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Winning in retail
Building loyalty and enhancing customer experience

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Executive summary

India is the world's fifth-largest retail market. It contributes more than 10 percent to GDP and nearly 8 percent to employment.[1] The retail sector underwent rapid transformation over the past decade, largely driven by several factors. Some of these include growing household incomes, increasing urbanisation, changing demographics and their preferences, rising number of new players creating novel markets, strong penetration of e-commerce, easy credit availability, and favourable government initiatives. The industry is still dominated by the unorganised sector,[2] but large retail giants with multi-brand establishments are continuously penetrating Indian markets propelled by rapid internet adoption and growth of online sales in the country.

In the past two years, the entire retail dynamics altered significantly due to the pandemic-related disruptions. The technology-led transformation that began in 2007 accelerated as consumers and retail industries went digital to survive in the new normal. With improved mobility, the sector is showing signs of healthy rebound as evident from strong consumer goods sales and rise in demand for consumer durables.[3] At present, the industry's growth looks promising. The Indian economy is expected to grow at a healthy pace and consumers are feeling confident about spending money. According to International Monitory Fund (IMF), India's economic recovery is likely to pick a strong pace with GDP rising at 7.4 percent in FY23.[4] The retail industry is expected to see a year-on-year growth of 10 percent to reach nearly US$2 trillion by 2032.[5]

The ongoing digital wave has amplified the proliferation of brands in the country and made the competition for customer acquisition more intense. Hence, most businesses are rethinking strategies for improving their in-store and online customer experiences and engagements, and gain a competitive edge in the changing business landscape.

From **Retail 1.0 to 3.0,** the Indian retail sector has evolved from being dominated by neighbourhood kiranas to becoming a global, multi-channel retail market with increased technological penetration. **Retail 4.0** (2020 onwards) has been entailing a greater convergence of the traditional and online channels with proactive digital enablement.

[1] https://www.ibef.org/download/1659942905_Retail_June_2022.pdf

[2] https://m.economictimes.com/small-biz/sme-sector/indian-unorganised-retail-key-to-worlds-third-largest-consumer-market/articleshow/86222834.cms

[3] https://rai.net.in/Business-Round-30.pdf

[4] https://www.businesstoday.in/latest/economy/story/imf-slashes-india-gdp-growth-forecast-to-74-in-fy23-342786-2022-07-26

[5] https://economictimes.indiatimes.com/industry/services/retail/indias-retail-industry-to-reach-2-trn-by-2032-report/articleshow/91122999.cms

Technological enablement to unlock retail value

Retailers are expected to accelerate the adoption of omnichannel strategy (brick-and-mortar stores, e-commerce platforms, stores on wheels, 24/7 robot-manned stores, etc.) to operate proficiently amidst mobility restrictions, supply chain disruptions, and increasing competition. Increasing integration of technologies, such as big data, data analytics, Machine Learning (ML), blockchain, Augmented Reality (AR), Virtual Reality (VR), Artificial Intelligence (AI), Internet of Things (IoT), cloud computing, and robotics

will help businesses analyse customer behaviour and effectively direct marketing campaigns to the right consumer segment. These technologies can help improve inventory management, increase store walk-ins, drive user traffic to online channels, and increase brand recall by enhancing the overall customer purchasing experience. The following are a few examples of technology-based business models gaining prominence:

