Consumers find personalised loyalty programs very appealing

80-85%
of consumers appreciate it if the retailers make recommendations on products based on consumer preferences.

75-80%
of consumers like to receive recommendations via navigation app about the places to halt at, basis previous behavior and preferences.

70-75%
of consumers find automatically redeemable offers attractive.

65-70%
of consumers like personalised offers based on previous history.

Source: Oracle Retail Report, 2018

Case Studies

Case 1: An aggregator in the aviation space challenged the conventional business model and offered the customers virtual currency on its platform based on their social media site engagement, which customers could use to book flights and hotels. The company developed an in-house algorithm to assign a score to each customer basis his twitter activity and allowed customers to use 100 percent virtual money earned without any restrictions on their bookings. This created a positive influence about the company. This enabled the company to engage more customers by targeting micro-influencers and turned the customers into advocates that resulted in more acquisition, retention, and word-of-mouth marketing

Case 2: An online fashion platform launched an innovative loyalty programme. The programme allowed its users to gain reward points for exploring and buying products via the platform and was free of cost to join. The points were rewarded for spending as small as INR 10 and remained valid for 30 days post credit. The company not only provided points but also provided gamification experience throughout its platform. The company intends to acquire 10 million customers in initial 12 months of the program launch.

Key Takeaways

01. In this era of rapidly evolving consumer landscape, dwindling brand loyalty is seen by many companies as a major challenge.
02. While the loyalty programmes and memberships, help brands to attract and retain consumers by offering various monetary and non-monetary benefits, such loyalty programmes may seem to be transient and may not be able to retain consumers for long.
03. There is a need for brands to offer specific and bespoke benefits to the consumers. Analysis of data on consumers' shopping patterns and behaviour will help companies to provide relevant personalised offerings to the consumers and might drive greater loyalty. The loyalty benefits surely encourage the consumers for repeat visits and purchases. However, brands must also ensure that their values resonate well with their target customers and they are able to associate better with their preferred brands.

Vouch for Commitment

While Loyalty Programmes and custom offerings play a critical role in increasing consumers' loyalty towards a brand, it is not the only major consideration. Consumers also associate with a brand and become their loyal members if the brands stand up to what they vouch for. These commitments could be in form of maintaining quality standards, safety processes, sustainable practices, value for money, etc.

Putting your money where your mouth is – Acting on commitments

Consumers' purchase decision is now also influenced by the brand that makes the products, the values it communicates, the commitments it makes, and the trust it has been able to garner over the past. Brands that stand up to their commitments have a relatively greater chance of successfully sustaining their businesses in the long run.

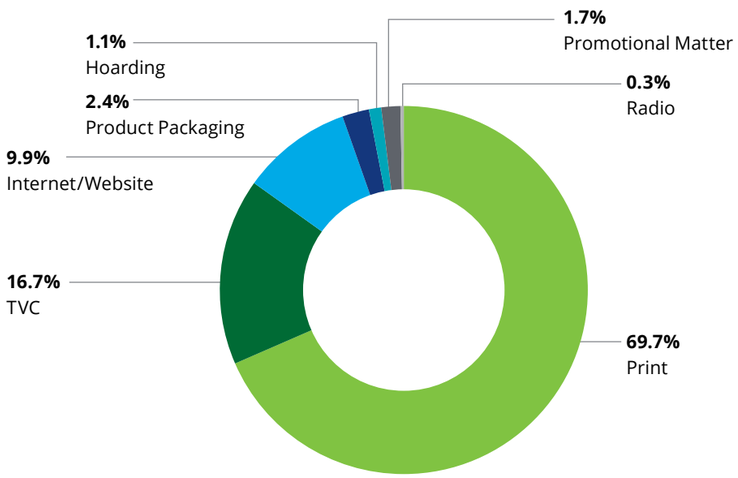
Brands must align to their values and commitments to win and sustain their consumers' trust. Further, the commitments brands make should be SMART, authentic and consistent with their values. Authenticity alone is a key factor that drives sustainability in brands.

Source: Deloitte analysis

To garner the trust of consumers, it is necessary for companies to have a set of core brand values which resonate with the values of the consumer. Owing to increasing disposable incomes, inclination towards genuine goods, increasing health consciousness, and growing awareness towards implications of unsustainable practices, consumers are becoming more conscious about the choices they make and are developing newer value drivers such as sustainability, health and wellness, social impact, safety and experience. While traditional drivers such as price, convenience, quality, etc. still play an important role in the decision making, the new value drivers contribute equally in the decision making. According to a Deloitte survey, more than 50 percent of the consumers find new value drivers as more critical in the decision making than the traditional drives and ~63 percent are happy to pay more for food products which have a positive social impact[26]. Interestingly, the trends towards health and wellness are not just limited to millennials but is visible across all age groups. Companies are continually aligning themselves with consumer's increasing consciousness of health and environment to hold their brand image strong and to retain their consumers.

