The consumer industry is one of the most dynamic and amongst the fastest growing industries in India. Consumer retail forms an integral part of the industry with a current estimated size of more than INR 45 trillion. It is further expected to witness a Compound Annual Growth Rate (CAGR) of over 10% in the period 2016-21 to reach a size of INR 85 trillion by 2021. Thus, it plays a pivotal role in the growth story of Indian economy through noteworthy contribution towards the national GDP, attracting significant foreign investments and technologies, and generating vast employment opportunities.

Consumers have taken the front-stage in the constantly evolving retail environment, thus making the industry amongst the first to be influenced by technological advancements and innovations. As industry players embrace technology to enhance the consumer experience, it has become imperative for them to remain connected to consumers throughout their retail journey.

The report ‘KONNECTED to consumers’, delves into such various aspects which are at the forefront of the consumer industry connectedness. It demonstrates the imminence of technologies and processes, which would integrate the entire retail journey and provide a seamless experience to the consumers. While consumer data and insights form the backbone of these technological advancements, government support through national policies and regulations would drive them towards a steady growth path.

Towards the end of the report, key action items for industry stakeholders – majorly government and businesses – have been recommended. These recommendations, provided along with their priority levels, also highlight their engagement intensity with the consumers, thus presenting clear actionable steps to realize the industry’s growth potential in a connected and comprehensive way.
The Indian economy has entered the second half of this decade with a renewed sense of optimism. India’s GDP crossed the 2.264 trillion USD milestone in 2017, and is expected to continue on a strong growth path. Trends such as rising income levels, increasing urbanization and a greater penetration of technology are driving consumption and fueling the growth of FMCG, retail and e-commerce sectors in India.

The growing consumer demand also poses greater challenges with regard to the protection of consumer rights and the environment. Enforcement of regulations and legislations to protect the consumer, especially from the growing threat of counterfeit products, needs to be more effective than it is at present to help ensure this growth. Additionally, a greater responsibility towards the environment needs to be a key focus for FMCG and retail sectors, as increasing consumption may put more pressure on natural resources. The penetration of technology (smartphones, tablets, etc.) among consumers is providing FMCG companies in these sectors an opportunity to reach out to consumers directly, and has given rise to the rapidly growing e-retail sector. Additionally, emerging fields in the technology sector ranging from precision farming to data analytics have the potential to increase the efficiency of businesses significantly, providing more opportunities for FMCG and retail sectors.

It is important for the government and industry stakeholders to collaboratively address the challenges being faced by the sectors, so as to enable them to enhance the opportunities, and at the same time ensure that consumers have access to good quality products that are affordable and are responsibly manufactured.

The FICCI - Deloitte report is an endeavor to study and capture changing consumer trends in India, adoption of analytics in the Retail and FMCG space, the growth strategies of home-grown companies and a shift in the consumer purchase behavior towards indigenous products. While the report will enlighten readers on the latest trends and growth strategies in the Retail, FMCG and e-commerce sectors, in order to achieve the desired growth, it is very important to address the regulatory bottlenecks in the segment. The report deep dives into the policy reforms required to create an ‘ease of doing business’ ecosystem for these sectors. This report would also analyze various aspects that need policy streamlining to stimulate the growth of this sectors.

The launching platform for our report, has been named ‘KONNECTED Consumers’, and will address all the critical issues pertaining to the Indian Retail, FMCG and e-commerce sector.

I am confident that the deliberations of the conference and the recommendations of the report would provide a roadmap for the industry to grow and achieve its true potential. I am hopeful that the study would give us some critical insights along with pertinent answers and would establish itself as a work pioneered for the sector.
Executive Summary

In today's world of digital evolution, technological disruptions are increasingly becoming a norm in consumer industries. While these technologies make the consumers' retail journey more convenient, at the same time they also necessitate the brands to be abreast of the dynamic retail environment and keep evolving constantly to edge out intense competition. Through the Deloitte-FICCI report 'KONNECTED to consumers', we delve into various trends and processes which are shaping the consumer industries in India. A holistic view of the aspects influencing a consumer's journey – from gathering information about a product to purchase and product review – is provided.

Knowledge of consumer data and insights
Humungous data generated via digital means and technologies is used by brands in myriad forms and ways to make the consumer retail journey and experience better. Internet of Things (IoT) and predictive analytics, in particular, are expected to overhaul the entire retail journey, by leveraging consumer data and generating actionable insights. The knowledge of consumer data would help brands in customized targeting and personalized offerings.

Omni-channel approach unlocking the prospects
Rising internet penetration, increasing smartphone usage and favorable demographics make the Indian e-tail market as one of the fastest growing markets globally. The infusion of offline and online retail modes have led to the emergence of Omni-channel retail mode – giving way to consumers to browse and shop products through mobile, apps, web, kiosks, in-store, social media, home delivery, etc. The imminence of Omni-channel has led to the shifting of major brands in pure-play offline or pure-play online mode, towards modern retail modes.

National policies impelling business growth and benefitting consumers
Government policies and regulations have been a major driver of the industry's growth over the years. Opening up the retail sector for foreign investments in 2012, resulted in massive increase in the FDIs in 2013 and successive years. These investments not only help the country grow monetarily, but also assist in building infrastructure, bringing modern technologies, creating substantial social and environmental impact, etc. One of the recent major reforms influencing consumers and businesses equally has been the launch of unified taxation system through GST. By subsuming various taxes, it would simplify the Indian tax structure and bring greater transparency, thus leading to lower costs for majority of the commodities. However, the need for a national level retail policy still lingers to cater to the needs of industry and consumers and realize the full potential of the retail sector.

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 is threatening to take over the brand loyalty. However, consumer loyalty programs by the retailers are perceived to be valuable by majority of the consumers – 74% of Indian consumers (with internet access) reported participation in one or more loyalty programs in 2016. A novel approach by the brands to offer monetary benefits – cash backs, product discounts, free shipping, etc. – through their loyalty programs via digital means could help brands in keeping their consumers loyal.

Environment and social practices driving sustainability and influencing consumer behaviour
In today's world of intensifying competition, sustainable practices can help brands in standing out and building brand trust. Today's modern consumer has all the means to scrutinize a brand's business processes and operations to judge its responsibility towards society and environment. Preference to sustainable practices such as sustainable sourcing, reduction in greenhouse gas emissions, waste management, eradicating social issues, clean packaging, natural and healthy food options, etc. is gaining traction especially in emerging economies like India.

Convenience abridging the gaps
The innovative delivery models have led online retailers to increase their market share against brick-and-mortars. The growing consumer needs are pushing companies to implement...
various techniques improving their last mile delivery. This compelling need is giving rise to hyperlocal start-ups which connect local buyers and stores, commission-based models to leverage rural outlets, local partnerships to penetrate in remote areas, etc. While all the developments take place in online space, the brick-and-mortars are also likely to explore different set of technologies to connect with consumers and maintain their exclusivity.

**Technology augmenting consumer experience**
Use of modern technologies such as Augmented Reality (AR), Virtual Reality (VR), Artificial Intelligence (AI), etc. in retail enhances the consumer experience and provides a far better degree of engagement relative to traditional means. While the high-end applications of AI – e.g. drones and driverless vehicles – would still take 6-10 years to come into commercial existence globally, AR and VR are being tested by a few select stores and could be operational in full swing in the coming 2-5 years. Factors such as improved digital infrastructure, greater use of smartphones, and increasing number of start-ups in technology space would assist in wider acceptance and greater implementation of these technologies for commercial retail.

**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 Prepaid Payment Instruments (PPI), especially m-wallets. While cash-on-delivery currently enjoys the maximum market share in payment methods, digital transactions are expected to grow much faster relative to cash transactions. The government’s demonetization move led to the mass adoption of e-wallets throughout the country. The field offers substantial opportunities in the form of one-tap payments, fin-tech collaborations and cross-border payments to ease the payment process for consumers and brands alike.

**Digital marketing as growth engine**
Advantages such as cost-effectiveness, consumer engagement and personalized offerings are expected to drive the rapid growth of digital marketing in India, from current 12% share in total advertising industry to 24% by 2020. Consumer industries – FMCG, e-commerce, retail and consumer durables – account for around half of the country’s advertising spends. Digital advertising in the form of video, search-based, and social media are highly popular in the current consumer marketing techniques. Going forward, native marketing – a completely non-intrusive ad format – is expected to be explored and leveraged in India to make the ad experience of the consumers completely natural and in flow with their retail journey.

The above mentioned emerging trends and processes in the consumer sector present the ‘KONNECTED’ facet of the Indian consumers. Towards the end of the report, we have depicted the way forward to highlight priority areas which would witness change in India vis-à-vis their current engagement levels. The forward-looking section would help brands and retailers to embrace themselves for the upcoming evolutionary technologies and assist them in understanding and serving the needs of the consumers in a targeted way.
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Knowledge of consumer data and insights
The customer data has gained a lot of importance in the recent time and a number of companies are seen investing in this space to gain a competitive advantage. The need is triggered by the changing shopping habits of millennials. According to a survey, about 80 per cent of the millennials are interested in seeing personalized advertisements as compared to an overall average of 75 per cent. The major evolving technologies to collect data and running insights include Big Data, predictive analytics, IoT, etc., and are expected to play an important role in decoding the needs of a modern consumer.

