Deloitte.

Future of Retail
Sweating assets for growing
volumes and same store sales

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Foreword

In India, the consumer sector is quite dynamic. It is driven by a confluence of global economic trends, technological advancements and evolving consumer behaviour. As we navigate through FY25, industry leaders must stay ahead to harness growth opportunities and mitigate potential risks. This report delves into a comprehensive analysis of the current condition and outlook of the consumer and retail sector, offering insights and recommendations for stakeholders to act on.

The global economic environment in FY24 has been marked by significant challenges, including the ongoing conflict in Ukraine, rising inflation, tightening monetary policies and disrupted global supply chains. Amid these headwinds, the Indian economy has demonstrated remarkable resilience, growing at an impressive rate of 7.6 percent in FY24.[1] This growth is driven by robust government spending on infrastructure, growing private consumption and a resilient services sector. This decoupling of India's growth from global trends underscores the dynamism and potential of the Indian consumer market. The report delves into the performance of various sub-sectors within the consumer and retail sectors, highlighting their resilience and vulnerabilities. It examines the impact of inflation on consumer spending patterns, exhibiting a transition towards value-conscious purchases and a resurgence in demand for experiences, such as travel and hospitality.

Further, the report explores the anticipated global and Indian economic trends, consumer behaviour changes and industry-specific developments. It provides a detailed outlook on the evolution of these trends and their potential impact on the consumer sector. The insights are supported by data from consumer surveys, offering a nuanced understanding of the factors driving growth and the impending challenges. In the report, the importance of sweating existing investments and assets to drive like-for-like growth is one of the key themes. It outlines strategic initiatives across various growth vectors, showcasing successful case studies from leading companies. These initiatives include optimising channels, products, markets, teams and technology to enhance productivity, bolster operational efficiency and drive sustainable growth. In conclusion, this report serves as an essential guide for consumer industry leaders, providing consumer insights on how to navigate the complexities of the current business landscape. By understanding the underlying trends and adopting the recommended strategies, businesses can aim to achieve success in the dynamic and ever-evolving consumer market.

We hope this report will be a valuable resource for you and your organisation to make informed decisions and achieve your business objectives.

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Introduction

Indian economic growth in FY24 has remained strong in the face of global economic crises, driven by strong domestic demand for premium products and services, such as leisure travel.

In FY24, the global economic landscape displayed headwinds that affected consumer spending worldwide. The IMF revised global growth forecasts downwards to 3.2 percent, due to factors such as the ongoing conflict in Ukraine, rising inflation and tightening of monetary policies.[2] These events have created a cautious consumer environment globally. However, India remained a bright spot amid these economic challenges. Per the Second Advance Estimates (SAE), the Indian economy grew at 7.6 percent in FY24.[3] This growth was propelled by government spending on infrastructure and a resilient services sector. This growth decoupling highlights the inherent dynamism within the Indian consumer market.

FY24 witnessed several overarching trends that are influencing consumer behaviour. Consumers continue to remain value-conscious, but there has been a noticeable growth in the demand for premium products driven by rising affluence. Companies are adapting their strategies to align with these evolving consumer preferences. Brands catering to premium buyers recorded a strong CAGR over the past few years across categories, such as beauty and personal care, fashion and lifestyle and consumer electronics. After

the pandemic slump, there was significant pent-up demand for experiences, fuelling the "revenge travel" phenomenon and boosting the hotel and aviation industries, which continue to thrive. Furthermore, the growth and penetration of e-commerce (including quick commerce) continued, accelerating the adoption of online retail and digital payments for everything from groceries to fashion. This transition points to the dynamic nature of the consumer sector as it adapts to new realities.

These broad trends within the Indian consumer landscape paint an intriguing picture, but a deeper understanding requires an examination of spending across specific sectors. Analysing this data will reveal segments that have thrived despite economic headwinds. It will also underline the reasons for these trends—whether driven by sentiment shifts, structural changes, supply chain disruptions or evolving preferences.

Economic and consumer trends

GDP growth surpassed expectations in FY24, propelled by private investments

India's economic landscape has undergone a remarkable transformation, achieving an exceptional GDP growth rate of 8.4 percent[4] in Q3 FY24. This impressive performance surpassed projections of market analysts who had predicted a slower growth rate between 6.6 percent and 7.2 percent. The National Statistical Office (NSO) estimates a 7.8 percent growth in Q4 of FY24.[5]

Understanding economic drivers and consumer spending patterns

Consumer spending patterns post-pandemic have been evolving, with a notable shift towards luxury and high-end products and services, growing faster than basic goods. This trend is expected to be amplified as the number of middle-to-high-income households with increasing disposable income rises, driving overall private consumer expenditure.
Real GDP growth for the third quarter was supported by a robust increase in private investment spending, which grew by 10.6 percent Year-on-Year (YoY). Investment growth has remained above 8 percent YoY over the past four quarters, indicating a strong boost to the private capital expenditure cycle. The government's high capital expenditure over the past years is now expected to crowd in private investments. Conversely, private consumption witnessed an improvement, growing by 3.5 percent YoY.[6]
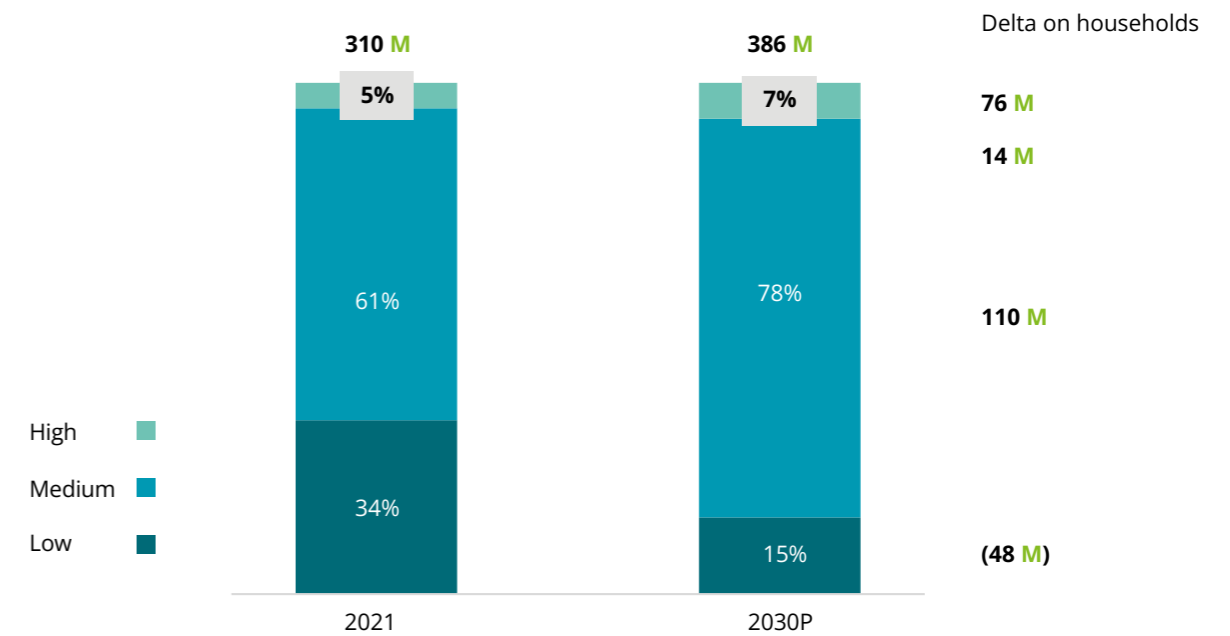
Evolving consumer demographics in India

Consumer confidence has been slow to rebound post-pandemic, with a gradual improvement over recent months amid strong economic activity.

The Household Consumer Expenditure Survey, conducted by the RBI, from August 2022 to July 2023 reflects a shift in spending patterns. There has been a shift from traditional expenditures (food, beverages, clothing) to luxury and aspirational products (travel, entertainment).[7] This shift is driven by the young population, urbanisation trends and changing consumer preferences.

Affluence expected to rise among Indian households

Distribution of households by Income group (2021 and 2030P)

	2021	2030P	Delta on households
Total	310 M	386 M	
High	5%	7%	76 M
			14 M
Medium	61%	78%	110 M
Low	34%	15%	(48 M)

The demographic shifts projected for 2030, based on the 2021 income distribution indicate a notable transformation in the socioeconomic landscape. Forecasts indicate a substantial decline in the lower-income group households, from 34 percent to 15 percent. This shift suggests potential improvements in economic conditions and upward mobility opportunities.[8] Conversely, the middle-income group is poised for significant expansion, with expectations of increasing from 61 percent to 78 percent. This surge implies a growing segment of the population attaining moderate levels of prosperity, driven by factors such as economic growth, educational advancements and employment opportunities. In addition, while the high-income group is projected to experience a modest rise from 5 percent to 7 percent, it suggests the growing affluence that will drive growth for branded, better quality, high-end and premium/luxury products and services.

Economic expectations and challenges from FY25

GDP growth is predicted at 7.0 percent for FY25 , as markets adapt to geopolitical uncertainties.[9] The global economy is expected to rebound in 2025, as central banks anticipate rate cuts. This recovery is expected to boost India's private investment and export sectors.
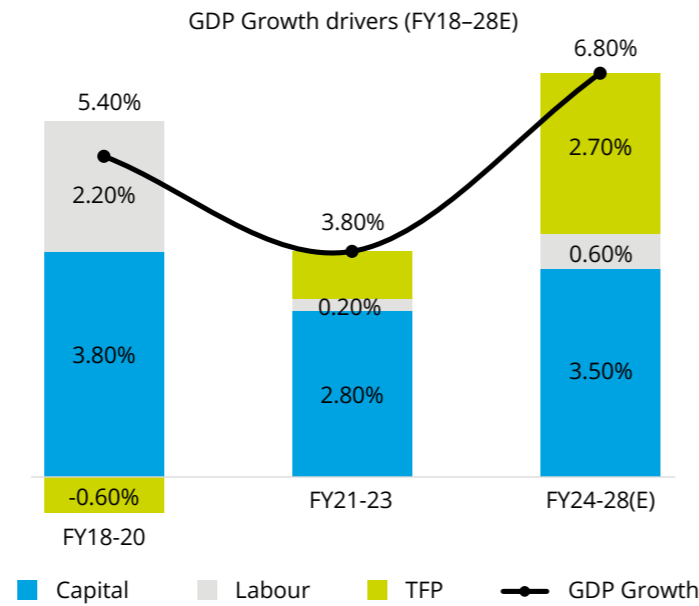
The anticipated growth in GDP over the next few years is expected to be primarily driven by Total Factor Productivity (TFP),[10] supported by an increase in labour growth contribution (despite a smaller one) and a modest increase in capital accumulation. This forecast suggests a shift towards efficiency-driven economic expansion, where advancements in technology, innovation and skill development play a significant role in enhancing productivity. TFP represents the efficiency of all inputs combined. However, the emphasis on labour and capital highlights the importance of human capital development and strategic investment in physical infrastructure to ensure sustained economic progress.[11]

Despite growth projections, inflation remains a concern, exacerbated by demand exceeding supply and higher food prices. However, as private investment improves supply-side capabilities, inflationary pressures are expected to ease below the RBI's 4 percent target all through the forecast period.[12] India's shift towards aspirational spending is a natural outcome of economic growth. However, managing the associated risks of rising inflation is crucial to maintaining economic stability and ensuring sustainable growth.

In the next section, we look at how these large economic and consumer behaviour trends are affecting consumer expenditure.

High TFP expected to drive GDP growth in the next few years

GDP Growth drivers (FY18–28E)

	Capital	Labour	TFP	GDP Growth
FY18-20	3.80%	2.20%	-0.60%	5.40%
FY21-23	2.80%	0.20%	—	3.80%
FY24-28(E)	3.50%	0.60%	2.70%	6.80%

Source: NSO, United Nations, CRISIL

Reflecting on FY24: Lessons learnt from the year gone by

Spending intentions in discretionary and non-discretionary categories

A decline in spending intentions has been observed since January 2023, with recovery around the festive shopping season. Discretionary spending intent witnessed a reduction of ~10 percent compared with non-discretionary expenditures.[13]

Since the easing of lockdown restrictions in India post-2022, discretionary and non-discretionary spending trends underwent significant shifts. Discretionary spending, including non-essential items such as entertainment, travel and luxury goods, saw a resurgence as pent-up demand was unleashed. However, this recovery has been uneven and often hampered by inflationary pressures and economic uncertainties. Non-discretionary spending, including essential items such as groceries and healthcare, has relatively fared better. The overall consumer sentiment has been to remain cautious, with many households prioritising essential expenditures over non-essential ones. This reflects a broader trend of financial prudence and adaptation to the post-pandemic economic landscape.