Despite the efforts of the brands to hold up to their commitments and reflect their core brand values at every level, many of them have been seen to falter in making genuine promises and keeping up to the same. The communications made by brands are sometimes misleading, unauthentic, and unsubstantiated. Such communications, if not tackled well, can lead to serious reputational damage to the brands. The Advertising Standards Council of India (ASCI) registered more than 2,600 complaints in 2017-18, an increase of 15 percent over the previous year. The complaints were largely made due to misleading and ambiguous content, unsubstantiated claims, violation of defined guidelines etc. About 68 percent of the complaints were against print advertisements, followed by TV, Internet/Website and Product Packaging[27].

Split of advertising complaints by medium



Source: National Advertising Monitoring Service

"In terms of packaging and labelling, contrary to India where focus of labelling is majorly on communicating the benefits of products, in the US and other developed economies, priority is given to highlight the side-effects or negative implications of using the products through labelling."

Mr. Rachit Kumar
Manager – Marketing & E-commerce, Liberty Shoes Ltd. – Lifestyle

While the brands make conscious efforts to ensure such instances do not occur and hamper brands' reputation, it is also essential to deliver on their commitments consistently and advertise in a transparent and genuine manner.

Case Studies:
Case 1: An Italian pasta company provides field-to-fork information transparency to consumers, leveraging Internet of Things (IoT)

What did the company do?
An Italy-based pasta manufacturing company took a major leap towards its values of providing information transparency to consumers and traceability of food products, when it launched 'Digital Passports'. The platform leverages IoT to provide a truly field-to-fork model for its consumers, where it enables users to track the entire supply chain from farm to their eating tables.

How does it work?
The company partnered with IT service providers to implement the technology platform. The technology enables consumers to scan QR codes on the back of product packaging. Once scanned, it takes the consumers to a website to present the story of that specific production batch. Details such as source of durum wheat varieties (from which the pasta has been made), harvesting and milling practices, movement across the supply chain and ultimate delivery to the Point of Sale (PoS), are provided through engaging photos, videos and texts. Consumers are enabled to drill down the website to further extract information regarding farmers and their techniques as well as sustainability measures across the whole value chain.

Using lifecycle assessment methodology, the company calculates the environmental impact of the durum wheat cultivation, including ecological, carbon, and water footprint.

What impact does it create?
Through this initiative the company is stated to fulfill two purposes:

- Providing information access to consumers in a transparent manner, enhancing their knowledge and creating an emotional impact leading to brand connect
- The company is also able to trace the food products back to each step of the supply chain, knowing the exact origins of the ingredients/ components of food through assigning values at each link and creating digital records.

The platform, which is enabled through sensors, wireless networks, the cloud and analytics, also helps the company in fighting against counterfeit practices and leading the cause of safe food practices.

Case 2:
One of the major instant noodle brands, was banned in multiple states across India when more than permissible lead content was discovered in the noodles. This led to a drastic fall in the brand's sales and subsequently its market share. The company, after the product was deemed unsafe for consumption by regulators, rectified its mistake by taking a quick action. It recalled all the stock of the product in the market within two days and destroyed more than USD 50 Mn worth of the product. Later, the brand reworked on its product and launched it within the permissible levels of regulations. It was perceived to be a brand which genuinely cared for its customers and regained most of its lost market share.

[26] Deloitte Food Value Equation Survey, 2015
[27] National Advertising Monitoring Service

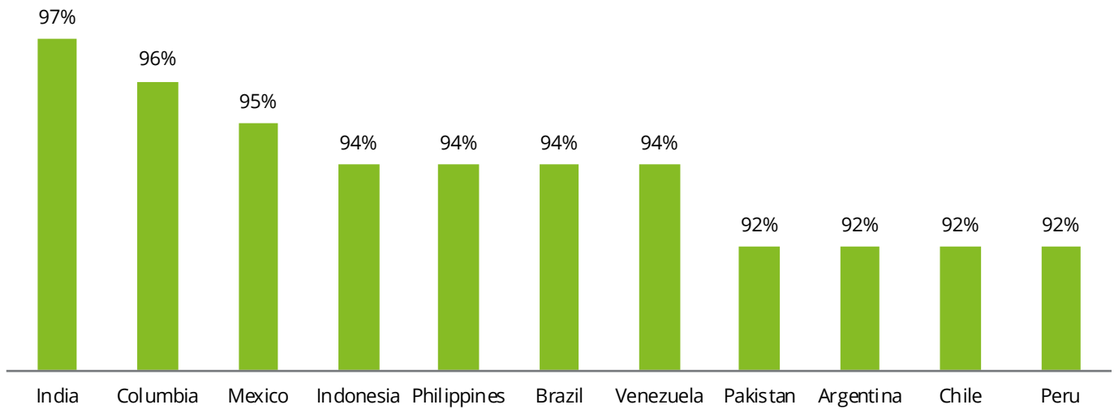
Either sustain or perish – The importance of sustainable practices

Sustainable practices are critical for a company's long term success as well for safeguarding the resources of the planet for future generations. While making their core business strategies, companies should aim at balancing the triple bottom line (3BL) parameters of social, environmental (ecological), and financial aspects.

