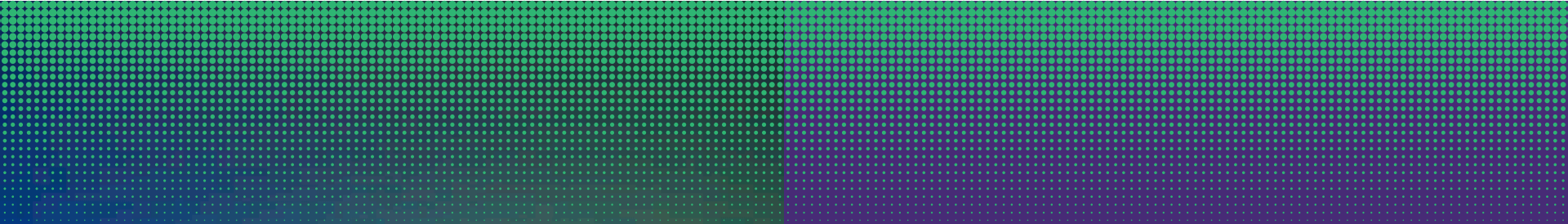


BCG
25 YEARS IN INDIA

LEADING WITH
IMPACT
INNOVATION
INTEGRITY



 **rai**
RETAILERS ASSOCIATION OF INDIA



Racing towards the next wave of Retail in India

Way forward for Indian Retail Industry

April, 2022

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About BCG

Boston Consulting Group partners with leaders in business and society to tackle their most important challenges and capture their greatest opportunities. BCG was the pioneer in business strategy when it was founded in 1963. Today, we help clients with total transformation—inspiring complex change, enabling organizations to grow, building competitive advantage and driving bottom-line impact. To succeed, organizations must blend digital and human capabilities. Our diverse, global teams bring deep industry and functional expertise and a range of perspectives to spark change. BCG delivers solutions through leading-edge management consulting along with technology and design, corporate and digital ventures—and business purpose. We work in a uniquely collaborative model across the firm and throughout all levels of the client organization, generating results that allow our clients to thrive.



About RAI

Retailers Association of India (RAI) is the unified voice of retailers in India. A not for profit organization, RAI, works with various stakeholders to create the right environment for the growth of modern retail in India. It represents an entire gamut of retailers, from chain store retailers and department stores to independent emerging retailers. RAI encourages, develops, facilitates and supports retailers to modernize and adopt best practices. It works with all levels of the government and stakeholders to drive employment opportunities, promote retail investments, drive thought leadership, enhance customer choice and build industry competitiveness.

Meet the Authors



Abheek Singhi

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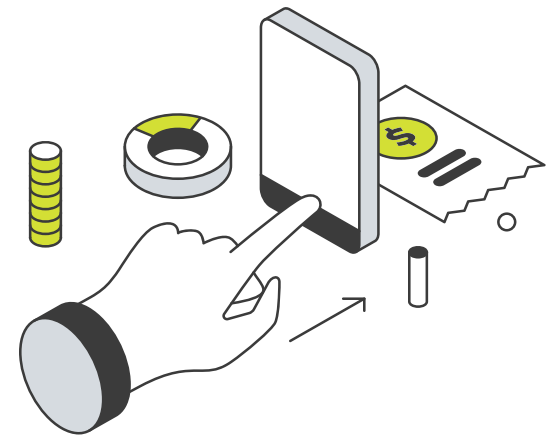
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Foreward



India had witnessed steady consumption growth for many years driven by strong socio-demographic drivers and an enabling environment. Understandably, the COVID-19 pandemic dealt a significant blow to the economy and had widespread ramifications on consumption patterns. However, consumption had made a recovery and the changing landscape is engendering myriad opportunities for Indian retailers.

Changing consumer preference coupled with emerging trends like 'seamless' retail, next-gen stores, personalization, the rise of mega ecosystems, and emerging revenue models are likely to shape the retail landscape in India. Our insights suggest that while some of the preference shifts are short term in nature, several others are likely to have long-term implications for the supply side. Recognizing these trends and responding to them proactively and in

an agile manner can help retailers create a winning strategy for the coming decade.

This report "Racing towards the next wave of Retail in India", jointly developed by BCG and RAI, details the opportunities for retail in India while underscoring innovative practices adopted by global retailers and the key emerging trends. The report also shares critical imperatives for the Indian retailers to succeed in the next year, and the next decade. Further, we lay out some interesting actions undertaken by global retailers to take advantage of the context.

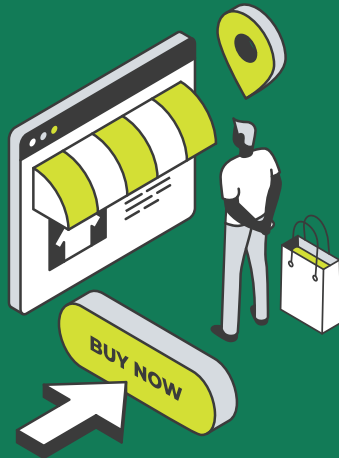
We hope you find this report informative and useful for your business.



Contents

01

Retail in India remains an exciting opportunity



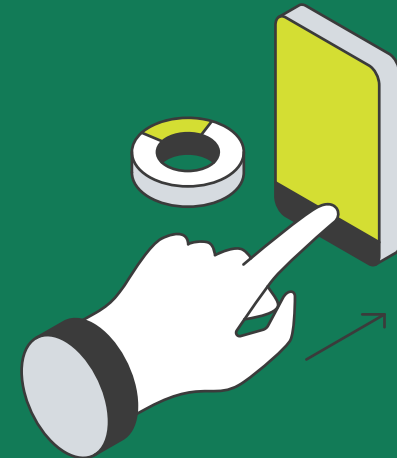
02

How retailers continue to push boundaries of retail



03

Key imperatives for Indian retailers to succeed





Executive Summary

The India consumption story, the seeds of which were sowed more than three decades back, continues to remain stable despite unprecedented challenges. India's consumption has been showing a steady and strong double-digit growth and, despite COVID impact in 2020, has bounced back. Few factors that have been driving this consumption growth include 1) Increasing household income, 2) Access to avenues of consumption like malls, shopping complexes, multiplexes etc., 3) Increasing internet penetration, and 4) Improving consumer confidence

Today, online channels have taken centre stage and are now generating a significantly larger share of revenue across segments for organized players. However, we believe that COVID had dramatically accelerated the growth and it is expected to stabilise. We expect India's Retail Industry to continue to grow at 9–10% to reach approximately \$2 Tn by 2032, a growth trajectory that remains intact, although delayed by ~2 years due to the pandemic.