[8]Future of Retail Report, Deloitte, June 2023
[9]RBI Governor, Economic times, April 2024
[10]NSO, United Nations, CRISIL
[11]CRISIL India Economic Outlook 2023
[12]Centre for Monitoring Indian Economy, Deloitte Research

[13]Deloitte Consumer Survey

Overall spending intentions witnessed a significant dip after October 22

Spending intentions in discretionary and non-discretionary categories

Spending Intentions Index (India)
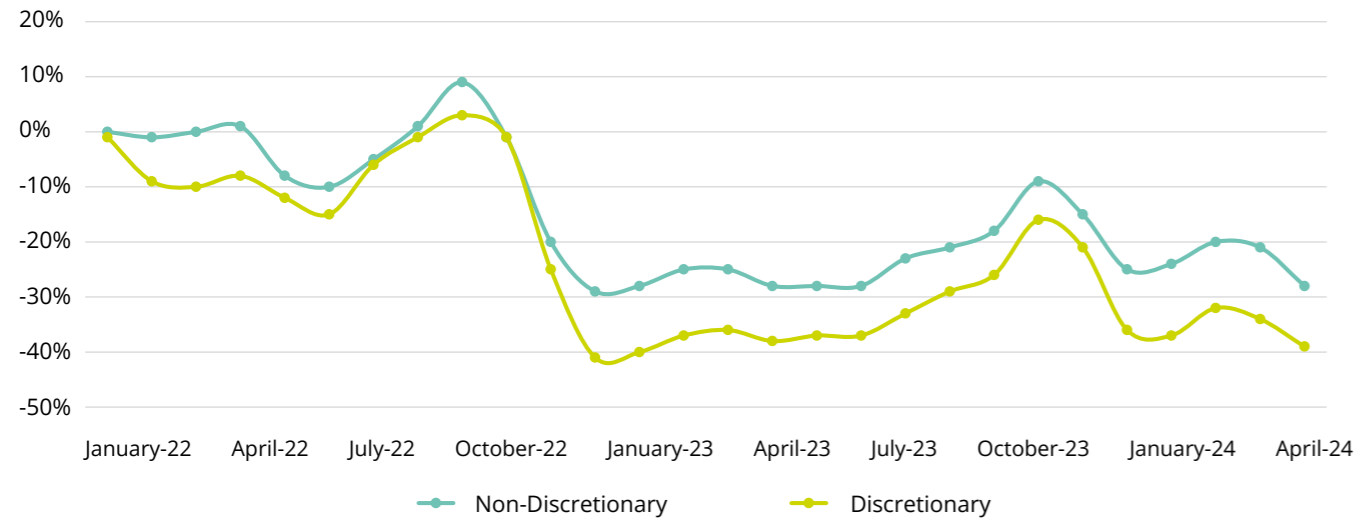
The graph titled "Spending intentions index" represents the estimated monthly spending amount as a percentage change from a base period of September to November 2021. In addition, it covers the period from January 2022 to April 2024 for discretionary and non-discretionary spending. The overall spending intentions peaked between July 2022 and October 2022, during which consumers exhibited an intent to increase expenditures by up to 10 percent. However, this trend sharply reversed thereafter, with spending intentions plummeting by 30 percent for non-discretionary expenses and up to 40 percent for discretionary purchases after October 2022. Subsequently, there was a partial resurgence in purchase intentions around

October 23, although still peaking at levels 10–15 percent below the base period. These intentions regressed to post-October 2022 levels by December 2023 . Notably, this peak in spending aligns with the Diwali season, traditionally characterised by heightened demand within the consumer sector, particularly for discretionary items, reflecting substantial expenditures during this period.

Next, we look at more granular data and corresponding trends across different consumer sector segments to understand this expenditure change better.

Shifting sectoral trends in consumer spending

Share of wallet by segment shows an increase in the share of experiences and investments and a marginal reduction in the share of consumer electronics and everyday household goods.

The post-pandemic era, from FY22 to FY24, has been marked by significant shifts in consumer spending patterns, influenced by a myriad of global and domestic factors. Observations range from the segmented behaviour in fashion and lifestyle to the fluctuating fortunes of consumer durables and electronics, alongside the notable growth in the travel and hospitality industries. This sector-specific behaviour highlights the impact of economic conditions, technological advancements and evolving consumer preferences on spending habits.

Deloitte conducted a "Share of Wallet" survey that captures the average split of the consumer's spending across various discretionary and non-discretionary categories.

The radar charts below show the changing trends in consumer spending for April across 2022, 2023 and 2024. The data points on each axis indicate the relative share of expenditure in that category. A longer distance from the centre of the graph indicates a higher share of wallet allocation for that category.

Between 2022 and 2024, the general pattern of spending has remained unchanged. A few sectors saw an increase in their share, reflecting the decrease in the share of other sectors. Across the years, savings and investments have seen growth in their share of wallets. This shift is due to several factors, including the high interest rates of fixed deposits, the rising gold price and unprecedented levels touched by equity markets. The share allocated to recreation, travel and leisure is also increasing, driven by pent-up demand and the accumulation of travel budgets saved during the pandemic.

Indian consumers directed their spending more towards recreation, entertainment and travel in 2022.

Consumer share of wallet (April 2022)
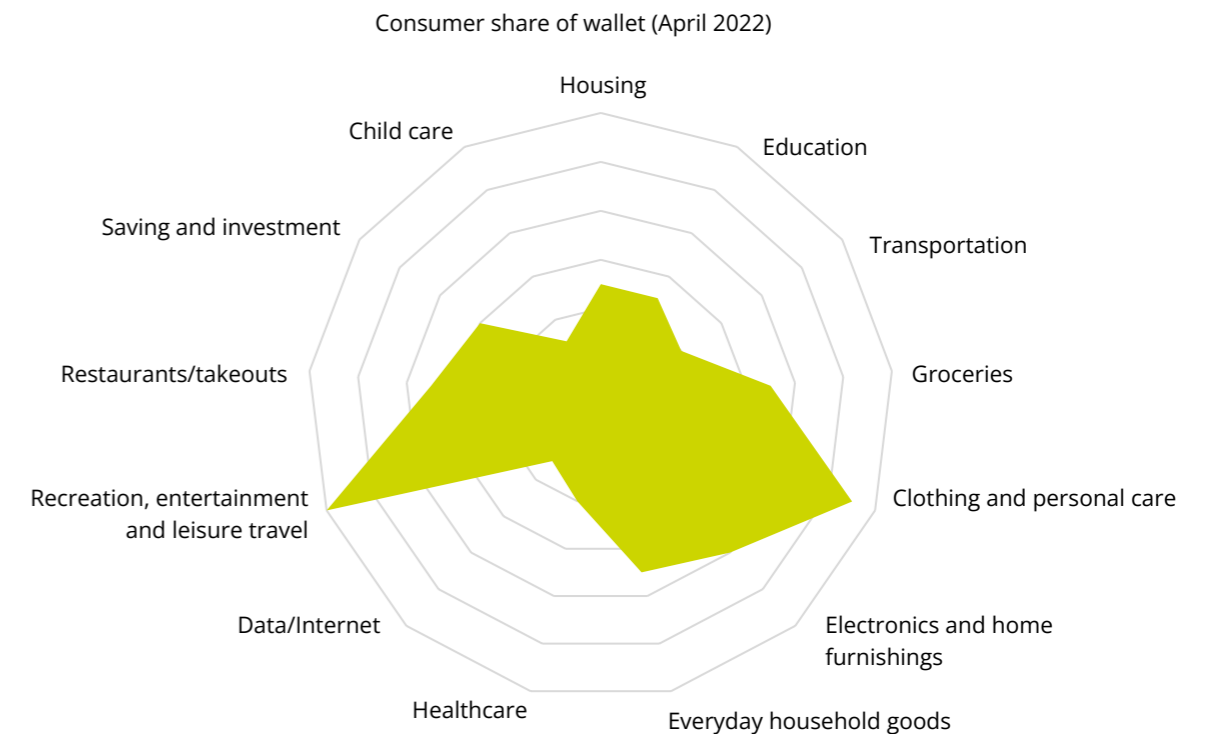
While recreation continued to grow, Indian consumers increasingly allocated wallet share towards savings and investment in 2023.

Consumer Share of Wallet (April 2023)
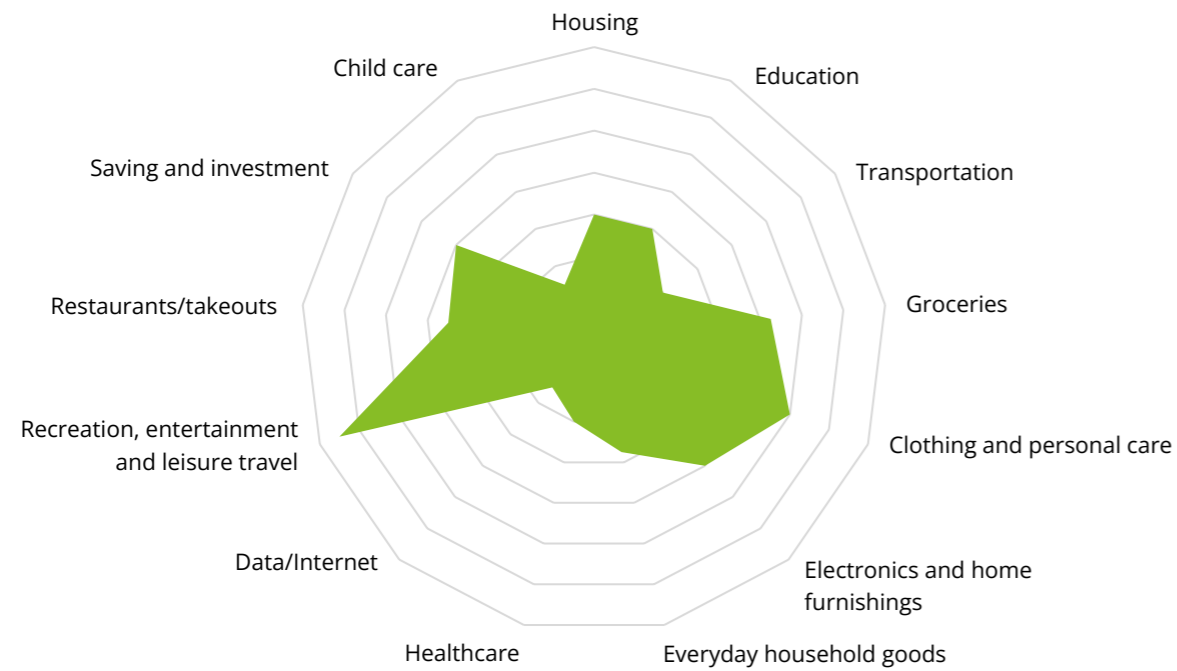
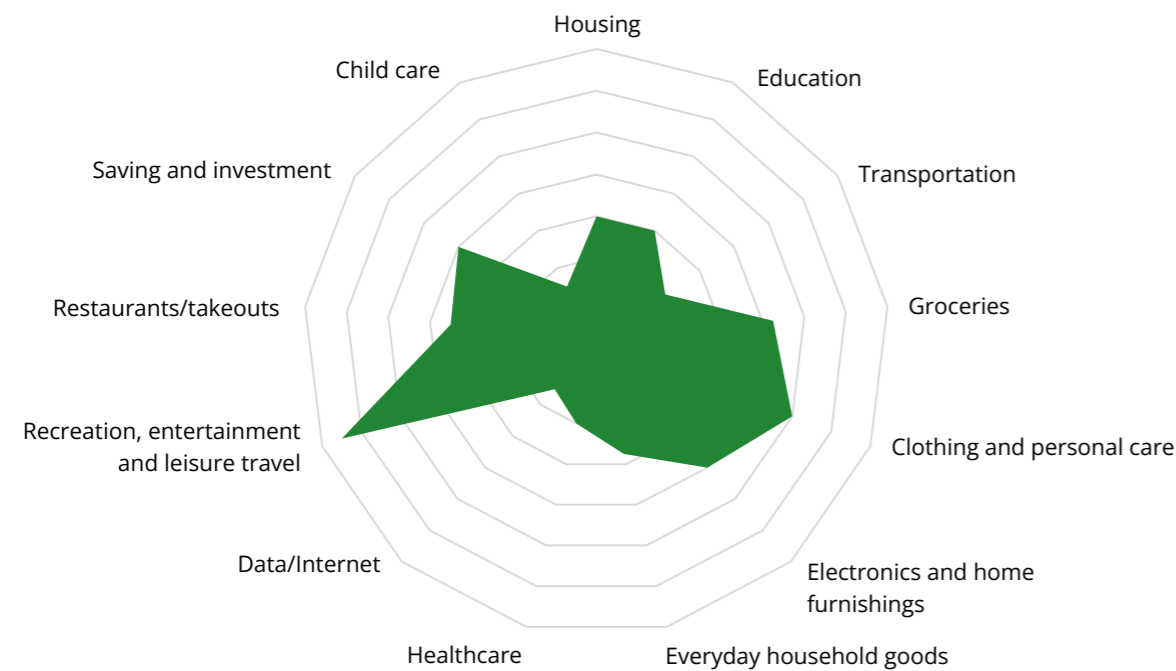**Spend allocation across categories remained steady between 2023 and 2024.**

Consumer Share of Wallet (April 2024)

Volumes in the grocery category have remained stable, with a slight increase in food prices due to inflation, driving a marginally higher share of wallets allocated to this category. The categories of electronics, home furnishings and everyday households are showing a decreasing share of wallets. This trend could be due to a reduction in "work from home". With people spending less time at home compared with earlier, the share of wallets in these categories is expected to further go down.