The focus of organisations should be to operate on zero waste to promote future availability of raw materials, and elimination of landfills. Since a sustainable approach saves and preserves resources, it also positively impacts the financials of the company. Companies adopting sustainability reflect strongly on their core values which is seen to resonate well with the modern day consumer.

The consumer is keen on buying healthier and more eco-friendly products today. About 97 percent[28] of Indian consumers feel that it is important for the companies to work towards environmental improvements, making India top the list of countries by consumer demand for corporate sustainability. More than 80 percent of Indians are happy paying more for eco-friendly and nearly one-third[29] of consumers shop from brands which they trust are doing social and environmental good.

Top countries where consumers demand corporate sustainability



Source: Sustainable Shoppers, Nielsen, April 2019

[28] Sustainable Shoppers, Nielson, April 2019
[29] Media articles

Public-Private collaboration for sustainability

In conjunction with UN and its member countries, India has signed up for achieving the "Sustainable Development Goals" agenda by 2030. The goals, which range from bringing gender equality to tackling the climate change, align well with balancing the social, environmental (ecological), and financial parameters. The Govt. has taken various initiatives, such as Swachh Bharat, Make in India, Skill India and Digital India, which converge well with the SDG agenda.

Sustainable Development Goals[30]:

No Poverty
Reduced Inequalities
Zero Hunger
Sustainable Cities and Communities
Good Health and Well-Being
Responsible Consumption and Production
Quality Education
Climate Action
Gender Equality
Life Below Water
Clean Water and Sanitation
Life on Land
Affordable and Clean Energy
Peace, Justice, and Strong Institutions
Decent Work and Economic Growth
Partnerships for the Goals
Industry Innovation and Infrastructure

[30] United Nations Development Programme, UNDP, accessed in September 2019

However, collaboration and support from private companies is essential to achieve the SDG agenda. Various Indian companies have started moving towards achieving the SDG 2030 agenda. The companies are increasingly investing in programmes which strive towards sustainable development. Some of the major initiatives being taken by companies are as follows:

Economic	Environment	Social
• Investing in programmes related to education, training, etc. to enhance economic opportunities • Supporting local and small businesses	• Promoting sustainable sourcing by fixing supplier standards • Reduction in Greenhouse Gases(GHG) emissions through the use of renewable energy • Applying waste management techniques to reduce wastes through recycling, donation, animal feed, etc.	• Provide healthier products through natural offerings or minimizing the use of chemicals, additives, artificial flavours, etc. • Maintaining workforce diversity in terms of gender, nationalities, ethnicity, etc. • Helping the communities by providing food to relieve hunger

"With an increasing use of data and analytics, companies need to assure data security at each level of data transaction and storage. There is a significant need for companies to invest in infrastructure and technology to keep the data safe."

Mr. Rachit Kumar
Manager – Marketing & E-commerce,
Liberty Shoes Ltd. – Lifestyle

Case Studies

Case Study 1: A major hotel chain undertook a massive rejig to offer a unique blend of 'responsible luxury'. The chain stands by its ethos of 'luxury without compromising the Earth and sustainability without compromising luxury' and is amongst the world's largest Leadership in Energy and Environmental Design (LEED) platinum-rated hotel. A few major sustainable offerings in the luxury hotel include:

- Using glass bottles, instead of plastic packaged
- Serving locally sourced food and food ingredients
- Operating a self-owned sewage treatment plant – 100% waste water from the hotel is recycled and reused for horticulture, flushing and cleaning
- Operating water harvesting areas
- Providing in-house drinking water purification facility to save on transportation and logistics costs for potable water
- Using solar energy to meet nearly 20% of hot water requirements
- Operating a self-owned wind farm, powering the 600 luxury room hotel
- Using bio-diesel as a fuel in boilers and heat pumps, instead of wood/ coal, reducing CO_2 emissions and saving energy sources
- Containing an organic waste converter, to convert waste into compost – the hotel gives away this compost free of cost to local people

Each of the hotels under the company's chain embodies the principle of 'responsible luxury'. Nearly 60% of all the electricity requirements across the hotels are met through renewable sources, including wind and solar power. The in-house wastewater treatment plants ensure reduction in water consumption. Further, all excess recycled water is shared with local municipal authorities for their use.

Case 2:
A major Indian e-commerce company, as part of its green initiatives, has replaced paper cups with ceramic cups and has distributed stainless steel water bottles for one of its offices. It doesn't allow dustbins at individual desks to minimise usage of garbage bags and has placed large bins at various places to ensure that dry and wet waste are segregated. This has resulted in reduction of usage of plastic bottles and conservation of 4,000 litres of potable water every week.