Shapeshifting retail landscape

While growth remains intact, the shape of this growth is currently in a state of flux. Over the last two years, consumer preferences, behaviors, and attitudes have changed precipitated by the COVID-19 pandemic. That has deep ramifications on how people can buy and consume goods and services. Inevitably, this engendered myriad challenges and opportunities for global retailers, many of whom are adopting innovative models to harness emerging opportunities in retail. Globally, five major emerging trends are being observed that are shaping the future of retail. These are:

'Seamless' retail: Consumers no longer see boundaries between online and offline channels of consumption. This has led global players to experiment ways to create seamless retail experiences that are integrated across all channels

Emerging revenue models: Retailers are experimenting with revenue models to

enhance their customer value proposition, by leveraging both traditional methods and emerging e-commerce models

Rise of mega ecosystems: Rising competition and the need to constantly improve the customer value proposition is driving the rise of mega ecosystems, through acquisitions, partnerships, etc. which benefit both the shoppers and the retail partners.

Personalization at the core: Availability of quality data and the willingness of customers to share the same has enabled retailers across the world to deliver unique customer experiences.

Next-gen stores: Brands are experimenting new approaches to connect with shoppers, through in-store experiential concepts and using technology for blending digital content and the environment



Harnessing the 'BIG' retail opportunity

While there are multiple opportunities for Indian retailers, action needs to be taken on multiple fronts in order to achieve sustainable and profitable growth. The first step in that direction is to recognise that currently there is an interplay of several factors that are likely to shape the contours of retail in India. There may be changes in consumer behavior due to evolving preferences, for example, convenience vs. gradual rise in sustainability, or hyper-personalization versus rising concerns around data and privacy. Some of the other changes such as preference for renting over owning or shift towards experiences and brand affinity could go up or down, as witnessed in global markets. Many of these are likely to be transitory in nature and have minimal to short-term impact. There are other factors that could be more enduring in nature and could truly disrupt the retail landscape in India. These could include the launch of Open Networks for digital commerce, leveraging core consumer

data to create offerings beyond retail, identifying supply side innovations that could create value, etc. As these factors play out, it will translate into choices that retailers will need to make either with respect to their core consumer proposition or backend operations.

Critical imperatives for winning in the future

Based on BCG's learnings globally, there are multiple themes that could play out/ gain prominence over the next 5 to 10 years. While some themes on consumer proposition such as convenience and experiential retail are already visible in India, emerging themes such as responsible and alternate retail could gain scale. Irrespective of the choice set, there are some "critical imperatives" to win in the next decade. These include improving the customer experience, Building an agile organization, improving cost efficiency, developing partnerships and ecosystems, etc.

Retail in India is growing at a strong clip and

creating new opportunities for retailers. However, the changing landscape demands retailers to be receptive to change and more agile in response to shifting consumer preferences. We hope that this report will serve as an inspiration and a call to action for retailers determined to stay ahead of the curve and create a winning strategy for the coming decade.

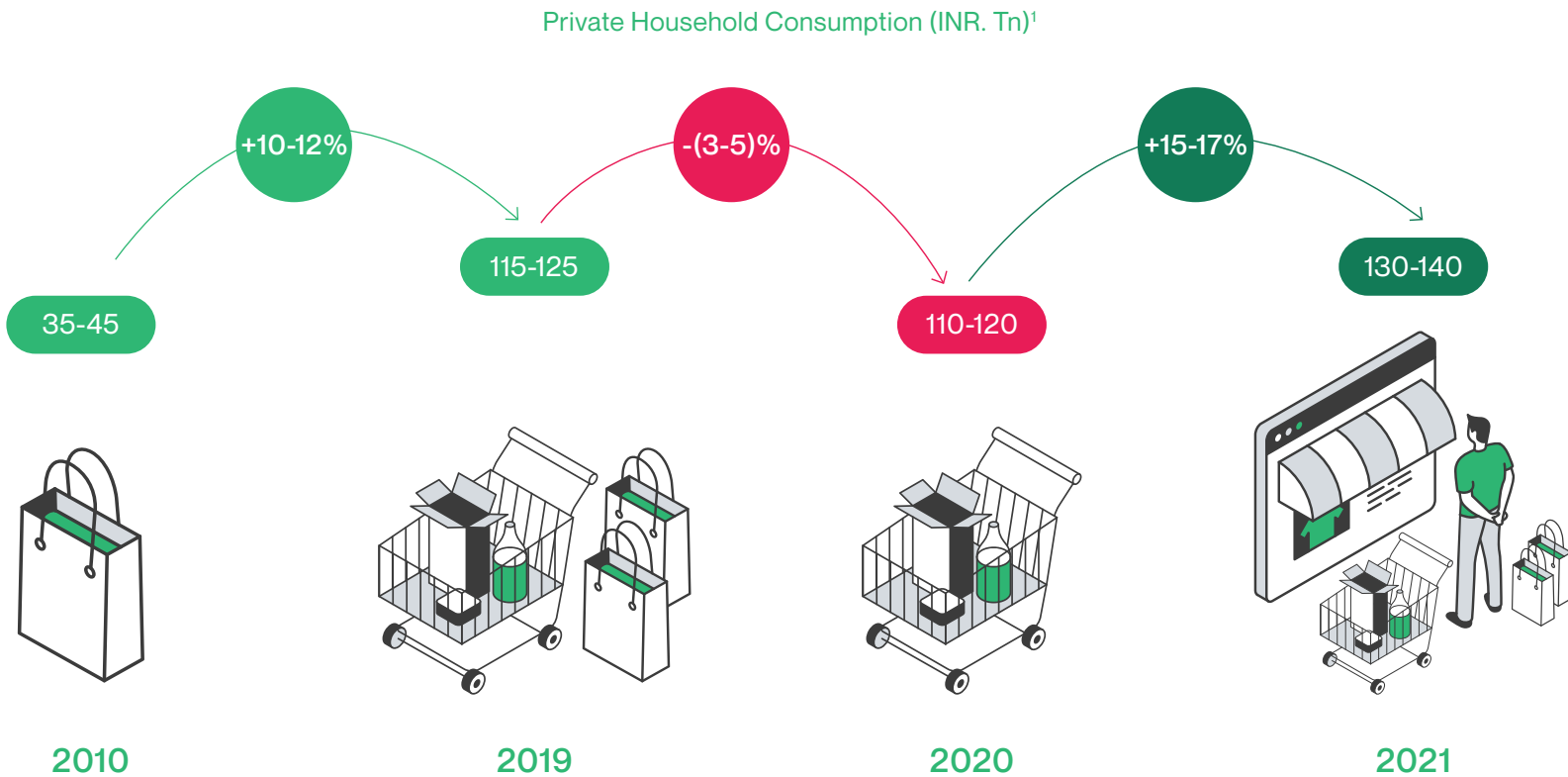


Chapter 01: Retail in India remains an exciting opportunity



The **India consumption story** continues to remain strong despite unprecedented challenges

Household consumption grew significantly to INR 130-140 Tn in 2021



1. Total household consumption is in nominal value.
Source: CMIE Data



+31%

+21%

+13%



India's consumption has shown steady and strong double-digit growth pre-pandemic.



Despite slight dip in 2020, consumption bounced back in 2021 to grow beyond pre-pandemic levels.

Strong fundamentals in place to drive consumption growth

Factors driving consumption...