Digital enablement of retail

Retail strategies	Evolving tech-based business models
Targeted marketing	• **AI-based predictive analysis** of customers' social media profiles for targeted marketing • Micro segmentation-based **digital marketing** to deliver a personalised experience • **Search engine optimisation** to drive traffic to online channels • **Push notifications** on customers' electronic devices to build brand awareness
Personalised product selection	• **Digital kiosks/virtual shelves/endless aisles** to enable virtual browsing of products within stores • **Smart beacons** to track the in-store customer movement and deliver targeted product information/discounts • **AR-based in-store navigation** features to allow shoppers easily find items within stores • Seamless integration of **brand websites and mobile apps** for a complete digital experience • **Social commerce** to create an interactive customer experience on networking websites • Addition of **vernacular languages** to e-commerce platforms to widen customer accessibility • **Local language translation** for consumers ordering online to boost regional commerce • Automatic product customisation based on **AI/ML-based recommendation engine** • **Virtual mirror/trial rooms/AI try-ons** to enhance product selection experience in stores and on online channels
Seamless purchase experience	• **Multi-nodal purchase** options, such as click and collect, mobile Point of Sale (POS), and e-wallets/UPI payment • Attractive omnichannel pricing strategy using **AI-based precision marketing** • **Self-checkout** machines to help reduce wait time in stores • **Chat bots/mobile assistants/wearable tech** to act as integrated touchpoints in online purchase
Customer retention and loyalty	• **Blockchain-based loyalty programmes** to enhance customer retention • Bundling of services/products, automated discounted pricing, subscriptions offered to loyal customers
Supply chain management	• Integration of **IoT/RFID/AI/robotics** to make supply chain/logistic services more responsive • **Data-driven algorithms** for real-time inventory management/store's assessment planning • **Blockchain technology** for contract management and supplier payments

The technological transformation of leading retail brands: Selected use cases

AI-based personalised marketing	One of the prominent global skincare brands launched a web-based skin analytics platform that incorporates facial recognition technology and ML. These features help women to understand their skin in a better way. The platform uses AI to conduct a smart-skin analysis and provides personalised product recommendations.
Smart kiosks	A multinational fast-food restaurant chain installed self-service kiosks integrated with smart menu boards and on-the-go mobile payment options. These technology features reduce wait time at billing counters and improve customer convenience across their India outlets.
Digital signage system	A leading European furniture brand installed giant navigation towers adjacent to its India outlets using the brand's distinguishing digital wordmark. This makes stores easily noticeable from a distant location.
Virtual trial rooms	An Indian fashion retail chain launched a virtual dressing room, with AR-based smart mirrors and interactive kiosk solutions, in its Mumbai store. This enabled customers to select and view apparel and accessories on themselves without having to physically 'try on' the desired products.
Vernacular commerce	One of the largest e-commerce companies in India has recently added 11 Indian language interfaces that has attracted more customers to the company's online platform. This has helped the company achieve double-digit growth in 2021 across segments, such as smartphones, fashion wearables, and audio devices with tier-3 cities playing a major role in attracting and retaining consumers.
Social commerce	A leading Indian fashion e-commerce company has launched its 'style squad' consisting of fashion content creators and influencers. They engage with consumers and showcase the company's curated collections by creating relevant content on social media platforms. This helps raise brand awareness and drive their fanbase to the company.

Omnichannel payment system	One of the leading multinational clothing retailers has launched a multi-nodal payment service system in India encompassing customer touchpoints and digital channels. The seamless payment system allows customers to pay using their preferred methods via offline and online channels.
Application-based loyalty/referral programme	An international footwear giant encourages its customers to collect additional loyalty/reward points when they make purchases via the mobile application. These points can later be used to access exclusive previews and get free shipping on subsequent online purchases.
IoT-based inventory management	A prominent Spanish apparel retailer brand has been using RFID tags in clothing for agile and accurate inventory management across stores. These RFID tags enable the retailer to get a notification whenever a garment is about to go out of stock in any location. In addition, this helps the company to accurately analyse the trending fashion.
Drone-based delivery	A leading Indian food aggregator has undertaken a pilot project for drone-assisted grocery delivery in Bengaluru and Delhi NCR. These drones would be used to replenish stocks from the seller's location to a common point closest to the customer's delivery address. After this, the delivery partner will pick up the product and deliver it to the customer's doorstep.

Conclusion

Technology has the power to phenomenally change the way retailers operate and transform a consumer's shopping experience. Brick-and-mortar stores will continue to embrace digitisation and dominate the retail channel in the country (as consumers will continue to prefer the human touch and feel retail experience). For consumers, shopping at their convenience will endure extraordinary growth in online sales in the future. Increasing penetration of global brands has led to the emergence of new norms of loyalty for retailers where targeted marketing, personalised product selection, seamless purchase experience, customer loyalty programmes, and supply chain resiliency, have taken a front stage.

A large-scale convergence of online and offline channels will continue even after the pandemic. Retailers are expected to invest in digital technologies to improve their operational efficiency and customer centricity and thrive in the rapidly changing and competitive consumer environment.

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