1.1 Data and insights to re-invent strategies

The customer data has gained a lot of importance in the recent time and a number of companies are seen investing in this space to gain a competitive advantage. The need is triggered by the changing shopping habits of millennials. According to a survey, about 80 per cent of the millennials are interested in seeing personalized advertisements as compared to an overall average of 75 per cent. The major evolving technologies to collect data and running insights include Big Data, predictive analytics, IoT, etc., and are expected to play an important role in decoding the needs of a modern consumer.

Maturity of major emerging data technologies in retail and CPG (Global and consumer-focused)

![Maturity of major emerging data technologies in retail and CPG](image)

Source: Shaping the Future of Retail for Consumer Industries, January 2017, World Economic Forum

With share of millennials in India expected to rise from 31 per cent in 2016 to 36 per cent in 2020, the companies are likely to be pushed to adopt insight-driven models to be competitive in the market. However, the maturity of techniques to collect data is still in nascent stage in India, but is expected to pick up significantly with the increasing usage of smartphones and connected devices.

---

1. India Advertising Report 2017, Adobe Digital Insights
2. India’s Millennials to Recast Economy in Own Tech Savvy Image, 17 March 2017, Morgan Stanley
1.2 Evolving trends shaping the future

1.2.1 Growing IoT acceptance is likely to generate more consumer data, helping retailers and consumer companies to deliver more personalized experience to the next-gen shoppers

IoT primarily helps the brands in location-based marketing to target the tech-savvy population. By using IoT, the retailers are enhancing their ability to collect crucial insights, which is helping them to provide an exclusive shopping experience. According to the market sources, the number of IoT connected devices globally are predicted to increase more than two-fold to reach 20.4 billion in 2020 as compared to 6.4 billion in 2016. In India, the adoption of IoT came reasonably late as compared to developed economies, but the adoption rate is growing at pace and expanding the existing base faster than other countries.

Potential focus areas for Indian market

The global retailers are increasingly using IoT for customer recognition, tracking store movement, etc. to understand the purchase patterns. The Indian retailers could also explore IoT for generating these insights to take marketing decisions related to product display, placement, and personalization. The Beacons are one of the most popular tools to track customers and sending them personalized offers.

Number of IoT connected devices - Global vs. India (in billion units)

<table>
<thead>
<tr>
<th>Year</th>
<th>Global</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>6.40</td>
<td>0.06</td>
</tr>
<tr>
<td>2020F</td>
<td>20.40</td>
<td>1.90</td>
</tr>
</tbody>
</table>

**Source:** Company database

% of global retail stores use/plan to use IoT to enhance customer experience is likely to increase ~2.5X by 2021

<table>
<thead>
<tr>
<th>Activity</th>
<th>2016</th>
<th>2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recognising specific customers in the store</td>
<td>35.0%</td>
<td>75.0%</td>
</tr>
<tr>
<td>Tracking customer movement in the store</td>
<td>30.0%</td>
<td>74.0%</td>
</tr>
<tr>
<td>Personalize the visit</td>
<td>27.0%</td>
<td>79.0%</td>
</tr>
</tbody>
</table>

**Source:** Reinventing Retail: 2017 Retail Vision Study, 2017, Zebra Technologies

**Case:** A French supermarket chain significantly increased the customer engagement through the installation of beacons in the store. The technology enabled customers to navigate in-store promotions through their smartphone or tablet. The retailer was able to increase its digital engagement by 400% and app users by 600%.

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3 Gartner Says 8.4 Billion Connected "Things" Will Be in Use in 2017, Up 31 Percent From 2016, 7 February 2017, Gartner
4 Carrefour Increases Mobile App Engagement 400% With Proximity & Beacons, 18 May 2015, Kontakt
The Indian e-commerce and Retail & CPG companies are already leveraging analytics reasonably well and contribute about 1/4th of the user market\(^1\), with predictive analytics continues to be the preferred approach as compared to other techniques. The data approach helps retailers to predict demand, and increase their sales by offering personalized promotional offers to consumers. With the global predictive analytics market is likely to grow at a CAGR of 21.0 per cent to reach ~INR704 billion in 2022\(^6\), retailers are increasingly investing in forecasting techniques to take their complex business decisions more intelligently.

**Potential focus areas for Indian market**

1. **Recommending similar or related products**
   Various online sellers are using comprehensive collaborative filtering engine (CFE), which helps them in analyzing previous purchases, products in cart and most searched items by the users. Based on the insights, the portal recommend the related products bought by other users along with the selected items.

2. **Location-based triggers**
   Brands are leveraging GPS of customers to analyze their routine. They further predict locations of their customers and generate exclusive promotional offers to draw attention.

   **Case I:** One of the very popular US-based coffee chain introduced a feature that uses the customer's vicinity to receive orders and deliver at the most suitable store, saving a lot of time and improving service delivery. The restaurant reportedly receive around 8 per cent through this approach.\(^8\)

   **Case II:** A pizza maker uses this technique to send promotional messages or discount coupons based on bad weather or power cuts, where users find it difficult to cook. The provider reportedly converts every fifth targeted consumer.\(^9\)

The data analytics market is witnessing momentous growth globally as well as in India. The significant rise in IoT devices in India will prompt companies to increasingly embed the technologies to understand their customer base and offer exactly what they require. While industries like manufacturing, utilities, automotive and logistics are the early adopters (majorly from the business side), retailers are expected to make significant progress in terms of usage, primarily to understand consumer sentiments. However, these opportunities are still untapped in India, and the early movers are likely to gain as the customers demand exclusivity. The major focus areas for Indian retailers could relate to the use of beacons in the stores and exploring Predictive analytics to recommend relevant products, send location triggers and target specific customers. With e-commerce sales are predicted to rise significantly, these techniques are expected to be the major tools for businesses to plan their Omni-channel presence and drive sales.

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5. Analytics India Industry Study – 2016, Analytics India Mag
7. Ways Amazon Uses Big Data to Stalk You (AMZN), 7 September 2017, Investopedia
8. How Target Figured Out A Teen Girl Was Pregnant Before Her Father Did, 16 February 2012, Forbes
9. 5 Retail Big Data Examples with Big Payoffs, CRM Search
10. How Amazon Uses Big Data to Stalk You (AMZN), 7 September 2017, Investopedia
Omni-channel approach unlocking the prospects
Technological advancements in the consumer segments have led to the emergence of a plethora of retail channels including brick-and-mortar, e-tail, direct selling, vending machines, cash and carry, click and collect, m-commerce, etc. The onset of these retail channels have made the consumers’ retail journey more convenient and engaging. Leveraging multiple retail channels for a purchase has enabled the consumers to explore through a variety of similar options, check product prices at multiple platforms and make an informed decision based on other consumers’ ratings and reviews. At the same time, Omni-channel retail also presents myriad opportunities for brands to upgrade their operations and processes and attract consumers as it helps in keeping the shoppers more engaged.

2.1 Growth of e-tail fueling Omni-presence

While the overall penetration of e-tail\(^{11}\) in India is low, relative to the other developed economies globally and in the Asia-Pacific, its rate of growth is much faster.

**E-tail market in Asia-Pacific (2016)**

The evolution of retail and the growing internet penetration in India have led to the amalgamation of different retail channels. With increasing personal disposable incomes, greater number of consumers are prioritizing convenience over affordability as the top reasons for purchase of a product or service. This has led to the emergence of Omni-channel retail in India, where different retail channels are leveraged to accomplish the retail journey – starting from gathering information regarding the product and ending at posting reviews and providing feedback after the purchase.

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11 E-tail refers to sale of products and services through electronic transactions via the internet from businesses to consumers (B2C). It excludes travel and event transactions.
2.2 Factors driving growth of Omni-channel retail

1. Rising number of internet users

- Growing internet penetration would lead to an increase in the number of internet users in India from 373 million in 2016 to 829

Internet penetration in India (2016-21F)

<table>
<thead>
<tr>
<th>Year</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>2016</td>
<td>28%</td>
</tr>
<tr>
<td>2021F</td>
<td>59%</td>
</tr>
</tbody>
</table>

Approximately 75% of the new internet users in India are expected to come from rural regions.

Source: Internet users in India to double by 2021: Cisco report, 9 June 2017, Your Story; India’s internet users to double to 730 million by 2020 leaving US far behind, 17 August 2016

Online activities conducted while shopping in-store

- Out of the total population of consumers having internet access in India, nearly 54% compare the prices of products on mobile internet while shopping in-store, representing a significant crisscross amongst retail modes
- Further, 30% of the online shoppers in India discovered new products through social media channels

Source: Company database and analysis
2. Rising number of smartphone users and increasing m-commerce

- Smartphone users in India are expected to increase from 290 million in 2016 to around 470 million by 2021
- This is expected to drive the share of m-commerce in Indian e-tail industry

![Graph showing smartphone users in India and Asia-Pacific from 2016 to 2021F]

In 2016, 83% of the smartphone users in India made purchases through their mobiles. In 2021F, the percentage is expected to increase to 82.3%. Source: Statista

Additionally, following factors are also propelling the growth of Omni-channel:

- **Favorable demographics**: India has the world’s largest population of millennials (aged 18-35 years) who are more tech-savvy and prefer digital means for communication and shopping.
- **Digital infrastructure**: Rapid development of digital infrastructure and digital money transfer options would lead to an increasing presence of Omni-channel retailers.
- **Convenience and efficiency**: Ease of using mobile apps for browsing products, comparing prices, reading reviews, etc. has led to faster adoptability of mobile as a shopping tool. Further, quicker revert to feedbacks and queries increases the satisfactory levels of consumers.