AFFLUENCE

- + Household income is on the rise
- + Increasing share of Affluent + Elite



ACCESSIBILITY

- + Access to avenues of consumption like malls, shopping complexes, multiplexes etc
- + Increased information availability through online & offline media



AWARENESS

- + Positive outlook towards prospects
- + Propensity to increase spends



ATTITUDE

- + Tendency to shop anywhere, anytime
- + Increasing discretionary expenses



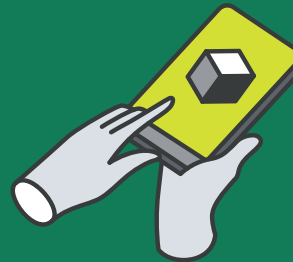
...are robust



AFFLUENCE

40%

Increase in annual household income expected by 2030



ACCESSIBILITY

~120 Cr

Users expected to have a smartphone by 2026



AWARENESS

77%

Households are now connected via TV



ATTITUDE

30%

Increase in CCI¹ in March 2022 from July 2020

1. Consumer Confidence Index as reported bi-monthly by RBI

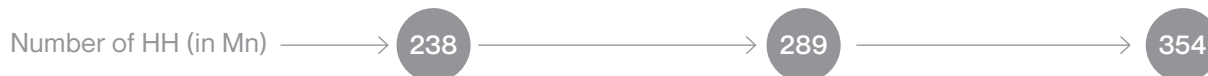
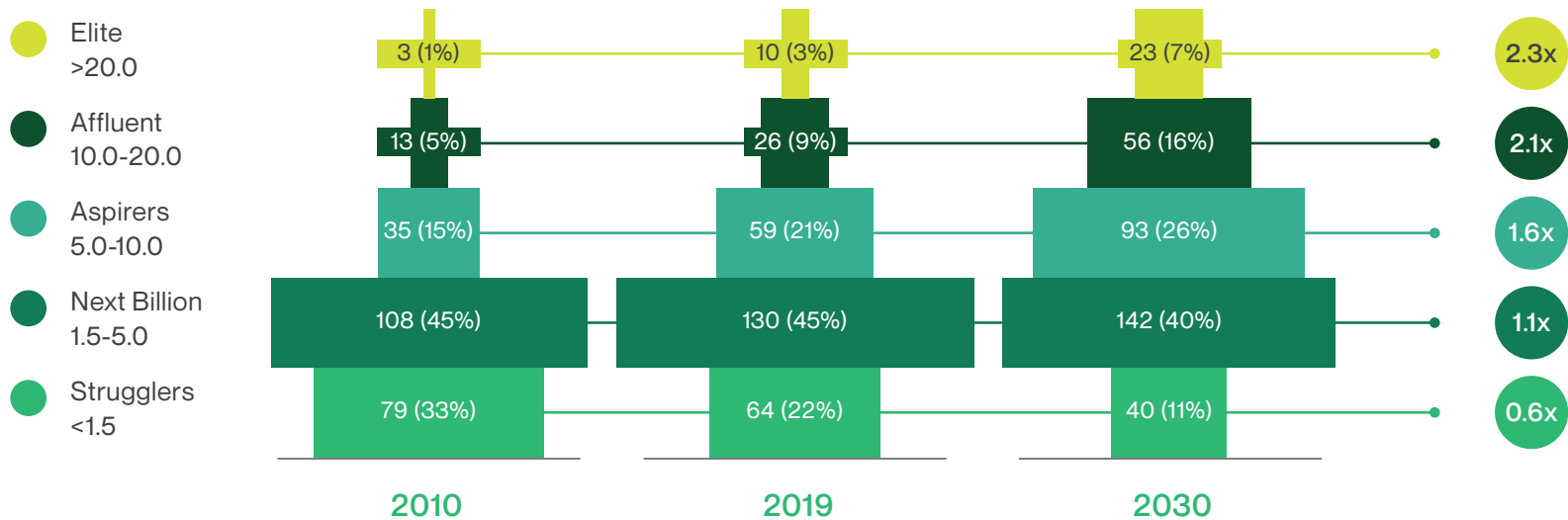
Affluence is increasing: average household income is projected to increase ~1.4x from 2019-2030



Annual gross HH income¹ (INR Lakhs.p.a)

Number and % of Households (Mn) in different income brackets

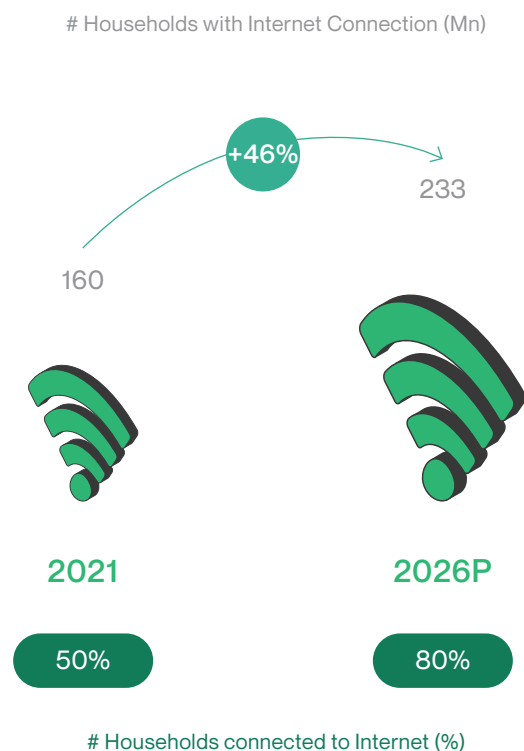
Growth (19-30)



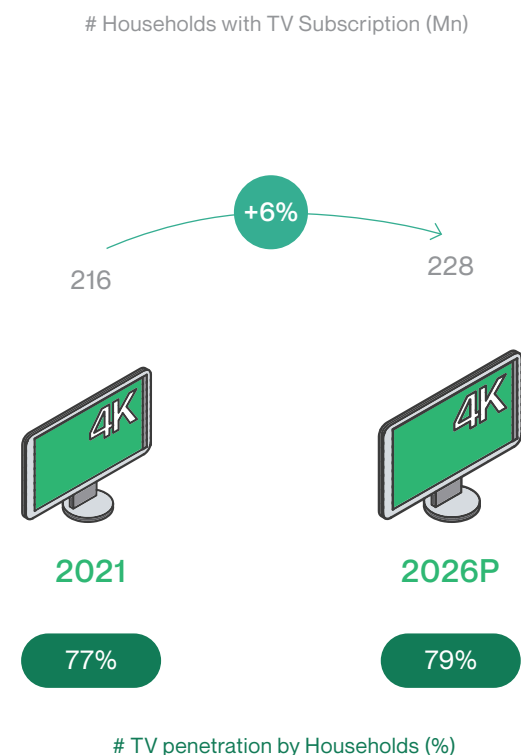
1. Annual household gross income are based on 2019 prices.
Source: CCI proprietary income database; BCG analysis

Accessibility & Awareness to increase with higher smartphone and TV penetration & internet adoption