> **Spending on consumer durables and electronics declining as pent-up demand is fulfilled**

In H1 of FY24, the consumer durables and electronics sector saw a significant growth rate in premium product sales for categories, such as televisions (+18 percent), refrigerators (+5 percent), air conditioners (+35 percent) and washing machines (+20 percent). However, the entry-level and mass segments either remained flat or contracted during this time.[14] Spending on the consumer electronics and appliances category remained strong after the COVID-19 pandemic, followed by a gradual slowdown. The FY24 Q4 results indicate a gradual improvement in the consumer sentiment for consumer durables and a 22 percent YoY growth in revenue.[15]

Factors affecting sales and share of wallet include the following

Pent-up demand and lifestyle changes

During the pandemic, there was a surge in demand for consumer electronics and appliances due to lifestyle changes, such as the shift to work-from-home arrangements. This led to increased purchasing of items, such as computers, peripherals and home appliances. However, as people gradually returned to office settings, the demand driven by work-from-home slowed down, resulting in a decline in spending within this category in FY24.

Seasonal variations and weather patterns

Unseasonal rains and erratic weather patterns have also influenced the sales of cooling products. While some regions experienced a decline in sales due to unseasonal rains, others saw a surge in demand during heatwaves, leading to a mixed impact on overall sales across regions.

Government incentives and policies

Government initiatives, such as the Production Linked Incentive (PLI) scheme for white goods and electronics have boosted domestic manufacturing and increased the availability of consumer durables. These policies have encouraged investments and enhanced the production ecosystem, contributing to the sector's growth.

[14]https://economictimes.indiatimes.com/news/economy/indicators/soaring-high-end-falling-low-end-indias-consumption-story-splits-in-two-after-pandemic/articleshow/105865911.cms
[15]HDFC Securities, Q4FY24 Results Preview

Rising preference for experience-oriented spending with a focus on travel and hospitality

The travel and hospitality sector has remained strong and grown in the past three years, driven by revenge travel when restrictions were eased post-FY21. Average hotel occupancy increased from **~66–68 percent** in January 24 to **~72–74 percent** in February 24, driven by business and personal travel.[16] The revenue per available room indicated strong growth in Q4 for the hospitality sector, growing by 11.4 percent.[17] This growth was complemented by a 13 percent estimated growth in domestic air passenger traffic[18] for FY24. Both hotel and aviation sectors are expected to grow in FY25, due to the anticipated strong demand.

With growing travel fuelling its momentum, the luggage industry is also poised for growth with leading players expecting double-digit growth rates in the last quarter of FY24.

Factors affecting sales and share of the wallet include the following

Increasing recreational and experiential travel

People are increasingly incorporating travel into their lifestyles to rejuvenate and explore new cultures. Several people are taking more than three trips per year, indicating a growth of 25 percent in 2023 as compared with 2019.[19]

Evolving corporate travel

India's business travel spending surged by almost 25 percent[20] in 2023. Corporate travel is evolving and extending beyond business meetings and corporate events, embracing a trend towards curated luxury experiences as well as wellness retreats. This shift reflects a recognition of the value of curated indulgence and holistic well-being for employees.

Growing travel demand in smaller towns

With growing infrastructure, accessibility and inclination towards culturally immersive destinations, tier-2 and tier-3 cities are contributing to growth in travel and hospitality. There has been a growing interest in spiritual tourism to destinations, such as Ayodhya and Ujjain. Established brands in the hospitality industry are also looking to expand beyond metros with more than 50 percent new signings concentrated in tier-2 cities.[21]

Declining consumer spending in fashion and lifestyle with brands reporting a slowdown

In the past few years, the spending on clothing and accessories has been steady. However, some major brands also indicated de-growth .

Factors affecting sales and share of the wallet include the following

Reducing discretionary spending on apparel

Growth in lifestyle category products is showing early signs of a slowdown. Delayed winters, considerably high spending in 2022 and 2023 and extra spending on other discretionary categories, such as travel have contributed to the slow growth in FY24.

Growing luxury segment

The high-end and luxury category continued to show growth, driven by rising affluence and lesser sensitivity of high-net-worth individuals to economic uncertainties. In 2023, the population of Ultra-High-Net-Worth Individuals (UHNIs) expanded by 6.1 percent.[22]

Rising jewellery segment

In India, gold demand rose by 4 percent to reach 95.5 tonnes in the first quarter of 2024,[23] driven by a robust macroeconomic environment. Despite a temporary sales slowdown due to a record-high price in March 2024, India witnessed strong gold consumption.

Analysing consumer spending trends in grocery and food purchases

The high food inflation had a direct impact on retail food prices, affecting consumer purchasing power. Consumers are spending more on food, due to inflation. This trend is reflected in increased revenues from the grocery category in retail. Despite some easing in core inflation (excluding food and fuel), the persistent high food inflation continues to be a concern for policymakers and consumers alike. The food sub-category within FMCG experienced a growth of 4.8 percent in the third quarter of FY24, representing a slight decrease from the 5.3 percent growth observed in the preceding quarter.[24] In rural markets, sluggish volume growth persisted due to sustained high inflation over the past few years. While a decline in commodity prices subsequently initiated a gradual recovery, this progress was further impeded by the adverse effects of uneven rainfall on agricultural output.

Factors affecting sales and share of the wallet include the following:

- **Inflating food prices:** Prices of key items, such as vegetables, cereals, pulses and spices have shown a significant increase. For instance, vegetable inflation reached 30.3 percent YoY in February 2024, while pulses and spices saw inflation rates of 18.9 percent and 13.5 percent, respectively.[25]

- **Disrupting supply chains:** Due to the Russia-Ukraine conflict, global supply chain disruptions affected the availability and prices of essential imports, such as edible oils and pulses.

[16]https://www.hindustantimes.com/business/irctc-chalet-hotels-to-lemon-tree-hotel-industry-q4-results-preview-strong-revenue-growth-eyed-101713078967843.html
[17]https://www.livemint.com/companies/demand-for-hotel-rooms-business-and-leisure-destinations-tier-ii-and-iii-cities-hospitality-sector-11716317644172.html
[18]https://economictimes.indiatimes.com/industry/transportation/airlines-/-aviation/domestic-air-passenger-traffic-likely-touched-15-4-crore-in-2023-24-report/article-show/109247131.cms?from=mdr
[19]https://hospitality.economictimes.indiatimes.com/news/travel/makemytrip-report-reveals-where-how-when-and-with-whom-india-travels/109508384
[20]https://travel.economictimes.indiatimes.com/news/tourism/mice/business-travel-expenditure-in-india-estimated-at-usd-38-2-billion-in-2024/108203947
[21]https://www.jll.co.in/en/trends-and-insights/research/hotel-investment-trends-in-India

[22]https://www.livemint.com/market/stock-market-news/luxury-revolution-sweeping-india-whats-fueling-shift-in-consumer-preferences-louis-vuitton-gucci-burber-ry-rolex-11711939444128.html
[23]https://www.deccanherald.com/business/indias-gold-demand-up-8-in-jan-mar-to-1366-tonnes-despite-high-rate-3000903
[24]https://www.business-standard.com/industry/news/fmcg-industry-sees-6-5-growth-rural-demand-surpass-urban-nielseniq-124050700651_1.html
[25]New articles

Shifting consumer trends of dining options affect restaurant footfall

Growth in restaurants flattened in the past two quarters of FY24, with no uptick in footfall during the end-of-year festival and vacation season. Key Quick-Service Restaurant (QSR) players saw little to no growth in Same-Store Sales Growth (SSSG) even as popular fast-food chains expanded aggressively.

Factors affecting sales and share of the wallet include the following:

- **Growing share of deliveries:** With the surge in delivery services, customers are increasingly opting for the convenience of dining at home, leading to a notable increase in the share of delivery orders. Consequently, dine-in-only restaurants, particularly those situated in malls, experienced lower foot traffic and reduced sales.

- **Increasing input cost:** There has also been margin pressure due to the increased price of the input costs by inflation in raw materials and disrupted global supply chain. Despite efforts to introduce more affordable menu items and offers, consumers continued to favour less expensive dining alternatives, contributing to the ongoing struggle for QSR establishments.

With the changing consumer trends and preferences, retailers must adapt their strategies, refine their product offerings and enhance their customer experiences to stay competitive and sustain growth in the dynamic marketplace.

Assessing the performance of different retail channels in India in FY24

In FY24, the Indian retail landscape witnessed a significant shift in consumer preferences and channel performance. Various retail formats, including Exclusive Brand Outlets (EBOs), Multi-Brand Outlets (MBOs), Large Format Retail (LFR), e-commerce and Direct-to-Consumer (D2C) online websites/apps, have experienced diverse growth trajectories across different segments.

Exclusive Brand Outlets

Exclusive Brand Outlets (EBOs) have shown significant growth in FY24, driven by strategic expansions and consumer demand for specialised shopping experiences.

In FY24, Page Industries grew its retail footprint with more than 90 new EBOs, while Titan's jewellery brands launched more than 170 new stores. In addition, Titan's watch brands added 115 stores and Taneira added 32 stores. Tanishq experienced a like-for-like sales increase of 15 percent, Caratlane saw a growth of 6 percent and Titan World saw a 5 percent growth. Aditya Birla Fashion & Retail Limited launched 700 new stores between Q4 of FY23 and Q4 of FY24, reaching a total of 4,247 stores. Further, premium and designer wear brands, such as Jaypore, Shantanu & Nikhil and Masaba together added 7–8 new stores in this FY.

The strong brand loyalty built by EBOs and targeted marketing initiatives has bolstered foot traffic and sales. Innovations,

such as digital receipts and omni-channel deliveries have enhanced the shopping experience, leading to better consumer engagement.

Multi-Brand Outlets

Multi-Brand Outlets (MBOs) have also performed well, particularly in the fashion and apparel sector. In FY24, Metro Brands saw a growth in standalone net profit, rising by 18.02 percent to INR 417.81 crore. In addition, the brand registered an 11.29 percent increase in revenue from operations, reaching INR 2,305 crore in FY24 compared with FY23. It added 97 stores (19 new cities covered in FY24) across all formats during the year. Aditya Birla Fashion's MBO network grew by 3,500 to surpass 37,000 stores in FY24.

To address the challenges posed by EBOs and e-commerce channels, MBOs have adapted to changing times by continuously enhancing customer experience and service. These outlets have included free home deliveries, festive discounts and seamless returns and exchanges. MBOs have evolved into a product discovery platform for the largest brands by forming exclusive partnerships with brands to run store-in-store initiatives and hosting brand In-store Promoters (ISPs).

Large Format Retail

In FY24, Large Format Retailers (LFRs) have experienced good performance.

D Mart, a prominent player in the retail sector, witnessed a substantial increase in its total revenue. The company's revenue soared from INR 42,840 crore in the previous fiscal year to INR 50,789 crore in FY23–24, reflecting a robust financial performance. During FY23–24, the company expanded its footprint and inaugurated 41 new stores, bringing the total store count to 365 locations. Notably, the company's like-for-like sales growth stood at a commendable 9.9 percent for stores operational for at least two years, indicating sustained demand and customer loyalty.

Shoppers Stop reported a growth in consolidated revenue from INR 4022.13 crore to INR 4316.59 crore in FY24 and added 15 department stores, 16 beauty stores and 22 INTUNE stores during the fiscal year. It also launched its largest premium beauty store in Kolkata spanning 9,000 square feet. Incorporating homeware, beauty and kids' products has broadened the appeal of LFRs. Innovations, such as self-checkout kiosks and virtual trial rooms enhance the shopping experience. Rising incomes and urbanisation have driven foot traffic to LFRs.

E-commerce

According to recent industry calculations, India will lead global retail e-commerce development between 2023 and 2027, with a compound annual growth rate of 14.1 percent.[26] The channels remain robust due to high-value transactions and increasing internet penetration. With 880 million internet users, India is the world's second-largest internet market.[27] Innovations in payment systems and logistics further streamline the e-commerce experience.

In FY24, each retail channel in India showcased unique strengths and faced specific challenges. EBOs and MBOs used brand loyalty and diverse product offerings to drive growth. LFRs focused on category expansion and technological innovations to stay competitive. E-commerce continues to thrive due to convenience and internet penetration, benefits from personalised consumer engagement and cost efficiency. Understanding these dynamics is crucial for stakeholders aiming to navigate the evolving retail landscape in India.

Retailers facing stagnated growth in existing outlets may explore the option of opening new, smaller stores in under-penetrated markets. This strategic approach allows for reduced

inventory and store-related investments and serves as a means to enhance footfall and bolster brand recognition among customers preferring in-store experiences. These smaller stores may subsequently be linked to larger existing stores through endless aisle capabilities, ensuring continued demand fulfilment.