Key Takeaways

01. It is highly important for brands to communicate their values in a transparent manner and stick to those values.
02. Brands' commitment to their values may as well the single most critical parameter to gain consumers' trust and build rapport in the highly competitive markets.
03. While following sustainable practices is highly crucial in current times for companies across the world, ensuring authenticity can lead a brand towards sustainability and ensure they remain relevant in the long run.

Considering that the brands engage with their consumers more, listen and act upon the voice of the customer, organize their channel and offerings, attract consumers through bespoke offerings to make them more loyal, and vouch for their values, the next stage is to enhance their ecosystem of products and offerings throughout the consumers' shopping journey and remain relevant at each stage.

Enhance product and service offering

While it is essential for companies to deliver what they promise to get their customers glued to them, it is becoming more important to provide them with a good shopping experience along with quality offerings. Companies are doing multitude of things to enhance the shopping experience of their customers such as hyper personalised offerings, personalised loyalty programmes, vernacular content, omni-channel retail, adopting agile and lean business models, integrated sales and supply chain, etc.

Agile Business Models

The modern day consumer is evolving fast owing to a variety of factors such as multitude of options to shop from, advancement of technology, inclination towards convenience, options to access global markets with ease etc.

Consumer shopping journey today looks a lot different than how it used to a couple of decades ago, with the current shopper journey having drifted from the uni-directional approach to shopping by exploring various channels and options throughout the shopper journey.

Shopping Journey in 1980-90s

Medium of information	Journey
• Newspaper • TV/ Radio • Word of mouth • Bill-boards • Yellow pages • Retailers	Consumers got their initial inspiration and awareness from a retailer, brand's advertisement/ marketing channels or family and friends

Awareness

Current Shopping Journey 2018-19

Medium of information	Journey
• Online media • Paid media • Earned media	• While traditionally, consumers waited for the information to reach them, in current times, they actively gather information through sources • 63 percent of the millennials stay updated on brands through social media

Shopping Journey in 1980-90s			Current Shopping Journey 2018-19	
Medium of information	**Journey**		**Medium of information**	**Journey**
• Visit store • Call seller	• Consumers visited retailers in the neighbourhood to compare prices • Retailers had a significant role in influencing consumers' buying decisions • The comparison was relatively straight forward as the number of brands and SKU options available was limited	**Consideration**	• Peer reviews • Fit with digital • persona • Price comparison • Brand story/ CSR • Discount/ coupons • Online influencers	Plethora of options to choose from owing to online mediums • Nearly 90 percent millennials engage in some form of online activities while conducting shopping in-store
• Store purchase • Mail order	• With limited payment channels, customers typically purchased goods in-store. In some cases, a mail order was used to make payment • Consumers had to sometimes wait a few days/ weeks before the delivery of a TV or a refrigerator	**Purchase**	Shopping has become more social (with friends and family) • Tele-shopping • Store purchase • E-com	• Decisions moved from being based on availability of products to being based on convenience and benefits • Nearly 28 percent millennials often purchase products owing to social media recommendations
• Visit store • Visit local electrical • Shop	• Not much emphasis was placed on aftersales experience • Companies largely differentiated on basis of products and benefits • Customers typically visited company-owned outlets or local electricians if appliance purchased was damaged or faulty	**Aftersales**	Option • Visit store • Social media • Digital channel • On-demand • doorstep services • Call centre • Online tutorial	• Immediate gratification becoming more important * Companies engaging closely with consumers after selling products/ services to improve their offerings and provide more value to consumers

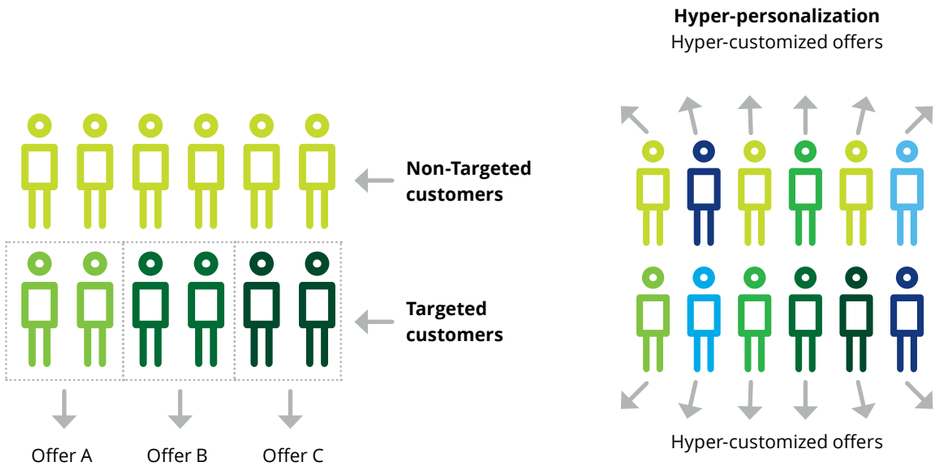
Shopping Journey in 1980-90s			Current Shopping Journey 2018-19	
Medium of information	**Journey**		**Medium of information**	**Journey**
• Product experience based on Word of mouth marketing	• Consumers were very brand loyal. Their loyalty was based on their own experience while purchasing a product or reviews of family and friends • Low-cost brands were usually associated with inferior quality	**Loyalty**	• Experiential loyalty • Loyalty program • Discounts & offers • Conditional loyalty • Online reviews	• With increasing product options and fickle buying behavior, consumer loyalty has weakened • However, consumers seem to prefer shopping at retailers offering loyalty programmes * Percentage of consumers willing to spend on brands with loyalty programmes: 40 percent Boomers 39 percent GenX 49 percent Millenials