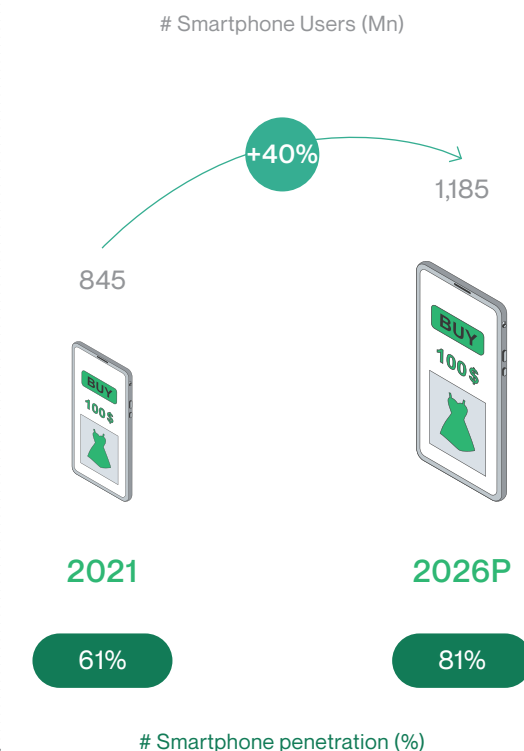
Awareness: 80% households would have access to internet by 2026¹



Awareness: 77+% households currently have access to TV²



Accessibility: ~120 Cr people to have a smartphone by 2026³

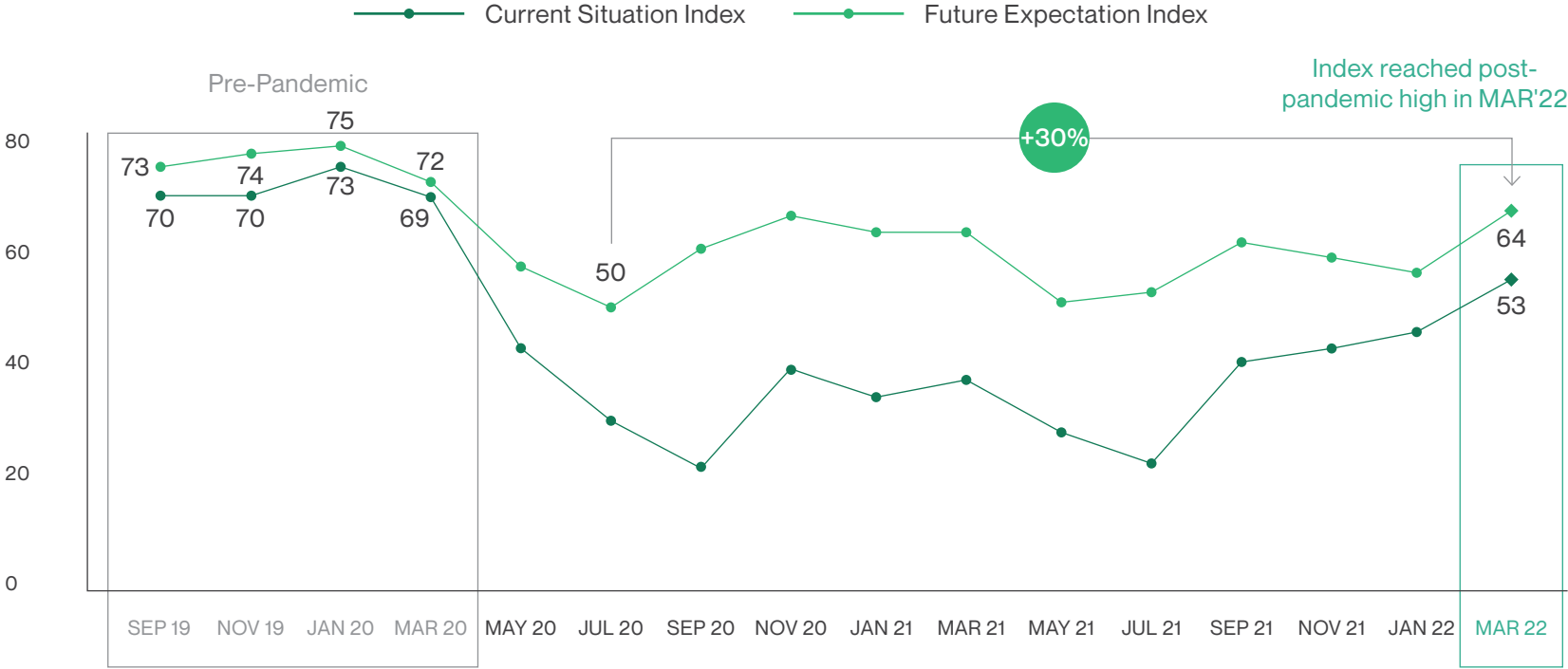


1. Omdia internet user forecast | Includes households connected by fixed or mobile broadband 2. Omdia TV forecast | Includes both Free and Pay TV 3. Statista



Attitude to spend as reflected in RBI's Consumer Confidence Index at the highest level since the pandemic

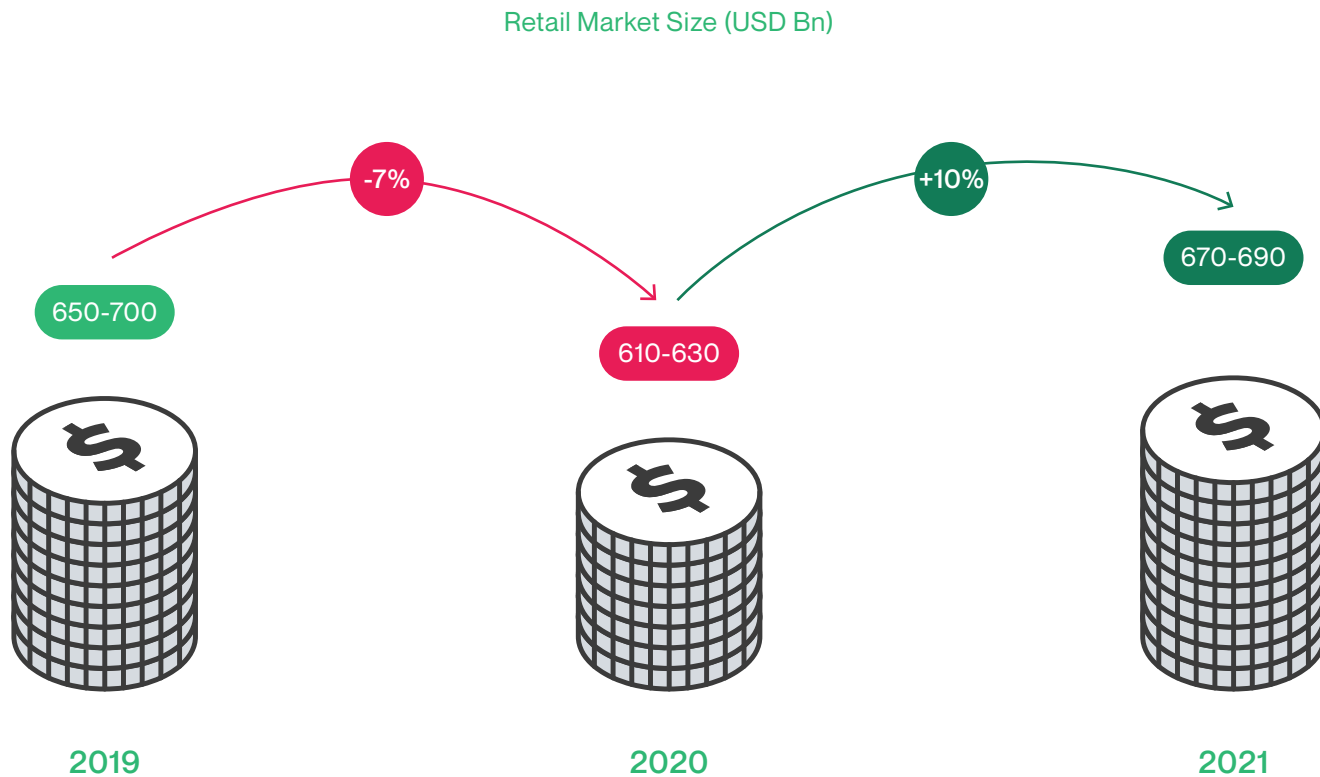
RBI's Consumer Confidence Index (CCI) on spending