Quick commerce is also experiencing rapid growth with non-grocery segments driving 15–20 percent of purchases.[28] Electronics, beauty & personal care and emerging categories, such as toys, home care, jewellery and even luggage are driving notable sales via quick commerce. Leading players in the quick commerce sector announced a strong performance during Akshaya Tritiya 2024 for their gold and silver coins sales with Zepto claiming more than 20 kgs worth of coins sold and Swiggy Instamart reported a surge of more than 500 percent higher sales as compared with Dhanteras.[29] Sectors characterised by unplanned buying or gifting can benefit from partnerships with quick commerce companies. By collaborating with quick commerce companies, brands can offer their gift cards, enhancing convenience for customers and expanding their reach by capturing spontaneous purchase decisions.

[26]International Trade Administration. US Gov
[27]https://www.forbes.com/advisor/in/business/ecommerce-statistics/
[28]https://timesofindia.indiatimes.com/city/mumbai/quick-commerce-the-new-trend-in-online-shopping/articleshow/109866218.cms
[29]https://www.businesstoday.in/personal-finance/investment/story/akshaya-tritiya-2024-blinkit-swiggy-instamart-bigbasket-zepto-quick-commerce-platforms-report-a-busy-day-say-500-surge-in-sales-429182-2024-05-11

Indian consumers are planning to further increase their travel frequency in FY25.

Expected change in frequency of spend in next 12 months against the past 12 months

	Dine out/ order in	Apparels and footwear	Fashion accessories	Leisure travel
Same as before	50%	54%	60%	53%
Less frequently	29%	32%	32%	18%
More frequently	21%	14%	8%	29%

■ More frequently   ■ Less frequently   ■ Same as before

Anticipating FY25:
Trends to watch out for

In an era marked by rapid economic changes and evolving consumer preferences, understanding the dynamics of consumer spending has become crucial for businesses and policymakers. To gain deeper insights into these shifting trends, we conducted a comprehensive survey with more than 660 respondents. This survey aimed to capture the nuances of consumer behaviour, particularly amid economic uncertainties and changing priorities that characterise the current market landscape.
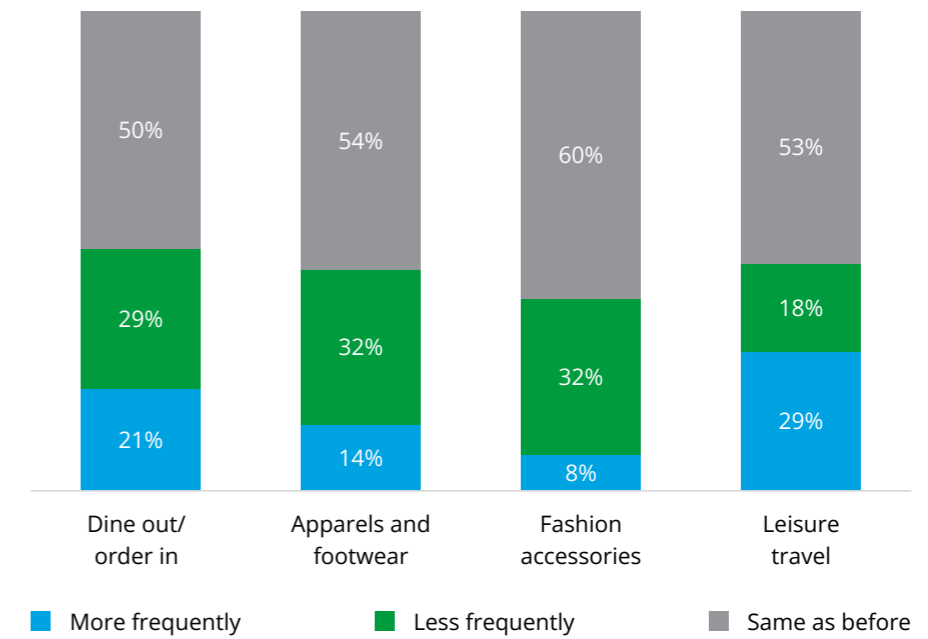
Our primary objective was to analyse spending behaviour for FY24 and compare it with respondents' intentions for FY25

across various consumer categories. For product categories, such as electronics, furniture and home appliances that are characterised by infrequent purchases, we assessed the respondents' likelihood of purchasing within the next 12 months. Conversely, for categories, such as dining out and shopping that involve more frequent transactions, we gathered insights on whether individuals anticipate increasing or decreasing the frequency of their expenditures within the same period. As consumers continue to closely monitor their discretionary spending, the survey results reveal a mixed pattern of behaviour across different categories.[30]

A large number of consumers made purchases across categories in FY24, while FY25 purchases will be driven by replacement or upgrades.

Intent to purchase in the next 12 months

	Home appliances	Mobiles/ tablet	Laptop or TV	Home furniture	Home furnishings	Luggage items
Not likely to purchase	49%	40%	55%	59%	40%	58%
Purchased in the past 12 months	32%	39%	26%	20%	39%	27%
Likely to purchase in the next 12 months	18%	21%	19%	21%	22%	15%

■ Likely to purchase in the next 12 months   ■ Purchased in the past 12 months   ■ Not likely to purchase in next 12 months

[30]Fashion accessories include lifestyle products, such as jewellery and watches.
•Home appliances include consumer durables, such as ACs, refrigerators and washing machines.
•Home furniture includes large furniture items, such as sofas, beds and dining tables.
•Home furnishings include curtains, bedsheets and home décor.
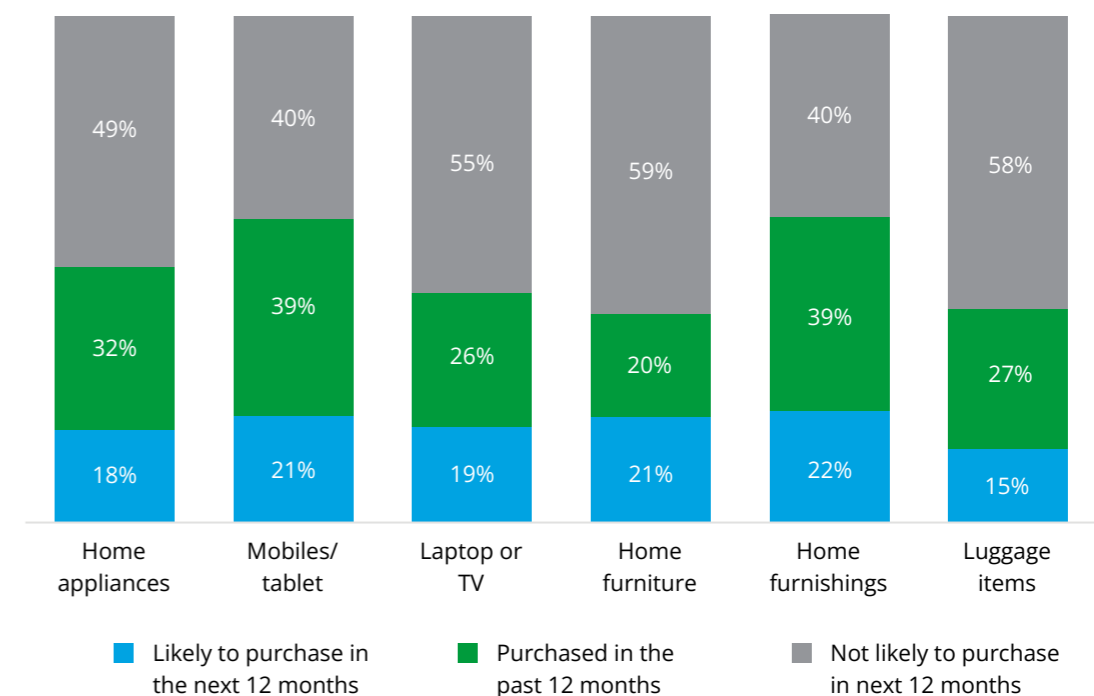•Luggage items include trolleys and suitcases.

Dining out or ordering in

- 29 percent of respondents plan to reduce their dining out or ordering in frequency, strongly influenced by health concerns or budget constraints. Restaurants can consider including healthier menu options to drive higher footfall. In addition, offering smaller portion sizes could help maintain the quality and appeal of their dishes, ensuring sustained profitability.

- The survey also revealed that more than 50 percent of respondents preferred to eat out or order food very frequently (once or more every week) in the past year and the majority plan to continue this high frequency in the near future.

Apparel, footwear and fashion accessories

- About 32 percent of respondents intend to reduce their spending on apparel and footwear purchases, largely because they believe that their current wardrobes will meet their ongoing needs.

- Financial constraints were not cited as a major reason for holding back on shopping, indicating that pent-up demand was met with previous purchases.

- Nearly 14 percent of individuals expressed an intention to increase their purchase frequency over the next year, primarily motivated by the need to replace old items or the desire to keep up with current trends.

- Purchases of fashion accessories, such as watches and jewellery, saw the lowest percentage of respondents intending to increase their purchase frequency, while 32 percent planning to reduce spending in this category.

- The prevalent reasons for the anticipated decrease in purchases include existing wardrobes meeting current needs, financial constraints and minimalist lifestyle preferences—all of these maintained significant influence.

- Fashion and lifestyle retailers should target their current customer base for replacement or renewal purchases.

Leisure travel

- A significant 29 percent of respondents plan to increase their travel frequency next year, indicating a higher preference for spending discretionary income on this category. This trend is largely driven by a growing desire for new experiences and recreation, as well as the desire to travel more after the easing of restrictions.

- Travel and hospitality companies can identify ways to capitalise on these preferences by offering curated experiences that allow travellers to explore and enjoy immersive journeys tailored to their interests and aspirations.

- About 58 percent of respondents travelled for leisure once every three or six months, indicating a strong performance in the travel industry in FY24.

Consumer durables and appliance

- Close to 18 percent of respondents showcased the intent to purchase this year, while approximately one-third purchased a large household appliance (fridge, AC, or washing machine) in the past year. This indicates that existing appliances are now fulfilling their home needs.

- Nearly 30 percent of respondents also mentioned financial constraints as a key reason for their reduced likelihood of spending, highlighting a gap for the consumer, despite the existing demand.

Consumer electronics (mobile phones, tablets, laptops and TVs)

- About 40 percent of respondents mentioned that they purchased a mobile phone or tablet in the past year, while only 21 percent intended to buy one in the next year.

- For the remaining respondents, financial constraints emerged as a major reason for a lower likelihood of future purchases, particularly for mobile devices or tablets, as existing ones meet their needs.

- 26 percent of respondents purchased a laptop or TV in the past few months and the low likelihood of purchase was driven by financial constraints. Electronics brands can offer budget-friendly variants or flexible payment plans to cater to these concerns.
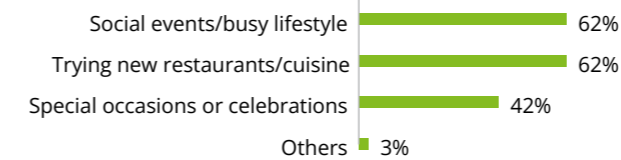
Furniture and home furnishings

- About 60 percent of consumers have neither recently purchased nor expressed intentions to acquire major home furniture items in the next year. This trend is driven by both the satisfaction of current furniture needs and financial constraints.

- 39 percent of respondents recently purchased home furnishings (curtains, bedsheets, home decor, etc.), while only 22 percent expressed an interest in purchasing within the year. The likelihood of this purchase will be driven by redecorating or refreshing home décor, as opposed to seasonal changes, special occasions/festivals, or attractive discounts or promotions.
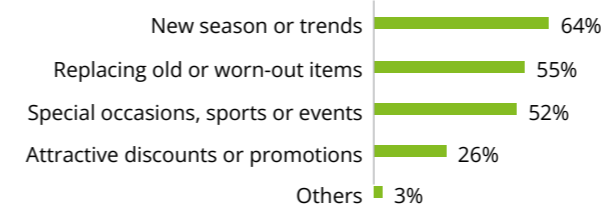
Luggage items

- Only 15 percent of respondents expressed an interest in purchasing a luggage item (trolleys, suitcases, etc.) in the next year, while a substantial 27 percent reported having purchased luggage in the past year. This was likely driven by the high inclination towards travel in the past few years.

- Most consumers also expressed an interest in buying new luggage to replace old or damaged ones, which hints at fewer new customers or a limited increase in basket size, even as the preference for travel continues to grow.