2.3 Brands exploring the Omni-channel way

Given the imminence of Omni-channel retail, various consumer brands are exploring multiple retail channel strategies to offer seamless experience to their customers. From launching user-friendly web and application portals to digitizing and enhancing in-store experience through innovative use of technologies – brands are leaving no stone unturned to gain edge in a highly competitive consumer market.

**Example**: How Omni-channel has modernized the consumers’ apparel retail journey, and made it more convenient...

<table>
<thead>
<tr>
<th>Traditional</th>
<th>Modern</th>
</tr>
</thead>
<tbody>
<tr>
<td>Walk to the nearest high street or a shopping center to shop</td>
<td>Check online and compare prices, get the product delivered at home, try it and return if required</td>
</tr>
<tr>
<td>Try fitting and suitability if trial rooms available</td>
<td>Order through phone app, get it delivered home</td>
</tr>
<tr>
<td></td>
<td>Walk to the nearest high street or a shopping center to shop</td>
</tr>
<tr>
<td></td>
<td>Buy accessories and other products which go along with the apparel through combo offers</td>
</tr>
<tr>
<td></td>
<td>Browse through more options via in-store virtual stock browser to check availability across all brand outlets, get it delivered home</td>
</tr>
<tr>
<td></td>
<td>Share with friends, purchase based on number of likes/reviews</td>
</tr>
<tr>
<td></td>
<td>Conveniently try new options through virtual screens/trial rooms</td>
</tr>
<tr>
<td></td>
<td>Get personalized recommendations based on order history</td>
</tr>
</tbody>
</table>
Various major brands in India have entered or expanded into retail mediums where they had limited or no presence. Major e-tailers have opened their brick-and-mortar stores to display their products and overcome the challenges of pure play online medium. Such stores offer the touch and feel of the products and services, provide value-added services, trials and instant customer care for the convenience of the consumers. Similarly, traditional brick-and-mortar stores have leveraged the technology assistance to venture into the digital world of e-tailing, either through their own websites or by offering their products and services through major e-tailers. Brands are revamping their in-store strategies to increase make the consumer journeys more convenient and engaging.

**Case study**: Major Indian multi-brand retailer

One of the major multi-brand retailers in India, which enjoys eminent presence through its 81 brick-and-mortar stores spread across 37 cities in India, planned to get an Omni-channel makeover in a period of three years. The objective was to increase the brand’s online presence, keep customers engaged and happy, and take on the competition from online retailers.

The company adopted a three-pronged strategy to provide a seamless and unified shopping experience to its customers across its multiple retail channels. It laid down a phased 3-year approach with INR 60 crores budget dedicated towards the overhaul of technology, strengthening the digital supply chain and optimizing digital marketing operations.

Looking forward, Omni-channel retail would therefore be one of the biggest trends to impact not only the consumer journey, but also alter the strategies of the retailers completely. Technology, especially expanding internet penetration, has been the protagonist driving the trend deeper into the Indian markets. At the same time, government initiatives in the form of national policies and regulations would complement the growth of Omni-channel retailing and provide a big boost in encouraging multinational brands which bring along modern retail technologies successful in the developed retail markets globally.
KONNECTED to consumers
National policies impelling growth and benefitting consumers
Government has played the role of an enabler to develop the Indian retail market. Its policies have not only helped multinational brands and retailers to invest and operate in India, but have also opened gates of modern retailing for the consumers. At the same time, the domestic players are also thriving to the extent that they are competing neck-to-neck with the well-established global brands operating in the country. It is the outcome of government’s policies and regulations, that the consumer has become the king in today’s consumer world and major business strategies are formed prioritizing the customers’ needs.

3.1 Policy changes for conducive business environment

Retail has been one of the sectors where foreign direct investments (FDI) were restricted historically owing to apprehensions from local retailers and industry bodies and due to political resistance. However, following the government’s decision to open up the sector for FDIs in Single Brand Retail Trade (SBRT) in 2006, the country has witnessed significant advancements in the sector throughout its value chain. International retailers have helped in stimulating the Indian retail growth with regard to technology, supply chain, storage and warehousing, distribution, retail formats, aftersales services, etc. Further, they have helped in modernizing the retail industry and pushing it towards organized market.

A gradual opening of the retail sector for FDI led to the onset of increasing foreign investments and modern modes of retailing – benefitting the consumers and the industry alike:[13,14,15,16]:

<table>
<thead>
<tr>
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<tbody>
<tr>
<td>• Government allows 100 per cent FDI in cash-and-carry wholesale trading with the following conditions:</td>
<td>• FDI in cash-and-carry wholesale trading with 100% FDI brought under the automatic route</td>
<td>• The government allowed 100% FDI in single brand retail trade, permitting 49% investments under automatic route. For others the conditions include:</td>
<td>• The government allowed 100% FDI in online retail of goods and services (ecommerce) under the marketplace model through automatic route</td>
</tr>
<tr>
<td>– Prior approval required from the government</td>
<td>• Government permitted FDI up to 51% in retail trade of ‘single brand’ products, under following conditions:</td>
<td>– Prior approval required from government</td>
<td>• It allowed 100% FDI in multi-brand processed food retail for marketing of food products produced and manufactured in India</td>
</tr>
<tr>
<td>• FDI in cash-and-carry wholesale trading with 100% FDI brought under the automatic route</td>
<td>– Prior approval required from the government</td>
<td>– For FDIs over 51%, retailers required to source 30% of their goods from small, village and cottage industries and artisans</td>
<td>• Further, it relaxed the local sourcing norms for SBRT investors by extending the window for sourcing products to eight years</td>
</tr>
<tr>
<td>• Products covered were required to be branded during manufacturing and sold under same brand internationally</td>
<td>• Products covered were required to be branded during manufacturing and sold under same brand internationally</td>
<td>• Further, it opened multi-brand retail permitting 51% FDI with the following conditions:</td>
<td>• Required to source 30% products from small-scale industries</td>
</tr>
<tr>
<td></td>
<td></td>
<td>– Prior approval from states required</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>– Cities with population of over 1 million eligible</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>– Minimum investment of ~INR6.5 trillion out of which 50% to go in back-end infra</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>– Required to source 30% products from small-scale industries</td>
<td></td>
</tr>
</tbody>
</table>

With the abolishment of the Foreign Investment Promotion Board (FIPB) in 2017, FDI clearance process is expected to become convenient for the investors as it removes a layer of unnecessary procedures. The FDI proposals would now be transferred to concerned individual ministries which would decide on their clearance in consultation with the DIPP.
3.2 Investments driving customer experience

According to the UNCTAD’s World Investment Report 2017, 20% of the global executives favored India as the host destination for investments during 2017-19, ranking the nation third after the US and China. Given the increasingly favorable macroeconomic environment in India and the government’s consistent focus on making the business environment more conducive, the nation has witnessed a steady growth in FDIs and PE/VC investments in the consumer industry.

### Annual FDI in India (Consumer industry)

**Figures in INR billion**

<table>
<thead>
<tr>
<th>Year</th>
<th>Food processing</th>
<th>Textiles</th>
<th>Diamond, gold ornaments</th>
<th>Tea and coffee (processing and warehousing)</th>
<th>Retail trading</th>
<th>Electronics</th>
<th>Soaps, cosmetics and toilet preparations</th>
<th>Vegetable oils and vanaspati</th>
<th>Leather, leather goods and pickers</th>
<th>Sugar</th>
<th>Total FDI</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>45.9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>103.9</td>
</tr>
<tr>
<td>2013</td>
<td>258.7</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>124.4</td>
</tr>
<tr>
<td>2014</td>
<td>103.9</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>149.8</td>
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<tr>
<td>2015</td>
<td>124.4</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td>149.8</td>
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<tr>
<td>2016</td>
<td>149.8</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>149.8</td>
</tr>
</tbody>
</table>

FDIs grew exponentially in 2013 as major food multinationals invested in the country following the increase in FDI limits in SBRT to 100% in 2012.

**Source:** Department of Industrial Policy & Promotion (DIPP)

### PE/VC investments in India (in INR billion*)

Between 2012-15, the deals in consumer staples and consumer discretionary consistently formed more than 20% of the total PE/VC investments in India.

<table>
<thead>
<tr>
<th>Year</th>
<th>Deals in consumer discretionary</th>
<th>Total PE/VC deals value</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>115.2</td>
<td>780.8</td>
</tr>
<tr>
<td>2013</td>
<td>140.8</td>
<td>780.8</td>
</tr>
<tr>
<td>2014</td>
<td>313.6</td>
<td>1,017.6</td>
</tr>
<tr>
<td>2015</td>
<td>307.2</td>
<td>1,074.4</td>
</tr>
<tr>
<td>2016</td>
<td>121.6</td>
<td>1,044.8</td>
</tr>
</tbody>
</table>

PE deals in consumer discretionary were fewer and smaller compared to 2015, when huge funding was witnessed in Indian ecommerce space.

**Source:** Company database and analysis

*Constant currency conversion rate of 1 USD = INR 64 taken
Foreign companies bring along a host of technologically advanced processes, methods, products and services, which not only benefit the consumers but domestic players as well
- Artificial intelligence, predictive analytics, virtual and augmented reality, etc. originated from developed economies and later got infused in the Indian retail

Multinational enterprises (MNE) have well-established supply chain network, comprising of advanced warehousing/ storage capabilities, integrated forward and backward linkages, modern stores, etc.