Source: Consumer Confidence Index (CCI) as released by RBI on spending | The survey obtains current perceptions (vis-à-vis a year ago) and one year ahead expectations on *inter-alia* spending from 5,984 households across cities

Overall retail has resumed its growth trajectory with consumption showing steady recovery

Overall, retail market has recovered to exceed pre-covid levels

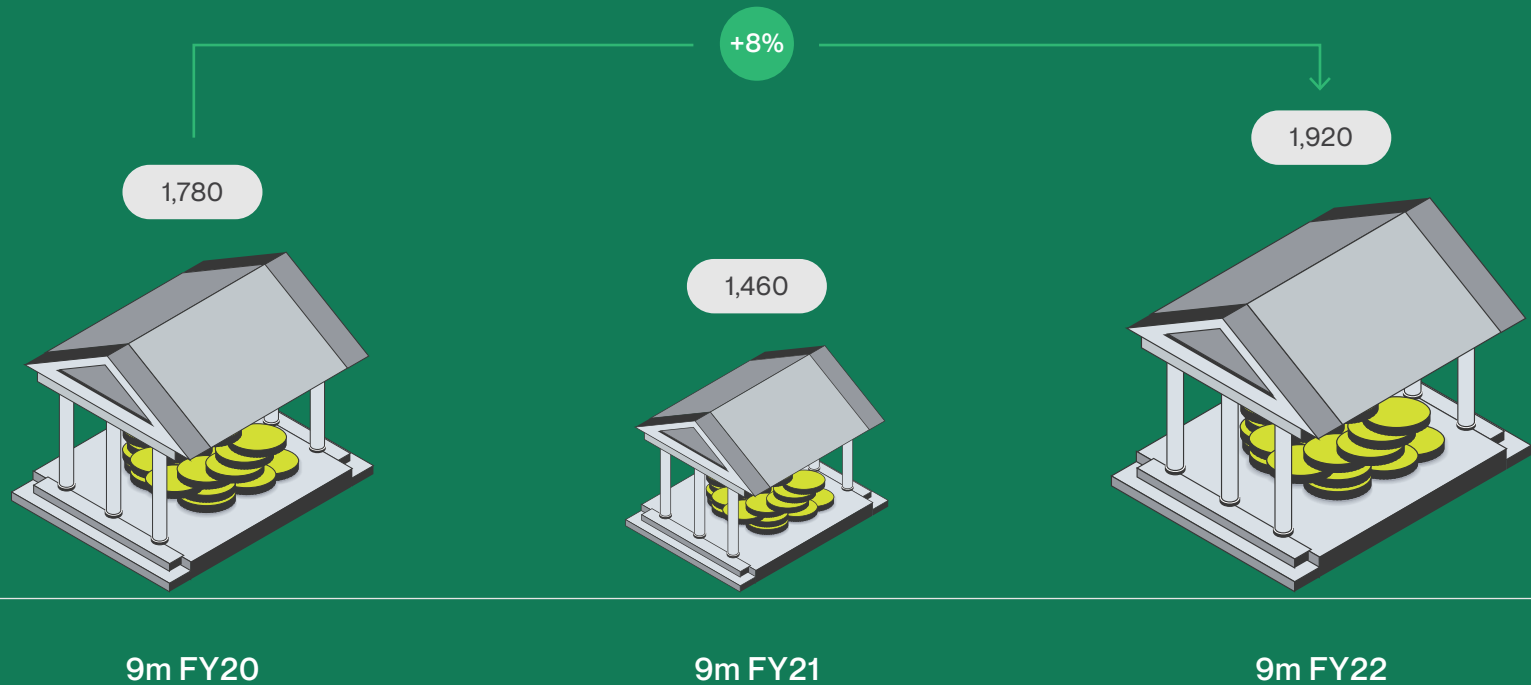


Source: Euromonitor data; BCG analysis



Recovery also visible in the topline of listed retailers

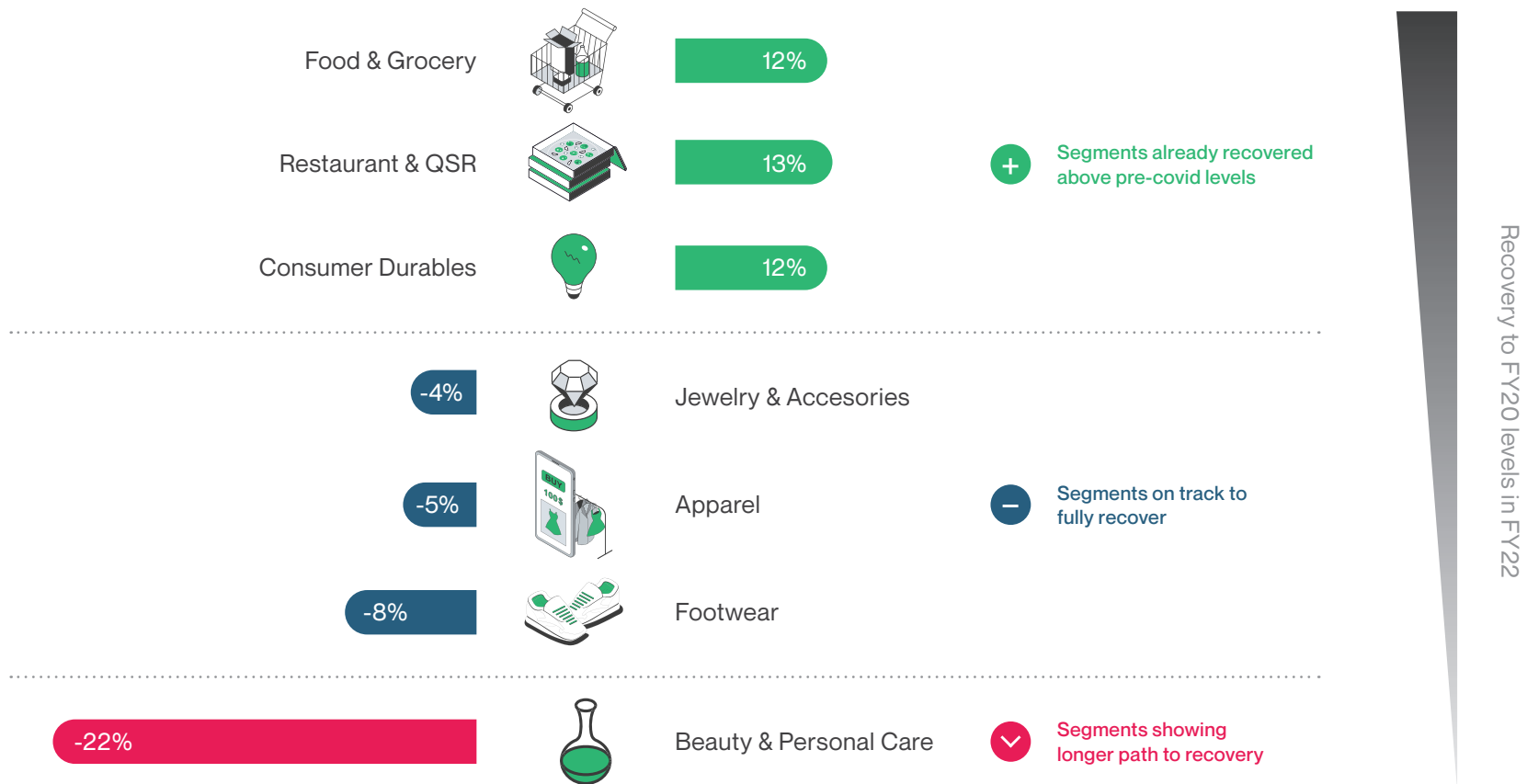