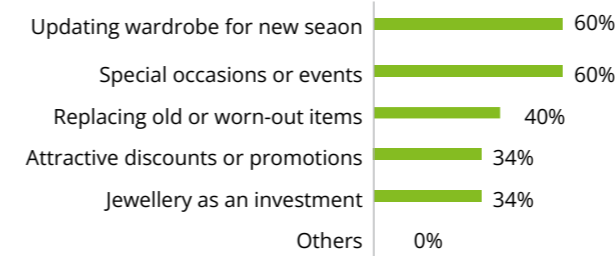

Reasons driving increased purchases

Dining out or ordering In

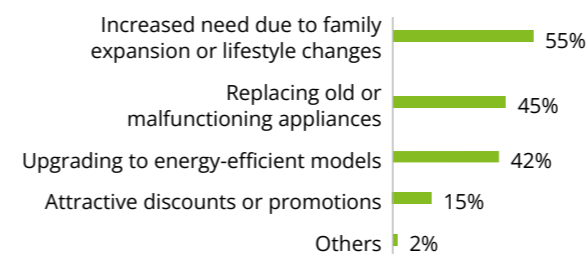|	
Social events/busy lifestyle	62%
Trying new restaurants/cuisine	62%
Special occasions or celebrations	42%
Others	3%

Apparels/footwear shopping

New season or trends	64%
Replacing old or worn-out items	55%
Special occasions, sports or events	52%
Attractive discounts or promotions	26%
Others	3%

Fashion accessories

Updating wardrobe for new seaon	60%
Special occasions or events	60%
Replacing old or worn-out items	40%
Attractive discounts or promotions	34%
Jewellery as an investment	34%
Others	0%

Leisure travel

Desire for new experiences or recreation	88%
Desire for travel after restrictions	39%
Special occasions or celebrations	36%
Attractive travel deals or promotions	17%
Others	4%

Home appliances

Increased need due to family expansion or lifestyle changes	55%
Replacing old or malfunctioning appliances	45%
Upgrading to energy-efficient models	42%
Attractive discounts or promotions	15%
Others	2%

Reasons driving reduced purchases

Dining out or ordering In

Health or budget constraints	90%
Pandemic concerns	16%
Others	7%

Apparels/footwear shopping

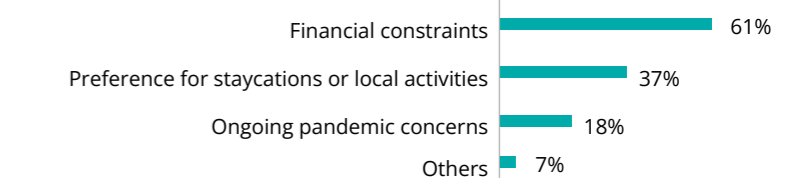|	
Existing wardrobe meeting current needs	61%
Minimalist lifestyle preference	49%
Financial constraints	35%
Environmental concerns about fast fashion	23%
Others	0%

Fashion accessories

Minimalist lifestyle preference	50%
Existing wardrobe meeting current needs	49%
Financial constraints	47%
Environmental concerns about fast fashion	13%
Others	0%

Leisure travel

Financial constraints	61%
Preference for staycations or local activities	37%
Ongoing pandemic concerns	18%
Others	7%

Home appliances

Existing appliances meeting current needs	81%
Financial constraints	30%
Environmental concerns about disposing of old appliances	12%
Others	2%

Reasons driving increased purchases

Mobile phone or tablet

- Upgrading to a newer model with better features — 68%
- Broken or outdated phone/tablet — 49%
- Attractive carrier deals or discounts — 16%
- Increased need for communication or entertainment — 14%
- Others — 4%

Laptop or TV

- Upgrading to a newer model with better performance or features — 52%
- Increased need for work, education, or entertainment — 48%
- Broken or outdated device — 44%
- Attractive discounts or promotions — 14%
- Others — 1%

Home furniture

- Replacing old or worn-out furniture — 52%
- Moving to a new home or redecorating — 45%
- Family expansion or lifestyle changes — 38%
- Attractive discounts or promotions — 13%

Home furnishings

- Redecorating or refreshing home decor — 69%
- Seasonal changes — 34%
- Special occasions or festivals — 33%
- Attractive discounts or promotions — 21%
- Others — 4%

Luggage items

- Replacing old or damaged luggage — 58%
- Upcoming travel plans — 53%
- Increased frequency of travel — 33%
- Attractive discounts or promotions — 21%
- Others — 2%

Reasons driving reduced purchases

Mobile phone or tablet

- Existing device meeting current needs — 82%
- Financial constraints — 27%
- Environmental concerns about electronic waste — 12%
- Others — 2%

Laptop or TV

- Existing device meeting current needs — 88%
- Financial constraints — 25%
- Others — 1%

Home furniture

- Existing furniture meeting current needs — 82%
- Financial constraints — 28%
- Others — 2%

Home furnishings

- Existing furnishings meeting current needs — 78%
- Financial constraints — 26%
- Minimalist lifestyle preference — 17%
- Others — 2%

Luggage items

- Existing luggage meeting current needs — 88%
- Reduced travel due to pandemic or financial constraints — 21%
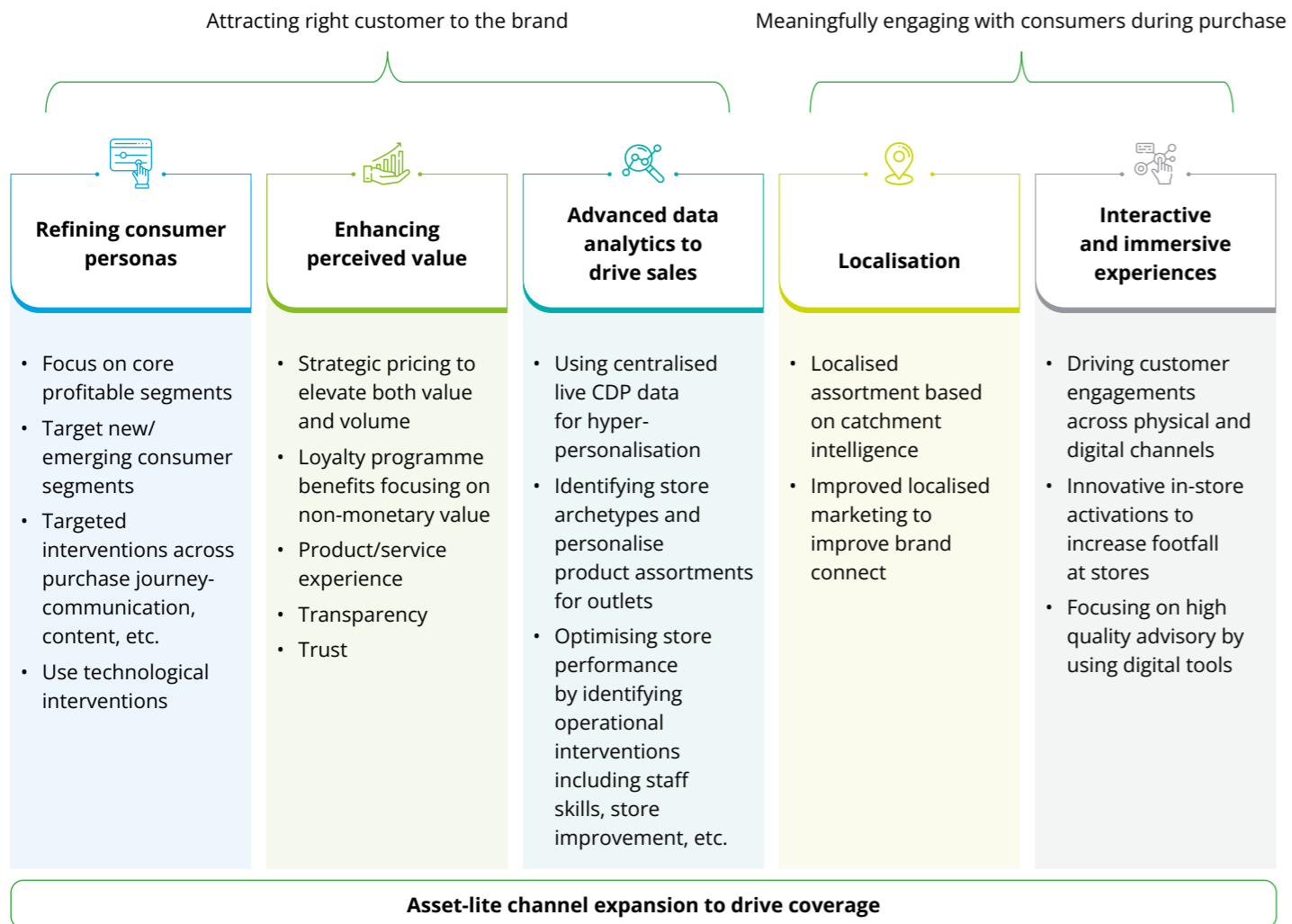- Others — 2%

Growing like-for-like sales: Reshaping the retail experience

In a plateauing demand scenario, the challenge and an opportunity for retailers would be to grow like-for-like businesses by maximising the potential of existing assets and investments. In our experience, through the execution of the right interventions, businesses can achieve incremental like-for-like growth ranging between 8 percent and 20 percent (assisted leading consumer brands in achieving 10–20 percent like-for-like growth, 20–25 percent increase in store footfalls, 30–35 percent in product availability with targeted interventions).

Initiatives can be centered around driving more footfalls/ traffic to the point of sales across channels, enabling better conversions through dedicated sales promotion interventions, and enhancing product availability. Further process standardisation, people/sales personnel productivity enabled through existing investments in technology and improving cross-selling and up-selling through interventions designed to provide superlative customer experience also need to be explored.[31]

Store sales growth framework – Reviving retail sales

Attracting right customer to the brand   Meaningfully engaging with consumers during purchase

Refining consumer personas	Enhancing perceived value	Advanced data analytics to drive sales	Localisation	Interactive and immersive experiences
• Focus on core profitable segments • Target new/emerging consumer segments • Targeted interventions across purchase journey-communication, content, etc. • Use technological interventions	• Strategic pricing to elevate both value and volume • Loyalty programme benefits focusing on non-monetary value • Product/service experience • Transparency • Trust	• Using centralised live CDP data for hyper-personalisation • Identifying store archetypes and personalise product assortments for outlets • Optimising store performance by identifying operational interventions including staff skills, store improvement, etc.	• Localised assortment based on catchment intelligence • Improved localised marketing to improve brand connect	• Driving customer engagements across physical and digital channels • Innovative in-store activations to increase footfall at stores • Focusing on high quality advisory by using digital tools

Asset-lite channel expansion to drive coverage

- Buyer personas help align the marketing efforts across the marketing funnel. Marketing teams can put more focus on targeting the personas of choice with the right communication at each stage of their journey. It can also help prioritise leads.
- Content marketing becomes more effective when the relevant attributes of the product/experience are played up across various channels.
- Product development efforts can take inputs for design, based on the changes in the buyer persona preferences.

Creating marketing personas requires a deep understanding of the psyche of a consumer type, which can be achieved through technological interventions to make this journey easier. It can also keep the profiles updated with real-time inputs.

- The journey usually starts with collating data from various systems, in applications such as customer data platforms that unify this data to provide one view of the customer. Subsequently, this data is transformed into real-time customer profiles.
- Further, interviews with brand representatives who directly interact with the customer can help build more nuances into the profiles.
- This activity is followed up with a customer journey mapping that considers all stages of marketing from lead identification to conversion.
- The journey maps allow visibility into possible points of intervention to influence purchase. This provides crucial insights for the marketing team and the development of a more focused strategy.

Case Study

A large jewellery retail chain that was in the process of transforming its operational model to omnichannel, started by identifying its dominant buyer personas to design channel-wise customer journeys. They undertook an exercise to look through their data residing in various systems, to identify all possible target segments, based on product-wise purchase and lifetime value. Data was collated from Enterprise Resource Planning (ERP), Customer Relationship Management (CRM) software, loyalty engines and offline stores. Information regarding history of purchase, combined with data like married/non-married, brands they resonate with (alternative brands they considered) and devices/applications they accessed the most, all helped create personas for the buyers. Answers to questions like "Who is buying light weight jewellery", "What is their frequency of purchase", "What is their shopping behaviour", "What platforms do they prefer", "Their concerns regarding your product", "Factors inhibiting online purchase" can help map the likely journey of a persona. For the segments that seemed likely to purchase online, ecommerce journeys were created with elements , such as certificates to establish trust. For those likely to buy offline, in-store journeys that included a ticketing system to reduce wait time and endless aisle were introduced.

Using data to identify personas is an ongoing activity that companies must keep exploring. Identifying personas can help them design relevant products and experiences for emerging segments. However, executing this process is complex. Deloitte's annual survey of 2023 on loyalty programme preferences reported that about 48 percent of consumers were willing to share personal data. Hence, brands must maximise insights from all available data to identify the relevant personas.

Refining consumer personas

Consumer personas are ever-changing and need to be repeatedly explored. Recent world events, including the uncertainty of COVID-19, a buoyant period of sustained growth in personal income and the shifting supply chains and economic slowdowns in other parts of the world, have left a deep impact on consumer personas. These events seem to have created new value propositions and lifestyle choices for people, driven by new customer personas.

Given the observed evidence of changing customer share-of-wallet, businesses must identify their key buyer personas for the following reasons:

- Businesses can identify the key segments most profitable for them and converge all efforts into attracting and converting these segments.
- It can identify new and upcoming segments, where they congregate and preferences.
- Understanding buyer personas and their psychological motivations helps in understanding their purchase journeys better.

Enhancing perceived value

"Perceived value" plays an important role in justifying the price of the product to a customer. While some prioritise quality, others value the experiences associated with a brand. To gain a deeper understanding of value, we conducted a comprehensive survey with more than 660 respondents. For instance, About 43 percent of respondents in the survey selected purchase experience as the second or third most important factor influencing their purchase decision. Understanding and using the changing needs of the consumer can enable a brand to increase the perceived value of its product or service and allow it to charge a premium.