Foreign companies bring along a host of technologically advanced processes, methods, products and services, which not only benefit the consumers but domestic players as well
- Artificial intelligence, predictive analytics, virtual and augmented reality, etc. originated from developed economies and later got infused in the Indian retail

Foreign investments boost the confidence of domestic investors as well, leading to greater investments and more options for consumers
- Gauging the huge opportunity in retail sector, various major Indian industrialists started their retail operations in India to compete with foreign retailers
- Further, various startups thrived in this space given the huge consumer base in India

Foreign investments have not only helped in the growth of economy, but also provided a better consumer experience

Attracting foreign investments requires a stable and conducive policy environment, thus making it more reliable, transparent and sustainable
Further, MNEs bring along their best practices in conducting responsible business

Companies invest in long-term projects and infuse huge capital while taking risks, benefitting the economy as well as providing better experience to consumers
- Indian consumer industry has received a total FDI worth INR 682.7 billion in the period 2012–16

Going forward, the government is considering to open up the MBRT FDI policy from all restrictions for retail trade of domestically manufactured goods, which would apply to both online and offline retail trade. Further, to enable 100% FDI in food retail chains, it is also considering to allow foreign food retailers to sell 25% non-food items out of the total items sold.  

Source: YBD Journal

18. Modi government mulls allowing 100% FDI in retail, with caveats
19. Government mulls proposal to free up retail FDI policy but only for India-made goods
3.3 GST: The game-changer for consumers and industry

The much-awaited unified taxation system – Goods and Services Tax (GST) – came into effect in India from 1st July 2017. Touted to be as one of the biggest tax reforms of independent India, GST subsumes various center and state level taxes including sales tax, service tax, VAT, cess, surcharge, additional etc. Further, it would help in overcoming the issue of cascading of taxes (tax on tax) as it has the provisioning of input tax credit, whereby tax is levied only on the amount of value addition at each stage of the supply chain.²⁰

Major implications

**Economic**

- New tax regime would bring in more transparency, improve the ease of doing business – as state entry barriers would be removed, improve tax compliance and thus boost revenue receipts for both the state and center governments

**Consumer**

- Consumers are expected to reap the benefits of GST as the tax rates for goods have been kept such that the overall impact remains revenue neutral to the extent possible. The efficiencies and cost-savings from logistics and transportation perspective would eventually trickle-down to consumers, implying lower costs for majority of the commodities

**Business**

- For goods and services where tax rates have increased, the provision of input tax credit and cost-effective logistics would offset the increased prices²¹. To prevent a steep rally in prices of products and services, and to ensure that the reduced taxes are passed on to consumers, the government has introduced an anti-profiteering clause in the GST law. Under this clause, an anti-profiteering authority would be set up to act on complaints of profiteering. The profiteering business (supplier/retailer), in such cases, would be directed to cut the prices or return the benefit of reduced tax to the buyer with 18% interest or recover the extra amount if buyer cannot be identified²²:

On the corporate front, in the immediate aftermath of GST rollout, major consumer goods companies witnessed a rally in their stock prices. The BSE Sensex rose approximately by 1% on the first day of trading (3rd July 2017) after the GST roll-out. Similarly, Sensex for consumer durables showed a steep hike of approximately 3%, Sensex for FMCG rose by a sharp 6% and Sensex for consumer discretionary goods and services increased by 0.5% on the first day of trading post GST implementation, implying appreciation from investors over the tax reform.

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**BSE Sensex movement January 2017 - August 2017**

Source: BSE India, NSE India

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²⁰ Will GST untangle India’s tax regime? How the new system might impact consumers and businesses

²¹ EXCLUSIVE: GST’s challenge for the govt. is to ensure consumers are not cheated, says CBEC Chief

²² Will GST untangle India’s tax regime? How the new system might impact consumers and businesses
Historically, GST/VAT implementation in Southeast Asian countries have led to an initial inflationary impact, leading to increased CPI inflation rates post the implementation of GST/VAT. However, inflationary impact in India is not expected to be as profound relatively, as the tax rates are majorly kept revenue neutral. Further, for goods and services where tax rates have increased, the provision of input tax credit and cost-effective logistics would offset the increased prices. Moreover, to prevent a steep rally in prices of products and services, and to ensure that the reduced taxes are passed on to consumers the government has introduced an anti-profiteering clause in the GST law. Under this clause, an anti-profiteering authority would be set up to act on complaints of profiteering. The profiteering business (supplier/retailer), in such cases, would be directed to:

1. Cut the price of product/service
2. Return the benefit of reduced tax to the buyer with 18% interest or recover the extra amount if buyer cannot be identified

The profiteering business could also lose its GST registration under the anti-profiteering clause in the new tax regime.

3.4 New Consumer Protection Law to protect the interest of consumers

In the wake of emerging global supply chains, dilution of trade barriers, rising international trade and the rapid development of e-commerce, new challenges have evolved in the consumer markets. To protect the consumers from misleading advertisements, and the challenges of telemarketing, multi-level marketing, direct selling, etc. the government introduced the Consumer Protection Bill in the Parliament in August 2015, to repeal the 30-year old Consumer Protection Act. The Bill, currently being redrafted following the recommendations of the parliamentary standing committee, is expected to fast-track grievance redressal – similar to functioning of the authorities in the US and European countries. Further, it entails features providing simpler adjudication, mediation as an alternate mechanism for dispute resolution, and also has a mechanism for a Central Consumer Protection Authority (CCPA) to deal with product liability and unfair trade practices.


3.5 Need for a national retail policy going forward

While the retail industry in India moves towards organized market with greater foreign investments and brand presence, the industry needs a uniform and comprehensive national policy to make it convenient for industry players to operate throughout any part of the country. While the rollout of GST is a significant step in the right direction towards making the taxation process more transparent, reliable and uniform throughout the country, there are a few steps still required to enthuse the confidence among investors to ‘Make in India’. There are various states which either have their own retail trade policy or are in the process of passing/formulating one. While the states of Andhra Pradesh, Karnataka and Maharashtra already have a retail trade policy in place to encourage investors to operate in their respective states, other states such as Telangana and Uttar Pradesh have in place a draft retail policy and plan to implement it soon. States of Rajasthan, Delhi, Kerala and Madhya Pradesh are also working on having their own respective retail policies to attract investments. Instead of having state wise specific retail policies, it would be in the interest of the central government, industry as well as consumers to have a unified system in place to cater to the industry needs.

Government policies and regulations are thus the backbone of growth of the consumer industries. If executed well, these policies can bring about a developmental shift in the industry with the incoming foreign investments and technologies. Multi-national brands operate in India with their own set of expertise and thus being a novel factor to the consumer industries which helps in further development of the sector.
Novelty attracting the new-age shoppers
The constantly evolving retail environment across the world, and especially in the emerging markets like India, has necessitated brands to focalize on the consumers’ needs and address them in the best possible and the most rapid manner. Companies realize the value of gaining consumers’ trust in today’s world of dwindling consumer loyalty are implementing innovative strategies, convenient processes, valuable loyalty programs, apart from launching newer products and services and adopting out-of-the-box marketing techniques on a periodic basis to lure and sustain their consumers.

4.1 What makes new-age consumers prefer specific brand or product?

Although affordability and convenience are the foremost criterions globally for making a purchase; novelty, or uniqueness in the offering – product or service – is also a major factor which can influence the customer’s decision. According to a global online survey from a research firm, conducted in 2015, novelty or newness is ranked as the fourth major reason by the average global consumer to make a purchase decision:

Reasons for new product purchase*

Source: Nielsen report, 2015
Note*: Sum of all categories would not amount to 100 owing to overlap of choices by consumers

Further, the survey finds that developing countries such as India are more inclined towards trying new products owing to the following reasons:
• Young demographic composition
• Rising middle class population
• Increasing personal disposable income
• Greater preference for affordable luxury

Thus, it becomes all the more important for retailers in India to periodically introduce new services, offers, features, products, etc. to attract and retain consumers.
4.2 Novelty threatening brand loyalty – A perspective on consumer loyalty programs

Preference for novelty to buy a product is thus amplified in emerging countries like India, therefore threatening the brand loyalty parameter. Various major retailers, especially modern retailers, are offering consumer loyalty cards/programs to retain their regular consumers. Loyalty programs help consumers in getting more value for their money. Coupons, redeemable reward points, cashbacks, discounts, etc. drive consumers to the retailers, as these offers are unique to the consumer based on their purchasing pattern and gives them a sense of exclusiveness and reward. According to a global online survey, conducted by a research firm in 2016, approximately two-thirds of the online consumers globally admitted to have shopped more frequently and spent more at retailers with loyalty programs. Financial incentives are the major factors driving consumers into loyalty program participation. Following is the list of most-valued benefits based on the global online survey of consumers:

Most valued benefits of loyalty programs (Global vs. Asia-Pacific)

Retail loyalty programs are also popular in India. More than seven in 10 consumers (with online access) in India claim to be participating in one or more retail loyalty programs – 74% in India, compared to 72% in Southeast Asia. However, relatively developed economies in Asia-Pacific region have greater self-reported rates of loyalty program participation – the only exception being China.

Indian consumers, along with the Asia-Pacific population overall, particularly prefer digital loyalty program attributes or features. Store specific loyalty mobile applications are very attractive for Indian consumers (80%) compared to Asia-Pacific region (69%) and global (60%). Digital loyalty program attributes include:

- **Flexibility**: Points or rewards for purchases made through any retail mode – store, website or mobile
- **Personalization**: Personalized discounts or promotional offers
- **Bonuses**: Opportunities to earn bonuses based on activities such as referrals
- **Technology**: Integration with mobile payment system and points or rewards for sharing products and pages on social networks
Adopting a novel approach to loyalty
Brands must keep the novel-element intact to engage the consumers. Being innovative in designing the privileges based on consumers’ spend is a tested way of winning their loyalty.