Combined Turnover (Rs. Bn) of top listed retailers in India



Source: Quarterly reports of top listed companies

Retailers survey suggests differential recovery across industry segments

Revenue growth reported by retailers in RAI Survey (FY22 vs FY20)

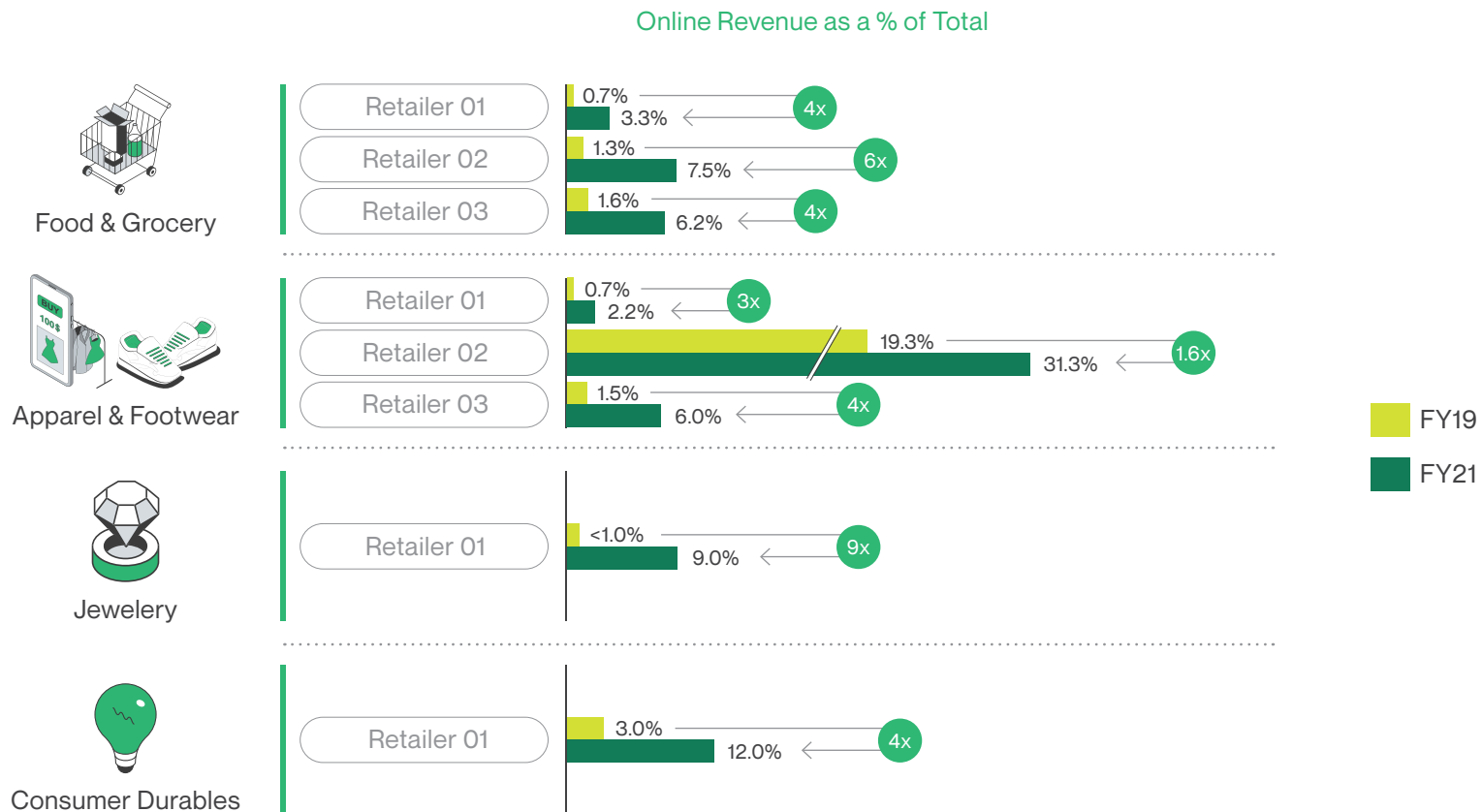


Source: RAI Business Survey | Time period considered Jul-Feb for FY22 and FY20



Online channels are now contributing larger share of revenue across segments

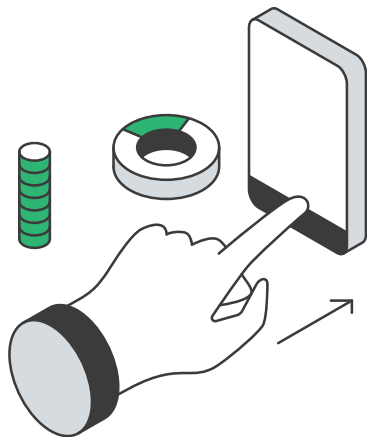
Share of online sales grew significantly to 2-4x of FY19 levels for most retailers