As consumers recover from the pandemic and adapt to the shifting macroeconomic environment, there appears to be a dichotomy at play. While investments and discretionary spending in travel and premium products are growing, other categories seem to be moving towards price-conscious consumption. To understand this scenario better, data analysis is essential to explore what constitutes "value" and identify premiumisation opportunities with different segments of consumers. As reported by a large FMCG company, the rural and low-end mass markets have displayed a slow recovery but are gradually growing. In contrast, the premium markets are growing rapidly. For the price-conscious mass markets, where consumers are looking for more value from products, the pricing and volume strategy remains key. For emerging categories, such as beauty and personal care, growing at 10 percent[33] YoY opens innovation and premiumisation opportunities.

While higher prices convey the general impression of exclusivity, quality and luxury, it can also inhibit a large section of the population from giving it a one-time try. If the brand does not want to dilute this exclusivity with a larger customer base, then this is immaterial. However, if the brand is looking to expand base while retaining the perception, it needs to work upon its pricing strategy in more creative ways. Some of the tactics applied are as follows:

Pricing strategy

While higher prices convey the general impression of exclusivity, quality and luxury, it can also inhibit a large section of the population from giving it a one-time try. If the brand does not want to dilute this exclusivity with a larger customer base, then this is immaterial. However, if the brand is looking to expand base while retaining the perception, it needs to work upon its pricing strategy in more creative ways. Some of the tactics applied are as follows:

- For instance, it can rework different components of the pricing structure such as annual maintenance, insurance for damages and free updates to reduce the overall cost of ownership. In the travel industry, luxury hotels offer annual memberships with dining discounts around the year and free stays that cover the cost of the membership. This creates a lock-in with the brand and encourages repeat purchases.

- Allowing customers to buy larger quantities at a reduced cost is an efficient way to drive sales volumes while providing price-sensitive customers with more value for their money. This is a prevalent strategy that large format supermarkets are using with FMCG brands to attract more footfall to their outlets. Products such as home cleaners, detergents and groceries are exclusively available in some of these outlets.

- Gift With Purchases (GWPs) involves bundling of products to make it a more value-based deal while promoting product trials. It is an extremely successful retailing technique used in beauty and personal care. Trial packs are customised for customers based on their overall purchase value, previous purchase history and individual preferences, often assessed during consultation. Brands often rely on the store staff to select the gifts from the available goods, based on their expertise and judgement.

- Another strategy is to offer discounts on replenishments/repurchases, ensuring continued patronage. For example, an international cosmetics major gives discounts on product prices for a refill.

- Dynamic pricing with personalised offers can give the impression of exclusivity and make the customer feel lucky or valuable. Advanced Artificial Intelligence (AI) tools can understand shopper behaviour and map Stock Keeping Units (SKUs) based on their interest. For customers identified as price-sensitive, new offer prices can be generated. This strategy is more commonly implemented in e-commerce.

- Limited-time offers can create a sense of urgency and scarcity, convincing customers to make quick decisions and take advantage of the deal. During e-commerce sales, when offer prices and low stock status are highlighted it creates a sense of urgency in customers.

Loyalty programme

Loyalty benefits play an important role in creating value for a customer. Brands should make efforts to personalise these loyalty benefits based on what constitutes "value" for a customer. According to our 2023 Loyalty Survey,[34] 53 percent of consumers surveyed are willing to pay for a loyalty programme,

up from 32 percent in 2022. Consumers are ready to invest for some of the value they are seeking from these programmes. The brands must capitalise on this opportunity to identify that "value", which can help increase retention, customer lifetime value and engagement.
Tangible value is a straightforward concept in loyalty programmes. However, long-term engagement and stickiness are more difficult to achieve. Some of the alternative ways to reward customers for their attention to your brand could be as follows:

- A loyalty programme centered around value-based themes, including sustainability, can build emotional loyalty with customers by aligning the brand with a purpose they identify with. Incorporating sustainability initiatives can ensure brand loyalty, improving brand engagement and advocacy as customers are happy to associate with it and promote the cause. About 42 percent of respondents said that an offer or

reward of value-added services inclined them towards making a purchase decision.

- Gamification for points and redemption directly ties into the preferences of the new-age consumers. This method promotes spending along with increasing customer engagement.

- Community memberships can create valuable brand lock-ins. A community is a smaller set within the customer base that is tied together by common interests. Fostering a sense of community through loyalty programmes improves customer lifetime value by deepening the relationship and creating emotional exit barriers. Interacting with customers through their subject of interest improves brand affinity.

- The tiered points-based programme structure allows for incorporating benefits other than monetary benefits, improving overall profitability.

Some examples of companies exploring non-transactional loyalty rewards to enhance value for their customers include the following:

- A leading global fast fashion brand offers a combination of transactional rewards (discounts for members, special pricing) and non-transactional rewards including the following:
  - Access to unique experiences/events
  - Free shipping facility
  - Special access to limited collections
  - Rewards for sustainable or eco-friendly actions by members, such as bringing clothes for reuse/recycle and opting out of non-sustainable packaging material
  - Flexible payment options
- The organisers of a leading professional sporting

championship launched a mobile application to engage with consumers, aiming to nurture leads with preferred communications (such as live player tracking, event scoreboards, information on upcoming events, event coverage and top news updates). These features can enhance the perceived value to eventually drive sales of network subscriptions, event tickets and branded merchandise.

Experience

The experience of the product and the buying process is an integral component of the perceived value. Some levers to give customers a taste of the brand could be as follows:

- Allow product sampling – The sampling activity should be a part of the buyer's journey as these "nudges" can trigger conversion. A good product result speaks for itself and can drive conversion.

- Customer support – A great customer support experience is a great way to boost brand image. A well-informed representative who can provide the right technical knowledge and convince a customer that his requirements are understood builds trust and confidence in the brand.

- Taking the experience to the customer – This is similar to the concept of parades and other activities that experiential brands organise. The brands can take the products directly to the customer's doorstep, organising events, etc.

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[32]Deloitte report: Evolving trends in brand loyalty and consumer behavior: 2023 edition, https://www2.deloitte.com/us/en/pages/consulting/articles/brand-loyalty-program-consumer-behavior.html
[33]Deloitte report: Future of Retail, https://www2.deloitte.com/in/en/pages/about-deloitte/articles/future-of-retail.html

Responsible conduct and transparent working

As consumers become more aware of the ingredients, they seek evidence of sustainability and ethical sourcing and manufacturing practices. As a result, retailers now need to prove the provenance of the goods they sell. If sufficient evidence and branded content are available, it helps in building credibility. Transparency creates trust in the brand and improves the perception of product quality. For example, customer reviews on a brand's page boost the brand's credibility. A customer is better prepared for the value he expects when candid feedback is available. In addition, the display of these reviews implies the confidence of the bank and its willingness to expose itself.

Product and trust

The brand's perceived value ultimately lies within the product. Starting with the product quality, the emotional aspect of the needs it fulfills is crucial to the success of the brand. The expression of responsibility and trust through the product and communication is essential. Some ways to improve the product perception apart from its functional features are as follows:

• Improved design aesthetics
• Evidence of quality
• Conveying authenticity
• Clean provenance
• Brand associations

For example, in rural markets witnessing a slower recovery and displaying a higher value consciousness, retailers can focus on range selling within the value segments. While for experiential categories like travel where the consumer sentiment is positive, focus can revolve around identifying trending destinations/experiences to modify the sales focus.

• **Optimising store performance:** Combining and analysing data from various sources within the store, such as Point of Sale (POS), CRM, customer feedback, in-store cameras and footfall trackers, in real-time can provide valuable insights into store performance. However, it will be important to analyse store performance at a peer level to get a more realistic picture of the performance. This analysis can then be used to optimise store layouts, staffing levels and training requirements and identify process gaps. In some sectors, staff performance is critical for sales conversion and it is essential to establish appropriate Key Performance Indicators (KPIs), targets and incentives. In addition, implementing enablers such as training programmes and recommendation devices can help drive performance immeasurably. Metrics, such as product invoice ratios that measure the number of products sold per invoice can be used to encourage the promotion of additional categories other than bestsellers. Further, affinity analysis or market basket analysis can provide inputs for training store staff on product recommendations.

Harnessing advanced data analytics to drive sales

Despite years of encouragement and advancements in data science, widespread adoption of advanced data analytics at all levels of business decision-making is yet to materialise. Many businesses are still using rudimentary tools capable of tracking past performance rather than adopting more advanced solutions capable of aiding in futuristic planning. As consumers adapt to the evolving macroeconomic landscape, harnessing advanced analytics will be critical in discerning the right sales drivers and accordingly devising sales strategies. Some of the key analytics levers that can help in driving sales are as follows:

• **Customer analytics to drive hyper-personalisation:** Per a recent global Salesforce survey,[35] 61 percent of consumers expect brands to adapt their communication and engagement strategies to meet the evolving requirements and preferences of their consumers. The research further suggests that more than 45 percent of consumers expect brands to anticipate consumer needs and proactively address them through communication and service. Businesses have been striving to personalise their communication and marketing efforts and this personalisation is still at a customer segment level. Further, data and analysis are siloed at outlet/channel/category/brand level or more often leading to disjointed communications that fail to meet the current consumer requirements. Advanced analytics solutions can facilitate businesses to build centralised, live customer databases for designing real-time hyper-personalised communications. In addition, analysing data gathered from different consumer interactions, such as purchase history, product interests, feedback and social mentions can help predict customer requirements to proactively personalise the communication.

• **Store analytics to identify focus products:** The current market landscape is affected by weak consumer sentiments. Hence, pinpointing the right products to focus on for sales efforts is even more important and could underline the difference between thriving and merely surviving. For many franchisees or small-format retail stores inventory planning is still based on the owner's instincts and past performance as opposed to the use of hard data analysis. Given the limited data availability for such channel partners, it will be important for the brand with a single view of the business to provide data-driven product recommendations to their channel partners. An effective strategy to identify focus products involves amalgamating three distinct analyses to generate a more holistic product selection:

  – The first step includes categorising different sales outlets into archetypes based on various factors, such as size, location, target demographic and competitive landscape. It is important to analyse product-level sales data across stores, factoring in any anomalies in seasonal variation or external market factors to determine focus products.

  – In parallel, analyse geo-targeted consumer searches to glean valuable insights into localised demands. Scrutinising consumer search patterns for similar store archetypes will help the retailer improve product determination and incorporate nuances of immediate and evolving preferences.

  – The third type of analysis that can enhance product selection is sentiment analysis. Analysing consumer sentiment by scrapping through product reviews, customer feedback, social media interactions, etc., can act as a guiding beacon for retailers.

Case Study

• A leading payment service provider in India ran an automated personalised welcome campaign, which guided its users on the key features available in the company's mobile application that might be relevant to them. In addition, the company analysed utility bill payment patterns to send automated reminders to customers to pay their bills using the application. As a result, the company witnessed a 2X increase in user engagement and up to 20 percent increment in user retention.

• A leading global retail giant uses location data to send personalised push notifications (on their mobile app) and messages based on customer's shopping profiles and preferences. Content is dynamically shared based on active offers and stock availability as soon as the customer enters the retailer's vicinity.

• A leading apparel brand analysed sales data of all stores within the same archetype and combined it with pin code-based product-related search information to identify the right product mix for all their stores.

• A leading QSR giant has integrated AI-powered decision technology into its kiosks and restaurants. This technology allows them to display relevant menus based on factors, such as the time of day, current traffic and the popularity of dishes based on customer testimonials to enhance experience. Further, the company has implemented deep learning-based algorithms to optimise dish recommendations to enhance average bill value.

Localisation to drive relevance

Physical retail, at the end of the day, is about appealing repeatedly to a small geography. Therefore, the brand experience and choices should be carefully designed to suit the catchment area where it is present. The journey of understanding buyer personas, perceived value for each customer and hyper-personalisation of experiences revolve around understanding and catering to individual customers. "Localisation" involves zooming out again to understand the collective needs of a region. It is about driving operational efficiency.

Data is still at the core of this strategy. However, technology and operating models form a large part of the competitive advantage as discussed below:

• **Omnichannel delivery mechanisms** allow customers to pick and choose from the comfort of their homes while assuring a physical presence in the vicinity. Tailored delivery experiences that are tailor-made to their preferences and the availability of a store nearby for any assistance can be extremely comforting. The key is to identify the peculiarities of a region to customise all aspects of the retail experience to suit the clientele. These aspects include product assortment, store design, visual merchandising, layout and staff interactions. In the age of multichannel retail, the store next door should be available to the customer at the click of a button. However, such multi-channel integrations are difficult to set up and technologically and operationally challenging. It requires deriving insights from each touchpoint—e-commerce, stores and CRM—to set up the in-store journeys custom made for the local populace.

• A key ingredient that can be added to localising the store experience is the staff. Store staff that comes from the locality better understand residents' needs. They are familiar with

the local language, consumer behaviour, prevalent trends and important events. Their inputs to customer service, store aesthetics, in-store events, merchandising, local area marketing and other localisation efforts could be most advantageous.