Leveraging technology to become omnipresent and omniscient
Brands need to leverage technology to become a one-stop solution for all the shopping needs of consumers. Knowledge of consumers’ shopping behaviour and data analytics can enable them to extract relevant insights to deliver tailored products and services according to their individual needs.

Customer ‘experience’ is the real king
Experiential retailing has taken the front seat in redefining the dynamics for brand-preference. Ensuring a smooth and rewarding retail journey to a customer can lead to significant returns for a brand in the form of loyal customers.

Priorities for a strategic action plan:

4.3 Creating novel-value for consumers to earn their loyalty
It has become a pre-requisite for the brands to create a seamless online and offline experience for their customers in order to edge out the competitors. They need to ensure that they are delivering the ‘what, when, where and how’ for the customers in a manner which benchmarks their experience. Leveraging digital tools including data mining, business intelligence, customer analytics, social media activities, etc. can help brands in mapping the customer journey – before buying, during buying and after buying – to connect with them emotionally and create personalized values in an innovative yet convenient way.

Case in example: American coffee company
One of the major American multinational coffee chains aggressively marketed its loyalty program in 2013 in the US by rewarding customers based on their number of visits to its outlets. The coffee chain witnessed a rapid increase in its revenues and profits on a quarter-on-quarter (QoQ) basis:

- 11% increase in 2QFY13
- 26% increase in 2QFY13

Overhaul in the chain’s loyalty program in 2016
The coffee chain, based on analysis from consumers’ data, made a strategic move to overhaul its loyalty program, rewarding consumers based on their retail spend instead of frequency of visits. Although initially, it apparently witnessed a dramatic drop in consumers’ perception about the brand, it advertised its move as a fairer one to consumers spending more – segment which the brand intends to make highly loyal.

- The new program also encouraged consumers to spend more instead of just frequenting the outlets, thus assisting in the growth of chain’s revenue streams.
- Further, consumers frequenting more but spending less might also shift to high spending segment to avail similar loyalty benefits which they enjoyed earlier.

Source: The Impact of Loyalty Programs is Even Bigger than You Think, Changing Your Loyalty Program? Be Prepared for a Potentially Brutal Impact on Your Brand, Starbucks New Loyalty Program Case Study

While keeping the consumer first, the brands also need to ensure their businesses are responsible to the triple bottom line (3BL) parameters of environment, social and financial aspects. Although it may seem to require a significant initial capital and time investment to commit to responsible practices, these aspects leave a long-lasting impression on consumers’ perception and have the potential to sustain the business for an extra mileage.
Environment and social practices driving sustainability and influencing consumer behavior
A modern consumer is much more responsible than before towards the environment, economic and social issues. To connect better with the new-age consumers, brands are proactively looking for sustainable options in their supply chains to be the first choice of customers. A greater degree of focus is dedicated towards eradicating activities affecting environment or social issues in a negative manner. Aligning green goals not only helps brands to realize their corporate social responsibility, but also assist them in gaining competitive advantages in the form of overall business growth, reduce costs and risks, building brand trust, etc.

5.1 Sustainability underway – Changing perception of customers

In the changing consumer landscape, the young consumers hold major purchasing share in the market. These consumers are relatively more responsible towards handling environment and social concerns. In order to support this, both international and domestic brands are progressively looking for sustainable products to gain business advantage. According to a recent study conducted by a major consumer company, the shoppers in emerging economies (including India) are more interested in buying products that are produced using sustainable methods.

Therefore businesses are required to inject more sustainable measures into their supply chains to be more competitive. Below table explains a few major sustainable practices in the industry:

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

% of shoppers who prefer sustainably produced products (2017)

<table>
<thead>
<tr>
<th>UK</th>
<th>US</th>
<th>Turkey</th>
<th>Brazil</th>
<th>India</th>
</tr>
</thead>
<tbody>
<tr>
<td>53%</td>
<td>78%</td>
<td>85%</td>
<td>85%</td>
<td>88%</td>
</tr>
</tbody>
</table>

Source: Report shows a third of consumers prefer sustainable brands, 1 May 2017, Unilever
5.2 What’s changing? – Impact of sustainability on the consumer behavior

The sustainable products are gaining a great degree of importance in influencing the purchase decisions. According to multiple surveys, the growing awareness about the economic, environment and social issues have led companies to focus on various sustainable methods.

Major evolving trends

A. Sustainable packaging gaining attention

Packaging works as a crucial marketing tool in influencing the purchase decision. With a lot of awareness about environmental issues, the shoppers, especially millennials, are increasingly preferring products with sustainable packaging. Therefore, it’s becoming extremely vital for brands to outline a strategy around packaging in order to be the preferred choice of consumers. As per a recent global study, almost three out of four shoppers prefer recyclable or sustainable packaging materials while buying a product.

With these trends shaping up, its highly likely that the market for sustainable packaging will go up and will change the packaging approach of companies across verticals. The global sustainable packaging market is expected to grow at a CAGR of 7.7% from ~INR13.4 trillion in 2015 to ~INR28.2 trillion in 2025. The growth of global sustainable packing market is expected to be driven by the demand in Asia, which is likely to account almost one-third of the market by 2018, with India and China to be the major demand forces.

As a sustainable practice, the consumer companies could focus more on using plastic packaging to directly or indirectly reducing the stress on environment. Major benefits of using plastics include:

- Light weight reduces the fuel consumption
- Easy to reuse or recycle
- ~25% less energy consumption in production vs. alternatives
- Lower CO2 gas emission

The businesses are expected to introduce a number of other methods to reduce the environmental impact. For India, the rising young and affluent population will accelerate the business efforts to provide more sustainable and environment-friendly packaging in future.

B. Natural and healthier variants to change perception

The growing awareness about a healthy lifestyle and changing needs have given rise to the consumer preferences for organic products. In order to fulfill these requirements, a more responsible approach towards the environment and society is required. Hence, the consumer companies and retailers are introducing sustainable methods into their supply chains to offer natural/organic variants. A modern consumers is increasingly getting interested in knowing the ingredients and nutritional value of the food products before actual consumption. To change the perception of consumers, the food companies are replacing the artificial additives and preservatives used in their products with natural ingredients.

The shift in food habits led to a sales decline for various food companies. Hence, to change perception about the offerings, a number of global food companies announced to remove synthetic ingredients like artificial flavoring from their offerings.

In India, the demand for natural or healthier variants have seen a sharp increase in the recent past. The millennials are reportedly the major driving force for this trend, as they are well informed about the benefits of natural products. Therefore, it has become crucial for the established players to launch natural variants in the market.

Case: One of the biggest French cosmetic brands launched herbal variants of shampoos, conditioners and other related products in India to address the needs of consumers.

33 Sustainable Packaging Market to Reach $244 Billion by 2018, 1 March 2014, Thomasnet website
34 Plastic Packaging – The Sustainable Choice, January 2016, FICCI
36 Indians prefer ‘natural’, ‘organic’ in personal care, 30 September 2016, The Economic Times
C. Premium pricing is not a major differentiator

Unlike traditional shoppers, the modern shoppers are willing to spend extra on products that support environment or social issues. According to a survey conducted in 2015, more than half of respondents believed that the price factor is ignored while buying the products that are helping any cause.

The increase in responsible consumption is driving the demand for more sustainable products. The trend is seemingly more prevalent in India than other developed and developing countries due to various probable reasons including the current negative scenario and excessive social scrutiny. With the number of millennials increasing in India, the country is likely to witness a strong demand for eco-friendly and healthy products. The responsible consumption will shove companies to further implement sustainable practices into their supply chains and focus on things like sustainable packaging, launching natural variants, etc. Hence, having more sustainable products in the portfolio would make brands to improve their connection with their consumers. To achieve a greater degree of impact, right expansion and distribution strategies would further propel the growth of such products.

Like global majors, many Indian consumer companies are expected to invest more in creating sustainable brands, as the return on investment has been relatively faster than other categories.

Case: In 2016, the sales of sustainable brands for one of the major global consumer companies increased 50 per cent faster than the other products, accounting about 60 per cent of the overall growth.

Source: Millennials Drive Sustainability, 17 January 2017, Credit Suisse

37 Millennials Drive Sustainability, 17 January 2017, Credit Suisse
38 Unilever's sustainable brands grow 50% faster than the rest of the business, 18 May 2017, Marketing week
Convenience
Abridging the gaps
Convenience, along with affordability, has become one of the paramount factors for consumers to make a purchase decision. In a complex country like India, where consumer behaviour is rapidly evolving, brands need to customize their marketing and sales strategies to address the specific requirements of diverse set of consumers.

### 6.1 Need for innovative delivery models

While the growth of online retail has been dependent on various factors, the convenience has expanded its importance, primarily due to the rise of e-commerce. The online delivery mechanism adds an extra layer of convenience and certainly the factors such as product assortment and availability become the major drivers for consumers to shop online, especially grocery items. The trend is more prevalent in developing economies like India, China, Philippines, etc. as compared to global countries.