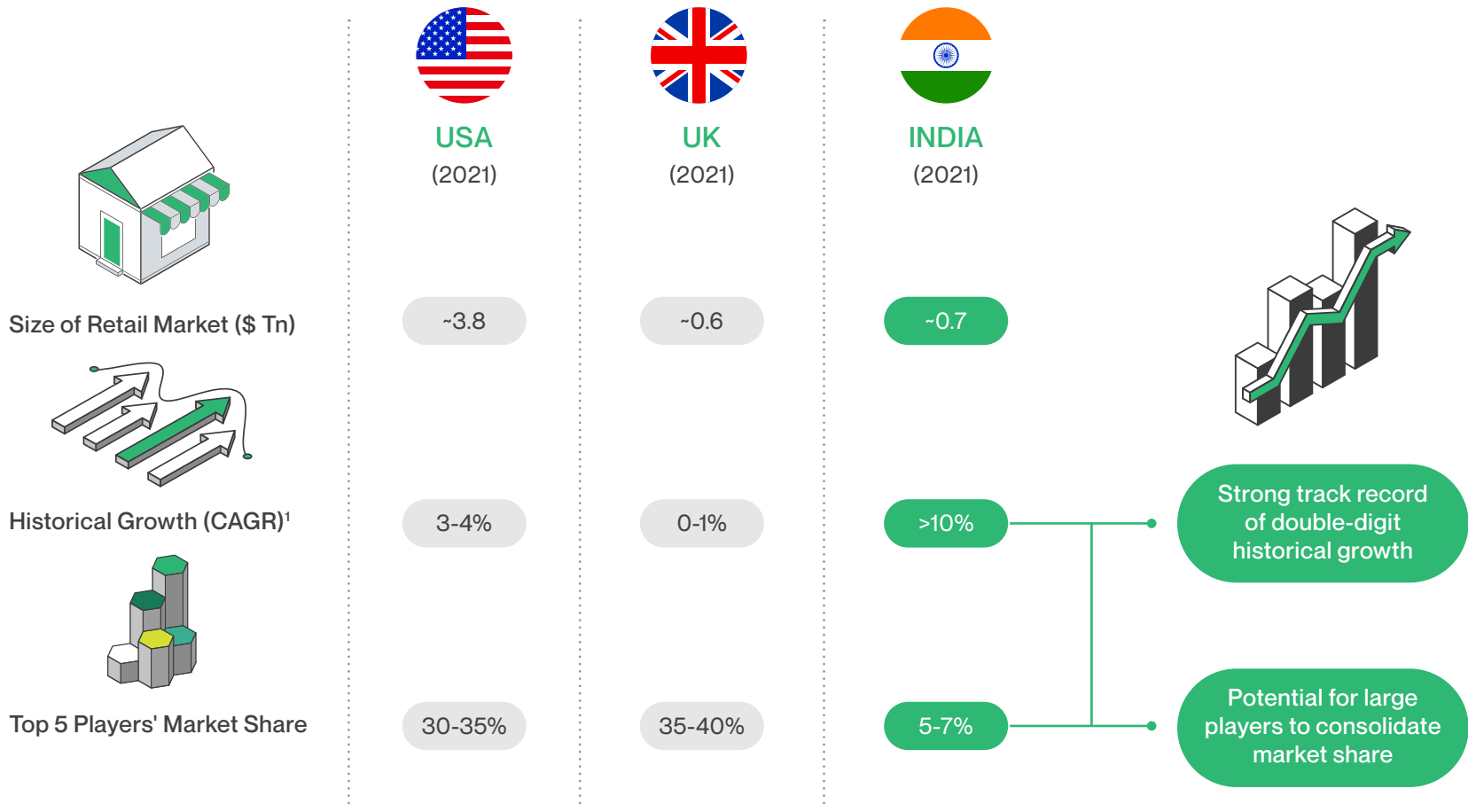
Source: Annual report; Analyst presentations



E-commerce now expected to reach \$130 Bn by 2026



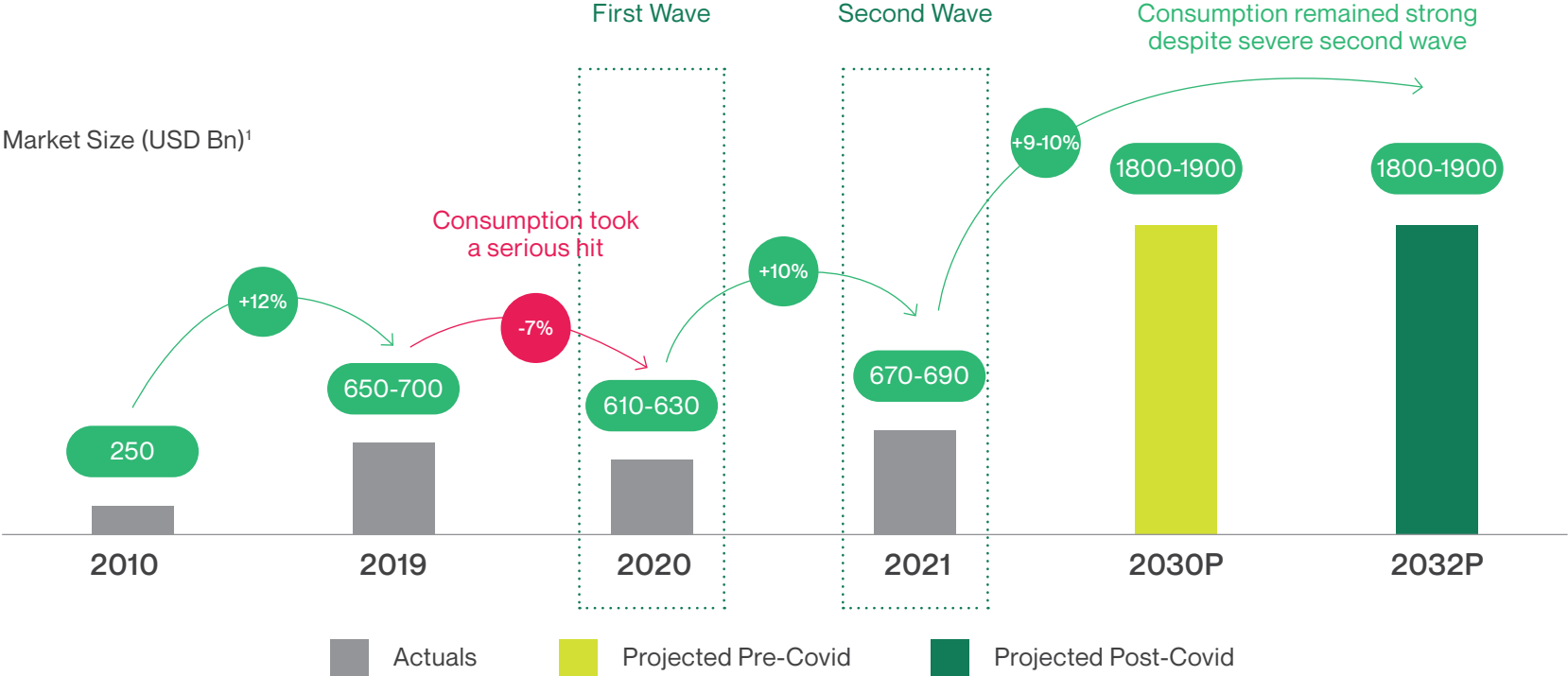
India's retail industry has significant headroom for growth basis global benchmarks