• Advanced technologies, such as AI can help with the hyper-localisation of stock and **inventory optimisation.** AI-based engines can use primary sales data from the brand's systems (bottom-up clustering, where store data is at the centre of the localisation effort). In conjunction with external data sources, these algorithms can recommend assortments for a store. These AI algorithms can analyse various data sets, such as product throughput, demographic data, social media trends, weather patterns and local events to anticipate and plan for product demand in different locations. Accuracy in demand planning results in optimised production/procurement planning and reduced logistics costs. Further, these algorithms provide real-time inputs for effective category management, providing tailor-made offerings for the customer in the right markets. For instance, catchment information can help a packaged food brand make the right recommendations to a grocery chain. Based on the profile of the catchment and product throughput data collated across its own stores and e-commerce marketplaces, brands can further make customised offerings and promotions for individual retailers. Assortment allocation led by an understanding of the region can help achieve effective delivery schedules and fulfillment rates. With higher accuracy in demand projections at the retailer end, brands can achieve better sell-through rates and improved channel loyalty. In turn, the retailer data adds to the accuracy of catchment understanding and planning.

Case Study

• Through catchment analysis, a leading innerwear brand identified Stock Keeping Units (SKUs) that were selling extremely well in some stores/regions while not doing so well in others. This information was used by brands to push SKUs in other stores of similar archetypes. This push helped in increasing sales for the SKUs and overall sales for the stores.

• Localised marketing would be another pivotal tool in this strategy, enhancing brand visibility. Some activities that can create a connection between the brand and customers include the following:

– Local community building activities: These activities include workshops, sponsorships for local events such as marathons and beautification drives and cultural celebrations. Philanthropy towards local charities builds

long-term brand goodwill within a community. Collaborating with local businesses and service providers deeply connects the brand with the region. For instance, large format retailers are initiating beautification projects, such as beautifying road dividers or public spaces, such as gardens and parks. This helps drive a positive brand perception in the area.

– Local influencers driving traffic: Hosting non-competing local influencers can be another way to drive traffic. For instance, an apparel outlet hosting a wine and cheese event with a local hostess can be good for garnering interest and engagement on social media. Service industries, such as food chains and beauty salons routinely organise small events with influencers who invite their connections for a social do. This helps the retailer introduce services and products to the relevant target segment.

– In-store events: Product demonstrations, new launches and celebrity guests are some effective event strategies that can draw in the local crowd. However, the success of such events is highly dependent on the relevance of the event to the target audience and good marketing.
Case study: For instance, a large multinational technology company that retails computers and other electronic devices through its retail stores regularly hosts in-store events. These events offer experiences that educate its customers and the workshops provide tutorials on subjects including photography, sound engineering and music production.

– Geo-targeted ads: 36 percent of respondents in the survey said that they would be interested in receiving information regarding new launches from their preferred brands. Further, 27 percent said that they were receptive to such communication on product offers. This tracking of interests and preferences at the most granular level is important for successful multi-channel journeys to coalesce. Using

data-based insights from across channels will be critical to customise content for these ads to reflect local tastes. While this is an inside-out approach, the outside-in can be through partnerships with data-rich third parties, such as housing society apps. For instance, beacon advertising targets a user based on his/her location to send out brand promotion messages or ads to consumers' mobiles through bluetooth. The device that reads the location can be placed within a store, a shopping complex, or any small geographical area.

• Personalisation engines that use external catchment-specific primary data (such as data from telcos and food delivery apps) can provide deep insights into the choices of a region. It can provide answers to questions, including "What is the level of price sensitivity for customers in this region?", "Are there any premiumisation opportunities for my brand?", "Is there any change in the demography of the region?", "What are the new products of interest to customers residing here?" The insights can help identify opportunities for product innovation, strategise events or occasions for marketing interventions, pricing decisions, planogramming, etc. This is an example of top-down clustering for localisation. The recent survey demonstrated the importance of "phygital" relevance. In the era of the omnichannel purchase journey, 61 percent of respondents mentioned that they would be interested in receiving communication related to offers available in their neighbourhood. This pattern remained consistent across age groups and genders.

Case Study

• A large multinational, home essentials retailer uses omnichannel integrations to bring their brand experience to the customer. From the smallest products to home improvement consultations, everything is available to the customer, using any channel they choose to interact through. The website lists the availability of goods, stores where it is available, options for in-store pick-up or home delivery, etc.

• The brand maintains its global identity, which is reflected in its design, functionality and pricing. However, it adapts its assortment based on local market insights. The brand maintains a core range of standardised products wherever it is present. In addition, it adapts its product assortment to local markets. For example, the fabric assortments featured across regions reflect colours and patterns that are culturally suited to the tastes of the local customers.

• Products are also adapted per the customers' preferences. For instance, though its standard offering includes DIY kits, the brand has partnered with service providers to deliver the assembly service in certain markets.

• The store formats also include amenities that are important for the local clientele.

• The marketing campaigns also reflect the global identity while the content is modified to the regional context.
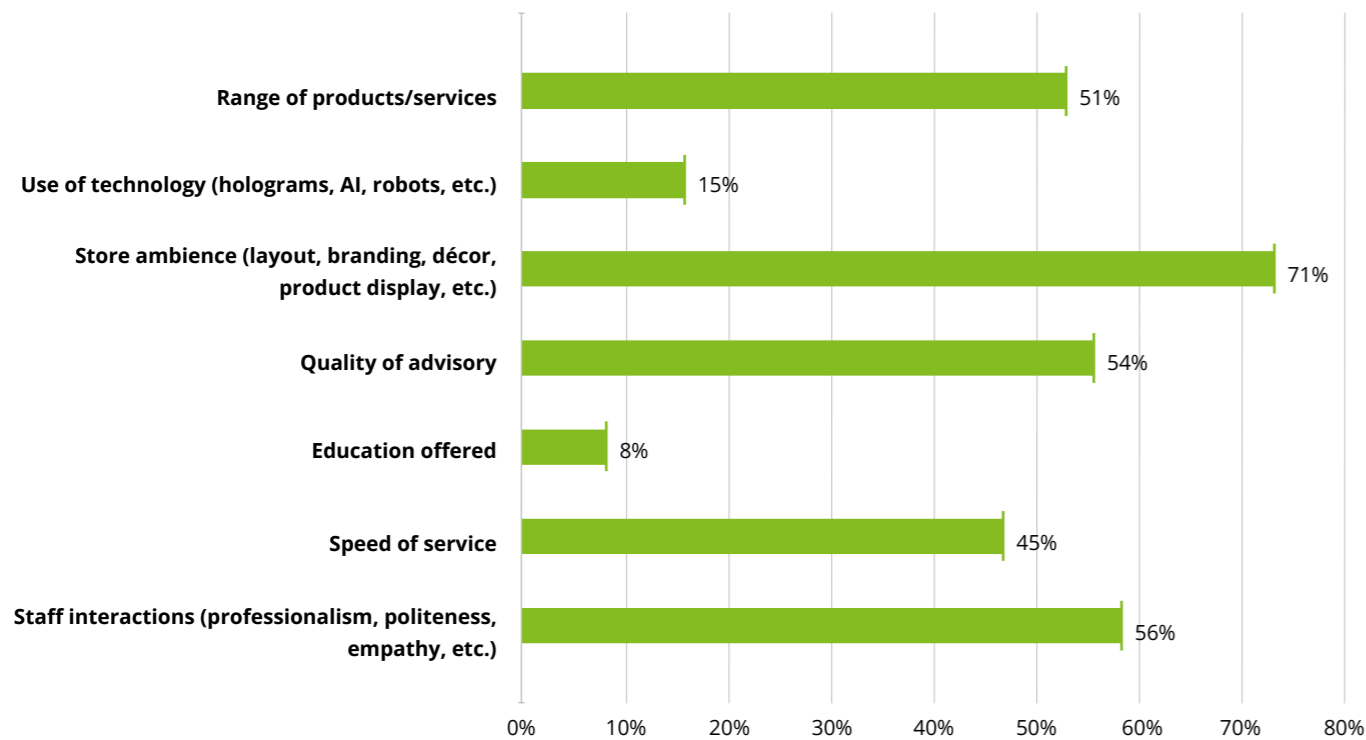
A large, multinational apparel retail chain uses localisation strategy at the store level across its global network. Its stores are designed to reflect the tastes and preferences of the local populace. The assortment and advisory are custom-made to suit the tastes and trends prevalent in the area. This localisation strategy is based on data. A significant part of the data that provides these insights comes from the loyalty programmes. The data provides an understanding of consumer behaviour in a limited geography.

Experiencing interactive and immersive retail landscape

The evolving retail landscape is undergoing a tectonic shift. It is moving away from traditional product sales towards more immersive, interactive and engaging experiences for customers. Thus, retailers must embrace this shift and experiment with various digital and physical means to engage their customers in a more meaningful manner.

We surveyed more than 660 respondents to get more information on the emerging preferences for interactive and immersive retail experiences. Per the survey, store ambience, staff interactions with quality of advisory and range of offerings emerged as the key parameters influencing retail experience. Further, the survey explored the most important influencers whose guidance influenced customers to make a purchase decision.

Who do you prefer to consult (ranked most important) when making purchase decisions?

Legend:
- Friends/family
- Do my own research
- Brand representation at store
- Social media influencer
- Digital recommendation tool/chatbot

Top three parameters affecting in-store experience

Parameter	Value
Range of products/services	51%
Use of technology (holograms, AI, robots, etc.)	15%
Store ambience (layout, branding, décor, product display, etc.)	71%
Quality of advisory	54%
Education offered	8%
Speed of service	45%
Staff interactions (professionalism, politeness, empathy, etc.)	56%

On examining the above results, certain focal points emerge with the potential to significantly impact retail experiences and drive sales in the near-to-medium term. These include elevating the quality of advisory and staff engagements, harnessing the influence of social endorsements (word-of-mouth recommendations from friends, family and social influencers) and delving into avenues that promote exposure to products/services to cater to consumers who are more inclined towards self-research and analysis.

- **Incorporating social proofing elements:** Social proofing in retail refers to the strategic use of social endorsement elements to influence purchase decisions. The concept is founded on three critical psychological human needs: conformity, a sense of belongingness and trust. Different elements of social proofing include customer testimonials, user-generated content, celebrity or expert endorsements, verified badges and real-time alerts. Incorporation of these elements in both digital and offline mediums can garner the following benefits for retailers:
  - Enhance credibility and foster a deeper connection.
  - Lead to enhancement in conversion rates.
  - Increase in footfalls or click-through rate (in case of digital channels) with more qualified traffic.
  - Foster a sense of loyalty and connect with the brand.
  - Per the above survey results, more than 80 percent of consumers cited word of mouth from friends and family

and ~30 percent cited influencer posts on social media as important parameters influencing their purchase decisions across categories. These figures highlight the potential impact that social proofing can deliver if implemented correctly.

- **Implementing store activations**: Store activations as a concept are not new. They are gradually becoming a central part of retailers' marketing mix to drive footfalls, enhance brand engagements and affinity . In current times of fluctuating consumer spending, such activations can go a long way in capturing mindshare and facilitating retailers to capture a larger share of consumer expenditure. The key to implementing successful store activations lies in identifying concepts that resonate with the ethos and values of the brand. Different types of activations that retailers should focus on include the following:
  - Community building events: Focus on tapping into existing user communities or building new ones to drive engagement as well as use these as an opportunity to enable product trials.
  - Events/workshops/activations focusing on core offerings: Use the power of key opinion leaders (experts, social media influencers, etc.) to promote core products. Such activations could offer coupons with limited validity to drive footfalls and purchases.
  - Launch events, exhibitions, etc., can offer a sneak peek into new products and/or product lines to drive customer excitement.

– Gamification: A fool-proof method of engaging the growing millennial and GenZ population. Brands can run various contests with a combination of immediate transactional rewards as well as non-transactional experiential rewards to build loyalty.

• **Enhancing quality of advisory:** 54 percent of consumers highlighted the quality of advisory as an important parameter affecting store experience. The two approaches that companies could adopt include the following:

– **Enhancing capabilities of store representatives for guided sales:** Today, consumers are flooded with abundant choices, which can be both empowering as well as overwhelming, These choices often lead to confusion or decision fatigue, hindering the ability to make the right purchase decisions. To counter this conundrum, brands need to use guided selling techniques. A concept that was reiterated in the above survey results, which revealed that for 56 percent of consumers, store staff interactions are among the top three parameters affecting in-store experience. Further, ~50 percent of consumers ranked consultation with brand representatives among the top three influencers along with "own research" and 'friends/family' across all major categories of products and services as someone they consult before making a purchase. This underlines the need for strong content marketing to capture consumer mindshare. It also highlights the evolving role of guided shopping. An ISP can potentially play a pivotal role in tilting the scale for final purchases if he/she can service the unique requirements of this new-age informed consumer. The skillsets and resources required by such an ISP differ significantly from the previous ISP, who served less knowledgeable consumers. Retailers must update their training programmes and invest in building diagnostic/recommender tools. The adoption of digital tools can prove to be a game changer for companies across all sectors. Simplicity of use and accuracy of results of these digital tools will be the key differentiatorwill be the central point of differentiation. Key areas that require a revision include the following:

• Size and structure of ISPs: The right allocation of staff size based on store archetype and footfalls along with the right modality will be critical.

• Sales effectiveness training: A refresh of the training programme with an emphasis on conversational scripts, sales and client service techniques will be important.