#### % of shoppers buying grocery products online to access stores not in local areas

<table>
<thead>
<tr>
<th>Country</th>
<th>% of Shoppers</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global</td>
<td>47%</td>
</tr>
<tr>
<td>Thailand</td>
<td>75%</td>
</tr>
<tr>
<td>India</td>
<td>66%</td>
</tr>
<tr>
<td>China</td>
<td>65%</td>
</tr>
<tr>
<td>Phillippines</td>
<td>63%</td>
</tr>
<tr>
<td>Nigeria</td>
<td>63%</td>
</tr>
<tr>
<td>Turkey</td>
<td>57%</td>
</tr>
</tbody>
</table>

Availability of products is a crucial driver for the consumers to buy groceries online in developing countries.

Source: Global Connected Commerce, January 2016, Nielsen

In India, the e-commerce players have witnessed a strong growth in recent years, which has pushed the retailers to adopt innovative delivery models. This approach mainly help companies to gain competitive advantages over physical retailers by delivering products at a specific place within a specified time. The innovation in delivery models have not only helped e-tailers to increase their market share against offline retailers, but also proving a differentiator between the existing online sellers. The purchase decision of customers is increasingly getting driven by the level of coverage and swiftness of various providers. The need has convinced various major players in the country to invest in techniques helping time-sensitive and remote deliveries.
6.2 Emerging techniques expanding the scope of last mile delivery and outlook

A. Hyperlocal start-ups promoting comfort shopping: The model is used by various e-commerce companies to cater the instant customer demands and immediate needs. The approach provides a medium to connect customers to the nearest local shops to fulfill the orders more efficiently, especially for the perishable goods. The companies operating in this space have attracted an impressive funding between 2015-16, indicating strong investment backing for them to expand and grow.

Case: One of the major Indian online retailers entered into a partnership with a rural organization to leverage its outlets for expanding its buyer base. The retailer provides a commission in the range of 4-6% of the transaction value to the organization. This service is present in more than 1,000 outlets, and some old outlets produce around 15-20 orders per day with an average ticket size of ~INR450-500.

For such businesses, the operating scenario is still challenging due to high customer retention and acquisition costs. Hence, companies could further consider expanding its service portfolio through financial services or coverage in tier 2 and 3 cities.

B. Targeting rural population through last mile delivery partners: With a representation of approximately two-thirds of the Indian population, rural markets present a huge opportunity for consumer industries in India. While the overall internet penetration in the rural regions is lower (17%) relative to their urban counterparts (60%), shopping through internet is increasing at a much faster pace in rural regions. In 2016, Internet users base for rural regions increased by 22% as compared to 7% in urban regions. Therefore, the companies are increasingly adopting innovative techniques to target rural audience through a commission-based model.

Case: One of the major Indian online retailers entered into a partnership with an organization to leverage its rural outlets for expanding its buyer base. The retailer provides a commission in the range of 4-6% of the transaction value to the organization. This service is present in more than 1,000 outlets, and some old outlets produce around 15-20 orders per day with an average ticket size of ~INR450-500.

Collaborating with last mile delivery partners in rural locations provides retailers with not only access to penetrate in remote areas, but also generates some useful customer insights. The retailers are expected to be benefitted from this strategy, with major advantages being significant cost savings, better reach and increased sales.

39 India consumer: Offline now moves online, 16 January 2017, Nomura
40 Number of Internet users in India could cross 450 million by June: report
41 India consumer: Offline now moves online, 16 January 2017, Nomura
C. Direct distribution through local tie-ups: The distribution network of general trade or local kirana stores is vast in the country like India. They generally stock daily need items and situated in all local areas. Traditionally, the customers had only limited options to place their orders like via phone or visiting the store. However, various companies are exploring opportunities in building their own e-commerce platform to let customers placing their order online and pick up from local stores to save their time. While it enhances the customer convenience, it also provides the company with meaningful data to improve their reach.

Business model

Customers either pick up the order from the store or the local shop completes the delivery

Supplier confirms the order and fulfillment of ordered product(s)

Fulfillment through local shops

Pick up or Delivery

Customers

Consumer companies

Customers select the products available in local shops through the e-commerce platform of the company

Consumer companies provide these orders to local shops to fulfill, and also uses customer insights to improve the mechanism

Source: India consumer: Offline now moves online, 16 January 2017, Nomura

Case: A major Indian consumer company partnered with small neighborhood kirana stores in Mumbai and Gurgaon enabling online shoppers to pick up their products from nearby stores. Through this initiative, the company was able to generate useful consumer insights related to their purchase patterns, regularity, selection of products, etc., in order to improve their last mile distribution.

This type of distribution strategy is useful in providing product assortments and cater to the needs of local population. However, with a number of local shops operating in different locations in India, the companies could find it difficult to achieve cost efficiencies and sufficient coverage through this method. Hence, a cost-benefit ratio would be crucial in determining the need and impact before implementing this.

Both retailers and consumer companies are recognizing the need to provide better services that makes the daily need products easily available to consumers. This is expected to provide a push to new verticals for retailers and CPG companies to expand their reach and reduce time for deliveries. The rise of hyperlocal start-ups and rural partnerships are likely to be very useful in improving the overall delivery mechanism. However, the companies are required to be cognizant about the required investments for such projects in order to gain maximum benefits from this. With these developments happening, the brick-and-mortar segment needs to expand their use of technologies and new techniques to be competitive with online sellers.
Technology augmenting customer experience
The use of technology has changed the way consumers shop and certainly playing an expanded role than before across industries. The digital techniques are helping the businesses to deliver prodigious customer experiences. While e-commerce paved the way Omni-channel route, a set of new technologies are shaping up to improve business interactions and increasing the engagement levels. With this transformation, various technologies have already made their impact with the growing level of acceptance across all business lines, and are likely to be fully ready in the span of next 2—10 years.

7.1 Technologies redefining consumer experience

The use of technology has changed the way consumers shop and certainly playing an expanded role than before across industries. The digital techniques are helping the businesses to deliver prodigious customer experiences. While e-commerce paved the way Omni-channel route, a set of new technologies are shaping up to improve business interactions and increasing the engagement levels. With this transformation, various technologies have already made their impact with the growing level of acceptance across all business lines, and are likely to be fully ready in the span of next 2—10 years.

Maturity of major emerging technologies in retail and CPG
(Global and consumer-focused)

Source: Shaping the Future of Retail for Consumer Industries, January 2017, World Economic Forum
With no doubts, the technologies including AR & VR and AI are playing a pivotal role in transforming the purchase cycle for global retailers and CPG industries. The scenario in India is yet to reach the level of maturity like developed markets, but the country is rapidly overcoming the traditional challenges related to execution. While a few brands have already started using some of the most evolved technologies (especially AR), the increase in adaptation would be critically dependent on various factors related to digital spends, leadership, infrastructure, etc.

### Major drivers and issues affecting the role of evolving technologies in India

**Drivers**

- **4G accessibility improving the infrastructure**
  The success of these technologies in India is highly dependent on the 4G infrastructure. The telecom operators in the country have made huge investments to roll-out 4G services and a stiff competition between them is driving the data usage and accessibility of services. Additionally, the Digital India initiative plans to connect 600,000 villages through fiber optics with an investment of ~INR1.1 trillion. With all these developments, the pan-India coverage and connectivity are expected to further improve — enabling more individuals to demand tech-services.

- **Start-ups fueling awareness and growth**
  The buzz around technologies and the government support have given rise to various start-ups in the country to expand their base in this domain to help companies in delivering an improved digital experience. According to sources, the number of companies operating in AR/VR has grown to ~170 in India.

- **Cost-benefit is unknown**
  The costs for running campaigns related to AR, VR, etc. are relatively higher in India than other developed countries. As per the market sources, reportedly the budget for AR specific campaigns in India could range between ~INR3–30 billion depending on the scale. Hence, the brands are quite cognizant about the return on investments and the decision to use these technologies is primarily cost-driven at times.

**Issues**

- **4G infrastructure remains critical for high speed Internet in India:** Report, 21 May 2016, Indian express
- **Virtual reality startup Merxius gets you closer to reality:** 13 January 2017, The Economic Times
- **Building Brands: Why India lags in leveraging virtual augmented reality:** 14 June 2016, Financial express
- **IKEA catalog uses augmented reality to give a virtual preview of furniture in a room:** 14 August 2013, Newatlas
- **Traditional retail ups its digital quotient:** 26 January 2016, Financial express

### 7.2 Application of major technologies in global and Indian retail and CPG industries

The use of technologies such as AR, VR, AI, etc. is picking up significantly, especially in the developed geographies. While the majority of Indian retailers and CPG brands are yet to invest a lot in this domain, the usage is likely to expand as global companies continue to innovate and make a business impact from digital investments.

- **Case:** A Netherlands-based leading furniture retailer introduced an AR catalog app to assist shoppers envisage and test selected products through the use of smartphone or tablet – making the purchase decision convenient and easier for customers. According to the sources, there was a rise in app downloads post its launch.

- **Case:** A renowned Indian clothing brand launched a ready to wear experience store in Bengaluru offering selected clothes and desired sizes inside the fitting rooms through a click on the iPad. According to the initial trends, the company was able to generate more than average footfall and transaction value.
• **VR** is gaining strong traction in the developing countries and is not only used as a marketing tool, but also a sales enabler. The technology helps in saving time, workforce requirements, locating products, etc. Since the entire process is dependent on a VR device and appropriate content, both businesses and customers in India would require some time to accept this as a medium to connect with each other.