Source: Deloitte analysis

To cater to the consumers' evolving shopping journeys, companies need to consider following agile and lean strategies that allow them to rapidly upgrade their offerings and processes to match the demands of the evolving consumer. Agility can prove to be beneficial across different verticals such as new product development, marketing, operations, supply chain and logistics, delivery, etc. It will result in cross-functional interdisciplinary teams who work towards achieving the adaptive best-case processes. Adopting agile business models could lead to happy and satisfied customers along with increased efficiencies, better productivity, and cost-effective outcomes.

Hyper Personalisation

Hyper-personalization basically implies offering tailor made solutions to individual consumers. As the companies' product offerings become more niche, it becomes essential for them to cater to the specific needs of the individuals and enhance their shopping experience. Hyper personalization leverages behavioral and real time data to garner deep understanding of consumers' preferences. For example when a shopper is booking a trip on a website, the website recommends linked products like Forex Card, Tours famous in that area, etc. based on the specific search history to enhance the shoppers' experience.



Source: Deloitte analysis

One-to-one marketing has evolved to be more consumer centric and less product centric. Consumers expect that companies should anticipate their needs in advance and use them to drive better customer experience such as offering customized product recommendations, personalised newsletters and messages.

To be able to provide such solutions, companies must have an in-depth understanding of the customer needs and interests. It is essential for them to know the content consumers view, their transactional history, etc. To track user activity of this level, companies need to invest in the right technology and right infrastructure.

Case Study
One of the global houseware retailer, having more than 400,000 customer records intended to increase sales by leveraging the multiple customer data streams being collected over time. The data streams included:

- Basic profile information including age, income range, etc.

"Technology has led to a series of disruptions in the consumer space. The processes which took days to complete earlier, can now be accomplished in minutes - which is enhancing the experience of the consumers. Technology has led to an increased efficiency of the entire value chain of consumer markets starting from sourcing to customer service."

Mr. Shashwat Goenka
Sector Head – Retail & FMCG
RP Sanjiv Goenka Group

- Geo-location data such as purchase location, channel used (offline/online), etc.
- Behavioural data such as purchase history, shopping basket and its contents, etc.

The data was collated, analysed and presented in a coherent way to extract relevant customer insights which resulted in understanding of customer loyalty and Long Term Value (LTV). The analysis helped in creation of micro-clusters of consumers, which in turn helped the retailer in better targeting, better sales engagement and better product offering strategy. The offers were delivered to customers via email and via its website.

Just after six weeks of the deployment of the results from the analysis, the retailer's revenues shot up by USD 1 million. Further, personalised offerings to the micro-clusters increased the probability of customer conversion and retention, and decreased the overall churn.

Predictive analytics

Predictive analytics is an essential technology when it comes to providing hyper personalised solutions to consumers. It predicts the needs of the consumer using consumer data such as transaction history, past interactions, information such as age, gender, cohort, etc., statistical algorithms and machine learning. Such future insights are predicted with a signification degree of precision.

This helps the companies to hyper personalize their offerings by providing relevant product recommendations and promotions to the consumer. It also help companies track when a consumer would be likely to run out of their stocks, which in turn helps them to trigger re-stock reminders for the consumers.

Vernacular content to be the way forward

Vernacular content (offering services in local/regional languages) is proving to be the next big thing to connect with the non-urban population. Internet users are increasingly giving preference to content in their local languages. Further, various non-internet users are now being targeted by companies to come aboard and engage in a seamless online experience in the language of their choice, thus enhancing their online experience. Various consumer companies have either started offering or are planning to offer their web content in regional languages to meet the evolving demands of consumers.

Vernacular is changing the ball game of video and voice content consumed by consumers, especially on social networking and video sites by young consumers. With increasing internet and smartphone penetration in India, the millennials in India are estimated to spend nearly 17 hours online every week – with the major activities being social networking, streaming music and videos, and online shopping. With such a significant engagement through online channels, social networking sites have become a medium for instant gratification for the millennials and younger generations. Social media is also a noteworthy medium for digital advertising; it accounts for nearly 28 percent of the digital advertising market in India. While e-commerce companies spend the most on social advertising, nearly 43 percent of all digital advertisements are tailored for handheld devices[31].