• Providing digital sales assistants (in the form of AI-powered sales prompts, digital training content for ready reference, diagnostic/recommender tools, etc.) can significantly enhance sales guidance.

• Revisiting incentive and performance review processes: A PLI programme that incorporates elements of both individual and store performance will be crucial for driving accountability and on-ground change.

– **Exploring differentiated ways of offering purchase-related advisory:** A 2024 global Salesforce survey[34] revealed that 36 percent of global retailers plan to offer appointment scheduling services, while 43 percent plan to offer an option for connecting with virtual experts. These amenities will offer more value-added services. Some of the key considerations while implementing in-person or virtual appointments include the following:

Challenges	Key considerations
• Typical challenges of appointment-based shopping experiences include the following: – Non-availability of slots during preferred or peak hours – Delays due to extension of a previous appointment – Experience similar to regular shopping, etc. – Consumers not accustomed to such an approach and may not plan accordingly	• Key considerations for retailers as they design an implementation plan customised to their offerings include the following: – Offer appointment-based services in select flagship outlets to manage quality and exclusivity. – Offer on-the-spot appointments to select target consumer personas and encourage them to share their experiences/endorse these services to build credibility. – Train a separate team of brand experts over and above the existing in-store personnel. – Inform, educate and guide consumers to ease them into a new experience. – Define target segment by analysing industry and customer segments.

Brands are using elements of experiential retail to transform shopping experiences for their customers. Some of the examples include the following:

• A leading global footwear brand implemented a mobile in-store display to educate their customers, boost product trials and captitalise on the leads. The brand deployed an interactive display comprising a digital screen and a mat, allowing customers to try new footwear and perform celebrity-guided workouts.

• A leading global fashion and apparel brand generated a hashtag, encouraging customers to post content (images, videos, stories, etc.) featuring their merchandise on social media handles. The company used this user content and provided direct CTA links to product pages for either shopping online or exploring offline stores. The brand was able to garner about 1.3 million posts on the hashtag.

• A leading luxury automobile OEM implemented an interactive product display solution using AR/VR. This solution provided customers with a unique way of virtually engaging with the product, differentiating it from the typical experience available at other dealerships.

• A leading global beauty giant has launched the following tech-powered initiatives to offer an immersive, personalised and innovative experience:

– Generative AI-powered personal beauty assistant

– Content lab that will cover generative AI to develop brand-approved content at scale; LLM models to localise content for different regions, etc.

– Partnered with leading technology and content companies to develop the next generation of immersive experiences using 3D, AR/VR and AI technologies

– A platform that can simulate human skin realistically, allowing advanced research and product testing in an attempt to offer superior products

• A leading auto OEM has partnered with an AI startup to first experiment with VR experiences at their dealerships and enhance in-showroom experiences through a digital avatar-powered interactive kiosk. Following the success of these two concepts, the OEM has launched an AI-powered digital assistant across all their digital platforms. This assistant is capable of helping potential customers with product discovery, responding to queries, assisting with finance options, recommending product optionss and conducting virtual tours. Within the first 18 months of implementation, the company achieved the following:

– 18 million customer interactions

– 25,000 more qualified leads from digital channels

– 35 percent improvement in conversion

Expanding asset-lite channel

Today, most companies struggle to identify the optimum combination between an asset-heavy and asset-lite ownership model. In the present economic landscape, marked by fluctuations in consumer sentiments, striking the right balance is even more crucial. Asset-heavy channel infrastructure, such as company-owned retail outlets, brand websites and channels, is more integrated. The infrastructure offers greater control but consumes significant capital, affecting the agility within the system to adapt to change. Incorporating more asset-lite sales channels in the mix can inject much-needed flexibility, reduce pressure on margins and align with the new emerging consumer personas (such as Generation Z). Incorporating agile asset-lite channels in the retail mix can facilitate retailers in catering to the unique shopping preferences of this consumer segment. This segment is more comfortable with switching across multiple channels and shows a greater preference for their channels of choice. As discussed earlier in the report, these consumers are heavily inclined towards self-research for purchase decisions. Hence, achieving greater retail coverage with the right channel mix is essential to help retailers gain consumer mindshare and wallet share. Some of the asset-light expansion strategies that retailers can consider are as follows:

- Social commerce: This strategy involves the use of social media platforms and networking websites for the sale of products/services. This method is typically used to target younger demographics, drive brand reach and engagement, or capitalise on ongoing market trends.
- Franchisee model: Built on the principles of a shared economy, this model has proven to be a time-tested strategy for expanding business. It allows businesses to drive vast coverage with lower capex and shorter time to market. Retail giants across the globe have explored the various franchisee models, such as Franchise Owned, Franchise Operated (FOFO) Franchise Owned, Company Operated (FOCO) to mitigate risks and drive coverage at a faster pace.
- Small format/pop-up stores: These are temporary retail spaces that can allow retailers to either drive greater visibility

or explore new markets with minimal investments. These temporary structures include mobile carts, stalls, kiosks, or experiential installations in high-footfall markets/events.

- Shop-in-shop: This strategy involves setting up a mini-retail space within an existing retail store typically operated by a different brand/retailer that has a similar target segment/ brand image and/or values. Such a strategy is typically used to introduce a new brand or product line to a different market, test the feasibility of new retail concepts and expand presence in high-traffic locations.
- Experience-only outlets: As opposed to experiential installations discussed in the "pop-up store" strategy, these outlets are permanent. Under this strategy, digital-first or digital-only companies can open a select few outlets to provide customers with a hands-on experience (of their products or services). Omnichannel integrations can enable sales in addition to the experiential concept.
- Affiliate marketing and using social influencers: Strategic partnerships with affiliate partners or leading social media influencers can help businesses drive greater reach and scale at a relatively higher rate of return due to the performance-based nature of this partnership. This method is gaining momentum for many product categories, such as fashion, lifestyle and travel experiences, where the influence of digital marketing and endorsements is relatively high.

These asset-light strategies offer retailers with flexibility, scale and cost-efficiency, allowing them to adapt to changing market dynamics and capitalise on growth opportunities without significant upfront investments. However, businesses must carefully consider the trade-offs between control, efficiency, quality, differentiation and alignment when determining the optimal approach that best aligns with their business context and immediate requirements. Further, a continuous evaluation and upgrading of the strategy is essential.

Case Study

Examples of brands experimenting with asset-lite expansion strategies to drive coverage and sales and adapt to evolving market conditions include the following:

- A leading footwear brand is focusing on alternative channels, such as wholesale, franchise outlets and shop-in-shop showcasing an increase of more than 45 percent in the number of outlets in FY23 compared with FY24. The aim is to expand coverage without significantly affecting the margins compared with the traditional focus on Company Owned Company Operated (COCO) stores.
- A leading multiplex player in India is looking to implement a FOCO model over an asset-heavy COCO model to reduce debts and improve EBITDA margins.
- A leading online furniture retailer decided to enter offline channels via select experience outlets instead of typical retail outlets. These outlets enable consumers to experience the product beyond the various digital experience options (3D visualisations, virtual try-ons, etc.) offered on the web. The experience outlets offer live video calls and consultations to offer a guided experience. This strategy helped the brand improve its conversion rate by up to 40 percent to 45 percent.

Conclusion

India's economic story for the FY2024–25 will be characterised by resilience and opportunity, despite the challenges posed by a potential slowdown and persistent inflation. The nation is projected to maintain its position as one of the fastest-growing major economies. This growth will be propelled by domestic demand and supportive government policies. Although inflation remains a concern, it is expected to moderate to about 5 percent, as supply chain disruptions ease and commodity prices stabilise. The RBI is expected to maintain steady interest rates, fostering economic stability.

Survey data suggests that customers are expected to engage in more leisure travel compared with the previous year, suggesting a good performance for the aviation and hotel industries in FY24–25. However, certain sectors that experienced high demand post-pandemic, including beauty products, personal care, consumer electronics and consumer durables, may face a tempering of growth as the high volume of purchases post-pandemic has created a high base for FY25.

The rise in value-seeking buyers is evident across consumer businesses, yet the growth in premium products has outpaced entry-level products in several sectors, including electronics and personal care. Companies will benefit from understanding the preferences of their customers for premium products and using them to drive growth. Some companies have already tapped into this trend in FY24 and stand to benefit from it in FY25.
A large section of customers across sectors reported that replacement purchases would be a significant driver for

purchases in FY25. Companies need to capitalise on this trend to retain their loyal customer base and encourage replacements where product performance or perceived value of products is expected to improve by replacement or upgrades.

As businesses navigate the complexities of the current economic landscape, six strategic growth levers have been identified to reshape the retail experiences and drive like-for-like sales growth. These include unlocking value by focusing on profitable target segments, enhancing perceived value for consumers, using advanced analytics for sales initiatives, localisation, building interactive and immersive retail experiences and using asset-lite channel expansion strategies. To select the optimum growth strategy, retailers will need to carefully understand the pros and cons of each growth lever and associated initiatives. This strategy best aligns with their business requirements and enables them to achieve their business objective of sweating existing assets and investments to drive additional like-for-like sales within 5–15 percent.

As businesses adapt to evolving consumer preferences and embrace accelerating technology adoption, those that innovate are expected to thrive in the near future. India's economic landscape in FY25 positions the country as an attractive destination for investors and businesses, poised to address the challenges and capitalise on the opportunities of the future.
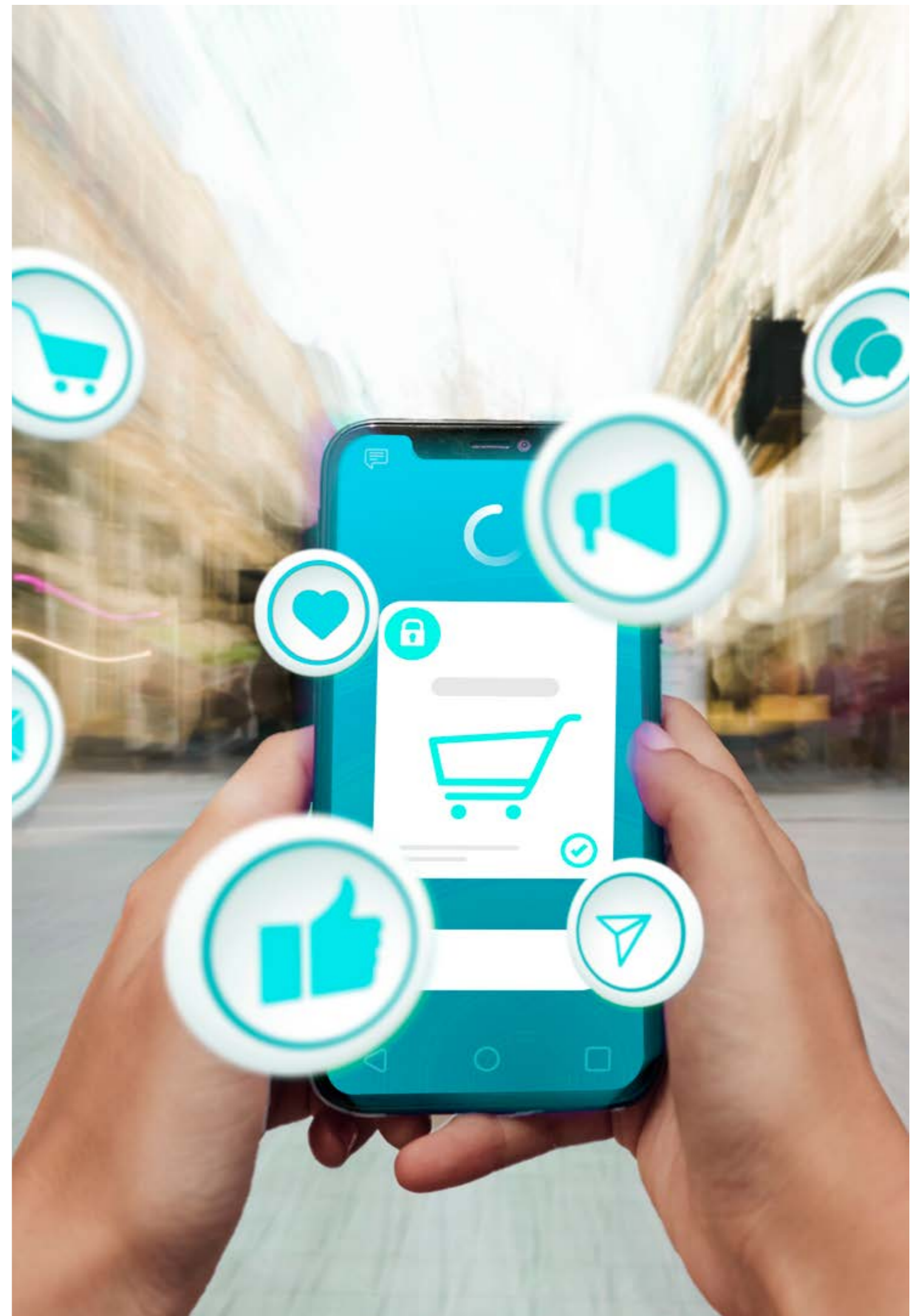
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