**Case:** In May 2016, a US-based e-commerce retailer launched the world's first VR department store in Australia. The technology allowed shoppers to scan through >12,500 products without even visiting the physical store. To complete the purchase process, the customers just had to hold their sight on the product icon.

• **AI** is transforming various business processes in the form of ease of payments, providing product information, offering personalization and others. While global brands are swiftly innovating, India is in the initial stage of understanding customers through data analyzers.

**Case:** In December 2016, one of the biggest US-based e-commerce companies launched a concept grocery store without the cashiers and checkouts, enabling customers to pick the selected products and leave the store. The sensors will track the picked products and charge it to customer’s account on exit. However, the opening of the store for public is yet to be announced.

The growth prospects of Indian retail and CPG industries is quite promising and present a huge opportunity for brands to gain the first mover tech-advantage. The product-focused approach is not anymore the sole factor in driving the brand sales. Various customer engagement techniques through AR, VR and AI are gaining traction and bringing changes in customer interactions at a faster pace. Though India is a little slow in adopting major global technologies, the evolution and impact are expected to reach at its full potential in coming years. The major bottlenecks inhibiting Indian companies to use these technologies are largely related to high investments and unknown business returns. However, the growing number of smartphone users, improved 4G networks and the role of technology start-ups in the country are predicted to change not only the business perceptions, but also the way shoppers transact and pay.

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49 Amazon Go grocery store replaces cashiers with automation and AI, 5 December 2016, TechRepublic
50 How online retailers are using artificial intelligence to make shopping a smoother experience, 10 March 2017, The Economic Times
E-wallets scaling up the payment ecosystem and handiness
The extensive adoption of smartphone and rising internet penetration levels in India are positively swaying the evolution of mobile wallets. Through a smartphone and internet connection, a customer can easily access wallet money to transact from anywhere and anytime. For retail industry, mobile wallets have played a pivotal role in facilitating payments, especially after the announcement on demonetization by the Indian government last year. The convenience and acceptability have been the major factors bolstering the growth of providers, and the medium is expected to continue as newfangled way for sellers to connect with the buyers.

8.1 Emergence of digital payment modes in India

The Indian economy is largely driven by cash transactions that account for almost 4/5th of all payments\(^1\). The digital intervention and government’s efforts to promote cashless economy have given rise to the growth of other alternate payment methods. Apart from some popular means, such as Real Time Gross Settlement (RTGS), National Electronic Funds Transfers (NEFTs), cheques, etc., there have been a number of consumers increasingly using mobile banking and prepaid instruments (including e-wallets) for making day-to-day purchases, especially for low-ticket items.

Digital payments ecosystem

<table>
<thead>
<tr>
<th>Real Time Gross Settlement (RTGS)</th>
<th>Clearing Corporation of India Ltd (CCIL)</th>
<th>Paper clearing</th>
<th>Retail Electronic Clearing</th>
<th>Cards</th>
<th>Prepaid payment instrument (PPI)</th>
<th>Mobile Banking</th>
</tr>
</thead>
<tbody>
<tr>
<td>Customer Transactions</td>
<td>Collateralized Borrowing and Lending Obligation (CBLO)</td>
<td>Cheque Truncation System (CTS)</td>
<td>Electronic Clearing Service (ECS)</td>
<td>Credit Cards</td>
<td>M-wallets</td>
<td>Mobile Banking</td>
</tr>
<tr>
<td>Interbank Transactions</td>
<td>Government Securities Clearing</td>
<td>Non-MICR (magnetic ink character recognition) Clearing</td>
<td>National Electronic Funds Transfer (NEFT)</td>
<td>Debit Cards</td>
<td>PPI Cards</td>
<td>Mobile Banking</td>
</tr>
<tr>
<td>Interbank Clearing</td>
<td>Forex Clearing</td>
<td></td>
<td>Immediate Payment Service (IMPS)</td>
<td></td>
<td>Paper Vouchers</td>
<td>Mobile Banking</td>
</tr>
<tr>
<td>Interbank Clearing</td>
<td></td>
<td></td>
<td>National Automated Clearing House (NACH)</td>
<td></td>
<td></td>
<td>Mobile Banking</td>
</tr>
</tbody>
</table>

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51 Payments Industry in India Q4 2016, IMAP India
With the use of digital payments – including the Prepaid Payment Instruments (PPIs) – getting a significant push, the mobile wallets expected to remain as one of the major growth drivers in future...

In November 2016, the Indian government cancelled the legal tender of INR500 and INR1,000 currency notes to counter black money, counterfeit currency and tax evasion. The move encouraged businesses engaged in electronic transactions, such as Prepaid Payment Instrument (PPI) and other digital arenas of banks such as debit cards, credit cards and mobile banking. Additionally, in effort to make digital fund transfers easier and accessible to everyone, the government and National Payments Corporation of India (NPCI) also launched a mobile app – BHIM (Bharat Interface for Money) through the Unified Payment Interface (UPI), allowing users to instantly transfer funds to different bank accounts. The rise of m-wallets is the major driver behind the increasing transaction value and volume of PPIs in India, especially post demonetization.

The m-wallets have achieved the maximum growth, as it helped consumers to make small payments after demonetization due to non-availability of cash. To cater the low-ticket transactional requirements through PPI, the Reserve Bank of India (RBI) introduced various favorable policies to encourage its use in the country by permitting users to deposit cash in their PPI balance, introducing special dispensation for small sellers, enhancing balance limits, etc.

![M-wallets vs. other PPIs by value (INR billion)](image1)

![M-wallets vs. other PPIs by volume (million)](image2)

Source: Reserve Bank of India (RBI)
8.2 Impact of digital wallets on the retail business and outlook

The concept of mobile wallets is relatively new in India and gaining a great share of attention of consumers, especially millennials. The use of wallets not only provides customer with an alternate payment method to transact on online channels, but also enable them to pay small merchants or even street dwellers, who are reluctant to accept payment through non-cash instruments for low-ticket transactions.

With traditionally starting with the services like recharge & bill payments and money transfer, the wallets are now used for various shopping purposes, such as shopping, travel and entertainment reservations, taxi services, food orders, etc. Therefore, a number of m-wallet providers are entering into this space and changing the payment eco-system by combining the changing needs with seamless services.

While other emerging payment platforms are also scaling, m-wallets are still expected to stay in high growth zone for e-commerce purchases. However, innovation and collaboration are likely to remain key determinants of growth.

2015 vs. 2020F E-commerce payment modes

The significant growth in m-wallet transactions has pushed almost all e-commerce companies in India to tip up with more than one provider, in order to promote ease of payment and various additional discounts in the form of attractive cashbacks. This certainly provides the cost advantage to the companies, as the administrative costs associated with the most popular payment mode i.e. COD is relatively quite high and put stress on their margins.
8.3 Potential business opportunities for m-wallets

Although the growth of m-wallets is expected to be impressive, they could face some headwinds in the fast evolving payment ecosystem. The challenges could be related to the competition from BHIM (UPI-based payment app), expanding usage at offline channels, and change in threshold wallet limits by regulatory authorities. Hence, the providers need to innovate with their offerings to move beyond being just the medium to transact.

1. **One-tap payments**: An integration of wallets into exclusive smartphone paying apps would provide an additional layer of convenience to the customers.

   **Case**: A popular wallet provider integrated its wallet into a payment platform of a leading Smartphone manufacturer, enabling phone owners to have one-tap payment option for more than 1.4 million merchants.

2. **Fintech collaborations**: Partnering with various financial institutions to upsell various products such as investments, savings, insurance, lending, etc. will be crucial for a strong and diversified approach.

   **Case**: One of the major mobile wallet providers plans to enter into a partnership with banks and Non-Banking Financial Companies (NBFCs) to give credit up to INR100,000, personal loans, insurance to shop owners and others.

3. **Cross-border payments**: After the RBI approving cross-border money transfers through m-wallets, there could be an increased focus on international transactions and the Non-resident Indian (NRI) user base.

   **Case**: An established player launched its bill payment app in Canada to pay their local and Indian outstanding utility bills. The company also has plans to start cross-border retail transactions with China.

The government’s focus to promote a cashless economy and growing young population in India are further likely to uplift the digital transactions. With a number of new digital payment platforms are evolving, m-wallet providers need to continuously rethink their strategies to upscale their scope and exclusivity. While m-wallets are likely to outperform other popular payment modes in online retail purchases, it’s extremely crucial for them to safeguard their users against the potential cyber threats. The success factors would depend on the level of innovation and new avenues such as industry collaborations for seamless integrations, diversified approach and expanding user base. The significant growth in digital payments indicate that digital mediums, including digital media, will be crucial for brands to connect with consumers going forward.

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52 MobiKwik integrated with Samsung Pay Mini, 16 July 2017, The Hindu BusinessLine
53 Why MobiKwik is attempting to morph into a financial services provider, 28 May 2017, The Economic Times
54 Cross Border Inward Remittances, Policy, RBI, Wallets, 22 March 2017, Medianama
Digital marketing as growth engine
Increasing smartphone adoption and greater internet penetration are driving the digital advertising and marketing industry in India. The digital advertising industry in India has grown at a CAGR of over 40% from 2011 to 2016 compared to the overall advertising industry growth of about 12% during the same period, and is expected to continue the trend by 2020.15

### 9.1 Rapidly growing share of digital advertising industry in India

Share of digital advertising in total advertising industry in India is expected to double from 12% in 2016 to 24% in 2020, growing at a CAGR of 37%, compared to overall industry growth at a CAGR of 15%. Growth in digital ad medium would be primarily driven by its advantages such as greater affectivity and hyper-targeting.