Social media platforms are proving to be crucial touchpoints to engage with the consumers. According to a survey conducted in 2018 by a major global online payment system company, social media platforms account for nearly

[31] Media articles; Deloitte analysis

79 percent of e-commerce in India.[32]
To tap the social commerce and video content market in India, one of the biggest e-commerce players globally has launched its social commerce platform for Indian consumers. The platform is expected to lead consumers into discovery-based shopping. Many other major players are planning to launch their social platforms to address the emerging needs of the youth in the country. Further, various social commerce platforms are already functioning in the country, generating notable funding amounts from investors. Companies are supplementing their product marketing and advertising with video content for consumers to relate more with products and make informed purchase decisions. Technology such as AR is also being leveraged to enable users to upload their images/videos and see how the product (usually apparel and accessories in this specific case) suits on them.

The major drivers of vernacular content, apart from the increased internet and smartphone penetration, are digitisation of rural India and a vast majority of Indian population speaking local languages, with only ~15 percent of Indian population speaking English. India currently has nearly 250 million[33] local language internet users and this number is expected to go up to nearly 600 million users by 2023. Around three-fourths[34] of the internet users prefer content in local languages over English. As content and communications are in English, brands miss out a huge chunk of potential buyers. These buyers are expected to connect better with the brand if the communications are in local language. More than two-fifths of local language internet users find limited content availability in local language to be a challenge. Four languages – Telugu, Marathi, Tamil, and Bengali – are expected to account for nearly one-third of non-English internet users, whereas Hindi is expected to be the most used language[35].

Online retailers see this emerging segment as a new growth driver.

- In August 2018, one of the major e-commerce companies acquired an artificial intelligence company that converts speech into text in 10 Indian languages.
- Another Indian e-commerce company has optimised its website for better shopping experience using Hindi.

Case Study:
A major global e-commerce player in India has launched its website and app in Hindi to enhance the customer experience and to cater to the users which don't converse in English. The company intends to acquire 100 million consumers via the launch of Hindi versions of its digital platforms. It also plans to launch its website/app in other majorly spoken Indian languages such as Bengali, Tamil, Kannada and Telegu.

[32] Decoding: The millennial consumer, Live Mint, June 2018
[33] Media articles, Census India, Deloitte analysis
[34] https://www.livemint.com/opinion/online-views/opinion-vernacular-india-is-the-next-big-internet-wave-1551639757291.html
[35] Media articles, Census India, Deloitte analysis

Omni-channel experience

Omni-channel approach provides consumers with an integrated customer experience. Increased internet and smartphone penetration, rapid development of digital infrastructure, favourable demographics, convenience and efficiency offered by digital devices are some of the key drivers of omni-channel retail.

To enhance the consumer experience, companies are increasingly adopting omni-channel approach. Usage of technology to provide an interactive and memorable in-store experience, easy-to-use websites and apps, apps specifically designed for loyalty programmes are some of the ways via which companies are providing seamless experience to their users.

Impact of omni-channel strategies on consumer experience

Source: Deloitte analysis

"The major focus area for growth for ecommerce players should be on providing hyperlocal services, as heavy discounts are not sustainable. Companies are also exploring offering complementary and ancillary services such as delivery of products, memberships, etc."

Mr. Rachit Kumar
Manager – Marketing & E-commerce,
Liberty Shoes Ltd. – Lifestyle

Omni-channel experience generates happy, satisfied and loyal customers. As per a research, consumers spent 4 percent more in-store and 10 percent more online due to availability of omni-channel experience[36].

The omni-channel experience provided by brands is also making consumers and their shopping journeys evolve. As an example, Evolution of consumer journey from single channel to Omni-channel across apparel sector

Single channel retail

- Visit a shopping center or a high street in the proximity
- Take a trial of garments, depending upon the availability of trial rooms

Multi-channel retail

- **Check online** and compare prices, get the **product delivered at home**, try it and return if required
- Browse internet and perform a price comparison, get a home delivery of the product, take a trial and return if not desired
- Browse and purchase via mobile app, get it delivered at your doorsteps
- Visit a shopping center or a high street in the proximity
- Avail combo offers to purchase accessories and add ons matching the apparel
- Browse through more options via in-store virtual stock browser to check availability across all brand outlets, get it delivered home
- Share with friends, purchase based on number of likes/reviews
- Conveniently try new options through virtual screens/trial rooms
- Get personalized recommendations based on order history

"Retail companies will have to be "omni-present that's " Omni Chanel and available whenever consumer think of the brand – there is no other choice, they have to be present online and offline seamlessly to address all segments of consumers, B2B and B2C "

Mr. Devendra Chawla
CEO & Managing Director,
Spencer's Retail Limited

Brands should be leaving no stone unturned to engage consumers and provide a memorable shopping experience to the consumer. Various strategies are being adopted by brands to provide an omni-channel shopping experience to the consumer.

[36] https://medium.com/shiprocket/omni-channel-retail-the-indian-scenario-and-excelling-through-shipping-strategies-b4143447589d

Two of the important omni-channel strategies which brands are adopting are "Try On in-Store, Ship to Home (TOSSH)" and "Buy Online, Pick-up in Store (BOPIS)".

TOSSH (Try On in Store, Ship to Home)

Relevant especially for products where touch and feel is important, such as apparel and footwear, the TOSSH model helps save significant time for consumers and retailers alike.

Advantages of TOSSH model for consumers

- **Greater satisfaction:** The TOSSH model helps consumers in selecting the appropriate product fit by providing the touch and feel advantage
- **Win-win situation:** TOSSH helps both retailers and consumers save significant time as the long queues for invoicing can be avoided
- **Greater convenience:** Consumers can simply select products and walk-out of the store, without worrying for carrying the products to their respective places

BOPIS (Buy online pick-up in store)

Also called the 'Click-and-Collect' model, it is helping not just by saving costs and increasing footfall for retailers, but providing greater choices to consumers as well

Advantages of TOSSH model for consumers

- **Greater convenience:** It combines the convenience of online searching with the gratification of being served immediately
- **Win-win deal:** Helps in a win-win situation both for retailers (lower costs) and consumers (greater & faster satisfaction). It also gives an opportunity to upsell/cross sell to consumers when they come to collect in-store
- **Quality assurance:** BOPIS also helps consumers provide peace of mind with regard to quality of the product and tracking the shipment

Omni-channel strategy offers various benefits to both businesses and consumers. While it provides a seamless, consistent and enhanced shopping experience to the consumer, it helps businesses improve their processes and management in various ways. It essentially supports the companies in better backend management.

Scalability for growth
Enhancement of the backend processes of businesses including logistics, Inventory management, order management etc. The processes become more effective, structured, and reliable, allowing the businesses to scale up.

Preventive and predictive analytics

- Feasibility to refine business strategy and operations in accordance with the actionable insights generated.
- Possibility to prepare business for future demands basis the present trends.
- Increased efficiency and accuracy in management and tracking of different aspects of business including sales, investments, inventories, RoIs etc.

Efficient supply-chain

- Optimization of operations due adoption of agile and lean models
- Improved service standards to cater to increasing consumer expectations, to ensure availability of product and quick delivery
- Tailor-made supply chain strategies to cater to individual companies and their demands

Order management & payments

- Management of different brands at different levels while saving the costs
- Real-time update on inventory across various channels
- Better management of order modifications and cancellations, returns and refunds
- Merger of different systems catering to different functions

Brands must focus on the following KPIs to track their omni-channel model throughout the consumers' shopping cycle.

Awareness

- Generating traffic/ footfall thru increased Omni-presence – being where ever the Shoppers are shopping the Category

Engagement

- Product recommendations and conversion rate
- Offers & Recommendations based on history
- Increasing length of visits

Trial

- Inducing trials per visit (allowing returns)
- Conversions on product trials and feedback loop

Conversion

- Cross-channel conversions – O2O (offline to online and vice versa)
- Conversions in specific/focus category

Loyalty

- Revisit rate and frequency
- Lifetime consumer value
- Advocacy & Peer-2-Peer feedback

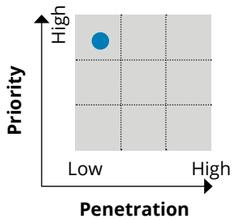
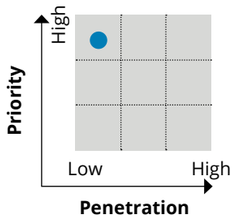
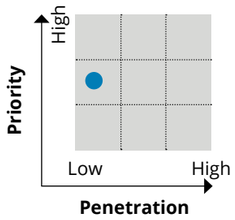
Case Study
A major global sports brand opened omni-channel retail outlets to enhance customer experience. The advanced technology installed at such stores offers convenience to consumers by facilitating easy browsing, research and selection. Retailers, with the help of this technology, can sell products which they do not have in their stock at that moment and can also deliver products which have been ordered via the company's website. Further, company launched a new product line through its website and sells it selectively online. This would save it the space the niche product line would occupy before it gains traction.

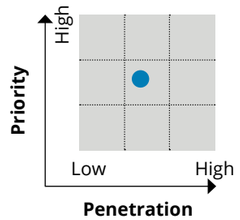
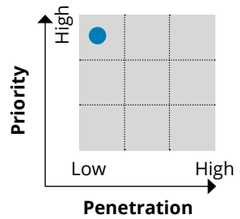
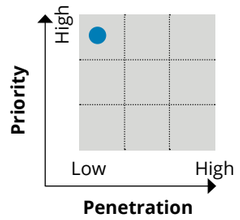
Key Takeaways

01. As the consumer markets evolve, there is a need for brands to re-prioritize their strategies and offerings across the shopping journey - Awareness, Consideration, Purchase, After-Sales and Loyalty.
02. The next level of omni-channel offerings, be it through Try On in Store, Ship to Home (TOSSH) or Buy Online, Pick up In Store (BOPIS) need to explored to enhance convenience.
03. A new era of vernacular content - both for voice and video, is expected to be a game-changer, especially for the rural masses."