Source: Digital Advertising in India 2016

The trend is similar to global observations, where, while media advertisements have grown at an annual rate of 2–6% from 2011 to 2016; digital advertisements have grown at over 15% rate and mobile advertisements have grown at an extremely rapid pace of more than 50% annual growth rate.
Overall, the consumer related sectors – FMCG, E-Commerce, Retail, Consumer durables – account for approximately half of the advertisement spends across all industries in India.

While FMCG industry is amongst the biggest spenders on advertisements, the share of digital advertisement in e-commerce is the highest.

Further, within digital advertising video, search-based and social media advertising are more prominent in the FMCG, e-commerce and retail industries, respectively. With the growing applicability of digital advertising, social media advertising is expected to take prominence in other consumer industries as well.
9.2 Major benefits of digital marketing

**Easy to track and measure impact**
It is easier to track the Key Performance Indicators (KPIs) in digital marketing. For example, for email marketing targets such as click-through rate, conversion rate, click to open rate, lead generation, etc. can be easily measured, compared to a TV campaign.

**Cost effective advertising, greater ROMI**
Digital marketing helps companies make significant cost savings, leading to margin expansions and greater Return on Marketing Investments (ROMI).
While traditionally, companies used to outsource the content design, implementation and feedback processes to advertising agencies, they can now manage all these processes digitally in-house or with minimum assistance.

**Personalized offerings**
Digital marketing enables brands to provide customized offerings to consumers, suitable to their preferences.

**Case I:** One of the major global confectionery companies designed a website where consumers could unlock their personalized gifts by scanning the QR code or URL from the product packs.

**Case II:** Another major global beverages manufacturer, allowed users to share video messages and gifts through vending machines.

**Longer consumer engagement**
Digital marketing helps brands to achieve:
1. rapid reach
2. deeper engagement relationships
3. data-based relevant insights
4. personalized solutions
5. specific targeting

**Case:** One of the leading FMCG companies in India has a dedicated website to educate consumers on personal care segment by providing comprehensive content through online videos and articles in regional languages.
• The company claims to have higher click rates, and double the volume of website traffic compared to earlier period.

**Quick response to queries and feedback**
Digital marketing allows brands and customer representatives to respond to queries and feedback real-time. According to majority of the brands, the average response time to consumers, fans and followers on a digital marketing campaign varies from one to five hours.
9.3 Upcoming trend

Leveraged well in developed countries, programmatic marketing is an upcoming means of marketing in India and has been growing exponentially in the past couple of years. It automates the sale and purchase of advertising space in a matter of milliseconds, using software and algorithms via a bidding system. The user/brand can target their audiences, frequency of advertisement and time slots, platforms for advertising, etc. to deliver the right content at the appropriate time making it a highly effective and efficient tool for marketing.

While programmatic spends in the US were estimated to reach INR 150,000 crores in 2016, representing approximately 67% share of total digital display market, its market in India is at a nascent stage, estimated to be about INR 1,800 crore currently. Native advertising – one of the forms of programmatic marketing, has played a major role in its success and growth. It is a completely non-intrusive ad format where the ad experience follows a natural form of user experience and is being used by brands to overcome the challenge of ad-blocking. 

Case study: Confectionery manufacturer

One of major confectionery manufacturers tied up with an advertising agency in 2015, with two major objectives for its biscuits brand:
01. Increase sales volume by 5%
02. Be recognized as not just a brand for kids, but for teens and young adults as well

Strategy adopted

**Identification of interest categories**
- A Social Media Interest Analyser (SIAM) model was developed by the agency, to identify interest categories amongst the target group leveraging data from day-to-day social media activities

**Personalisation for greater engagement and connect**
- A one-to-one program for target group was designed based on their interest categories
- The program was introduced through a TV commercial, and populated via social media platforms
- The program engaged consumers by motivating them to use the brand’s product in many ways as a prop to inspire playfulness and imagination

**Expanding the outreach**
- The agency amplified the outreach and thus impact of its campaign by developing a virtual wall on the brand’s website and presenting interesting entries from fans and followers
- The content could be further shared by users on different social media platforms

**Outcome**
- Average volume sales of the product grew by 6% during the campaign period
- The company was able to reach more than 25 million users, with 101 million impressions and 9.2 million views
- It also achieved significant engagement rates on various social media and video platforms
- Various other companies and brands also participated in the brand’s activity owing to its high engaging
Way forward
## Recommendations

<table>
<thead>
<tr>
<th>Topic</th>
<th>Konnection*</th>
<th>Recommendations (for industry/government)</th>
<th>Priority</th>
</tr>
</thead>
<tbody>
<tr>
<td>Knowledge of consumer data and insights</td>
<td>Low-High</td>
<td>• Embed IoT techniques to encourage impulsive buying through in-store movement tracking of consumers and more informed decisions related to product display, placement, and personalization</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• Explore opportunities in predictive analytics to recommend related products and sending location-based triggers to consumers</td>
<td></td>
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<tr>
<td>Omni-channel retail</td>
<td>Low-High</td>
<td>• Integrate online and offline processes to provide consumers seamless browsing and shopping experience</td>
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<tr>
<td></td>
<td></td>
<td>• Keep a tab on consumers’ requirements (through social media, reviews, feedbacks, etc.) and explore other retail channels and means to appropriately cater to their specific set of requirements</td>
<td></td>
</tr>
<tr>
<td>National policies</td>
<td>Low-High</td>
<td>• Government: Enactment of national level retail policy or formation of a central nodal agency for retail</td>
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</tr>
<tr>
<td></td>
<td></td>
<td>• Industry: Pass on the benefits of GST to the consumers and invest in enhancing consumer engagement levels</td>
<td></td>
</tr>
<tr>
<td>Novelty</td>
<td>Low-High</td>
<td>• Focus towards the unique value proposition of the product/service offering and enhance it to attract consumers</td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>• Periodically alter the consumer loyalty programs through testing and data analytics and deliberate more towards offering monetary privileges</td>
<td></td>
</tr>
<tr>
<td>Environment and social practices</td>
<td>Low-High</td>
<td>• Focus on sustainable or recyclable packaging material, like plastic, especially for the transported products</td>
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<tr>
<td></td>
<td></td>
<td>• Supplement more natural ingredient-based products in the portfolio by reducing the use of artificial additives and preservatives</td>
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<td></td>
<td></td>
<td>• Execute a non-price focused strategy while targeting new consumers</td>
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<tr>
<td>Convenience</td>
<td>Low-High</td>
<td>• Use commission model with rural outlets to expand the reach and save costs</td>
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<td></td>
<td></td>
<td>• Evaluate the financial and business feasibility of direct distribution models in remote areas</td>
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<tr>
<td>Technology</td>
<td>Low-High</td>
<td>• Expand the usage of AR in brick-and-mortar concept and pick strategic geographies to expand</td>
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<td></td>
<td></td>
<td>• Define the digital involvement and investment budgets in the marketing campaigns to tactfully gain return on investments</td>
<td></td>
</tr>
<tr>
<td>E-wallets</td>
<td>Low-High</td>
<td>• Integrate various payment mediums to m-wallets to deliver an additional layer of convenience to the customers through one-click payment</td>
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<tr>
<td></td>
<td></td>
<td>• Establish alliances with various financial institutions and fin-tech companies to upsell and cross-sell products like personal loans, insurance, etc.</td>
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<tr>
<td></td>
<td></td>
<td>• Collaborate with other geographies to facilitate seamless cross border transactions</td>
<td></td>
</tr>
<tr>
<td>Digital marketing</td>
<td>Low-High</td>
<td>• Digitize the marketing and advertising content to the extent possible and increase penetration in non-urban regions</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>• Collaborate with technology providers to enhance the ad-experience through programmatic advertising</td>
<td></td>
</tr>
</tbody>
</table>

*Konnection denotes the engagement level of consumers when subject to the respective technology/process*
Conclusion

The digital era has transformed the consumer retail journey and is driving the modern-age trade in India. To understand the consumer behavior of modern-age shoppers, the Knowledge of consumer data and insights is gaining traction and the companies are expected to increase their focus on techniques like predictive data analytics and IoT to forecast purchases. With the rapid growth of internet penetration, supported by the improving 3G and 4G infrastructure, the Omni-channel approach is unlocking the prospects for various brands in the form of increased sales and reach. To support this, various government initiatives and National policies are impelling the growth of businesses and benefitting consumers through relaxed FDIs, flowing PE/VC investments, GST introduction, etc.

The constantly changing business landscape is making the retail environment more dynamic in terms of innovation, with novelty to play a crucial role in attracting the new-age shoppers. Further, companies are realizing that environment and social practices are driving sustainability and influencing consumer behavior, leading them to integrate responsible practices within their supply chains. With convenience abridging the gaps of last-mile and rural outreach, innovative distribution models and hyperlocal trade would add an additional layer to attract shoppers.

Though the concepts like AI, AR & VR, IoT, etc. are new-fangled in India, these technologies are already augmenting the customer experiences, supported by rapidly growing internet accessibility and technology start-ups. Consequently, this has given rise to digital payment modes where e-wallets are scaling up the payment ecosystem and handiness, which got a major boost from the government’s stand on promoting a cashless economy. With technology in the fore-front for all these developments, the businesses are expected to use digital marketing as their growth engine to improve the engagement levels with connected consumers.
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