Way forward

Recommendations

Topic	Evolution*	Recommendations (industry and government)
Engage for better connect		• Effectively use multiple retail touchpoints and channels (physical stores, kiosks, online channels, social media, m-commerce, etc.) for better consumer engagement • Invest in modern technology, including IoT, AI, AR/VR, data analytics, etc., throughout the value chain
Voice of consumer is paramount		• 'Consumer is the king'—brands must accept this fact and devise strategies to ensure that consumers are satisfied with their experience throughout the value chain and across all possible communication means • Increasing rural consumption overlooking non-urban centres may lead to undesirable results. The strategies must be devised to cater to the demands of all the target segments
Organise retail channels and trade to provide seamless and integrated solution		• Retail markets are evolving from 'bricks-and-clicks' to an 'intermix' model. The brands must use multiple channels to ensure a seamless shopping experience for consumer across all channels • Traditional and modern retail (including e-commerce)—each has its own merits that must be integrated to provide a common platform with complementary solutions • Kirana stores form a major part of the Indian retail and will continue to do so in the near future. Thus, the government and the industry must collaborate for their digitisation and modernisation

Topic	Evolution*	Recommendations (industry and government)
Loyalty to be drawn by going the extra mile		• Brands must innovate their loyalty and membership programmes to make them more customer relevant • Hyper-personalisation and bespoke offerings can help the brands to make the consumers feel privileged, thus enhancing consumer satisfaction and leading to repeat purchases/visits
Vouch for commitment		• Brands must ensure that they resonate their core values and communicate with consumers in a transparent manner • With increasing concerns regarding environment and social issues globally, it is highly critical to ensure that the business practices that brands adopt are entirely sustainable—this will also support the Sustainable Development Goal (SDG) agenda followed by the government and internationally
Enhance product and service offering		• Technology can help the brands to engage consumers more, but there is also a need to enhance their shopping experience through both tech and personal communications • Brands must adopt agile methodologies to curate offerings for the rapidly evolving consumer • Offering vernacular and video content to non-English speaking consumers may help brands thrive in the coming years

Note*: Evolution represents the level of priority to be given and the current penetration of the respective strategies in India vis-à-vis global penetration

Conclusion

The consumer markets are evolving rapidly with the help of technology in an environment where data is the new oil. In such a highly competitive scenario, companies cannot afford to overlook any aspect of the shopping journey and lag behind in the competitive market. Consumer experience has become more crucial than ever and brands must constantly innovate to offer novel products and services to cater modern consumers' demands.

In this era of consumerism, it is essential that the companies **engage** the consumers **for better connect** pre, during, and post their purchases. The **voice of consumer is paramount** and brands must channelise all their efforts in understanding the needs of the consumers by analysing their shopping patterns and behaviours. In addition, the industry must evolve to provide seamless retail channels to the consumers. Thus, there is a need to **organise retail channels and trade.** This will lead to an emergence of retail channels with supplementary capabilities, which will add to the convenience of the evolving consumer. In an era where consumers have access to multiple brands, channels and options, **loyalty can be drawn by going the extra mile** where companies can personalise the loyalty benefits for their consumers. Companies must also gain consumer trust, and remain committed to their values. Today, consumers have become more aware of the health and environmental impacts of the products they consume. Hence, it becomes critical for companies to **vouch for their commitment**. In addition to these factors, the focus of all the brands must be to **enhance product and service offerings** and customise them according to consumer likes.

Acknowledgements

In order to provide a comprehensive view to the study, we interacted with various industry representatives. We would thus like to thank the various industry participants, whose invaluable contributions have made this study possible.

The support provided by Federation of Indian Chambers of Commerce & Industry (FICCI) has been instrumental in providing us with a platform to base our industry discussions. We would like to thank the team at FICCI – Leena Jaisani, Ankit Sharma and Ankit Misra, for assisting us during the course of this study.

We have interacted with representatives of following companies and would like to thank each of them for providing valuable inputs:

Sanjiv Mehta (Chairman & Managing Director, HUL), Herjit S. Bhalla (Managing Director, Hershey India), Shashwat Goenka (Sector Head – Retail & FMCG, RP Sanjiv Goenka Group), Devendra Chawla (CEO & Managing Director, Spencer's Retail Limited), Arvind Mediratta (MD & CEO, METRO Cash & Carry, India), Rachit Kumar (Manager – Marketing & E-commerce, Liberty Shoes Ltd. – Lifestyle), Raghav Rao (VP Finance & CFO, Amazon India).

We would also like to acknowledge the subject matter experts who made this report possible:
Anil Talreja, Rajat Wahi, Suvasis Ghosh and Bhavesh Verma.

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