1. CAGR from 2010-2019; INR CAGR for India.
Source: Euromonitor; BCG analysis

We expect India's retail industry to continue to grow at 9-10% to reach approximately \$2 Tn by 2032, delayed by 1-2 years due to the pandemic

Covid delayed the path to approximately reach \$2 Tn by 1-2 years



Source: Euromonitor; BCG analysis

hi



0%

CARD

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Lorem ipsum 05 / 22

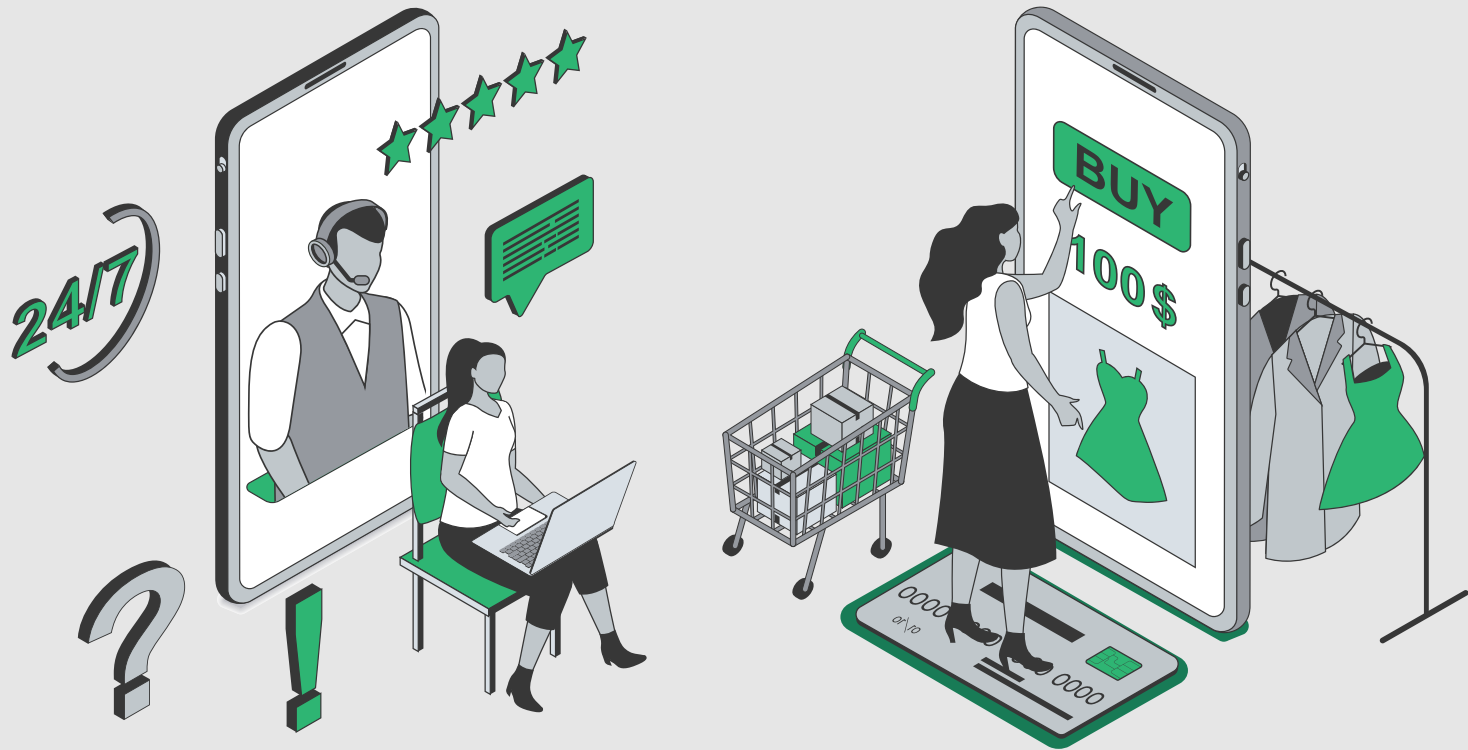
PAY



**SUPER
SALE**

**BEST
PRICE**





Chapter 02: How retailers continue to push the boundaries of retail

Global retail players have been facing **unprecedented challenges** for the **past 2 years**

Global trends with significant influence on retail



Macro-Economic Trends

- + COVID-19
 - + Store closures
 - + Depressed Demand
 - + Health & Safety
 - + Operations & Supply chain issues
- + Climate change
- + Urbanization



Political Influencers

- + Trade wars
- + Rising wages
- + Off-shoring and outsourcing



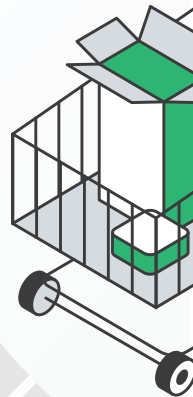
Data and Identity

- + Cybersecurity & identity theft
- + Modern payments
- + Advanced analytics



Digitization

- + Rise of platform companies
- + Automation (AI, robotics)
- + Virtual / Augmented Reality



Changing Demographics

- + Population growth and diversity
- + Ageing population, longevity
- + New consumers (Gen Z & Millennials)
- + Changing workforce profile



★ NON-EXHAUSTIVE

Human Aspirations & Behaviors

- + Changing mindsets regarding assets vs. experiences
- + Increased service expectations
- + Convenience / time-compression
- + Trading up / down
- + Health & wellness

Brands & Product

- + Commoditization / product transparency
- + Proliferation of brands (including DTC)
- + Exclusivity

Global Connectivity

- + Global platforms and ecosystems
- + Impact of tech giants
- + Internet of Things (IoT) and Voice Technology
- + Sharing economy



5 emerging global retail trends shaping the future of retail



01

"SEAMLESS" RETAIL

Consumers don't see boundaries between online & offline channels

Need for creating seamless retail experiences, that are integrated across channels



02

EMERGING REVENUE MODELS

Experimenting with new models to enhance revenue

Innovative ways emerging for selling products on social platforms



03

RISE OF MEGA ECOSYSTEMS

Move to build platforms & ecosystems that serve all customer needs

Alliances add and scale retail capabilities, stave off competition



04

PERSONALIZATION AT THE CORE

More and better quality data available, in context of privacy / security

Consumers seek unique and tailored offerings, from discovery to fulfilment

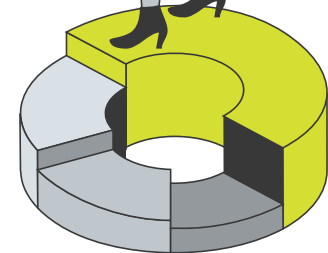
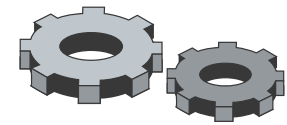


05

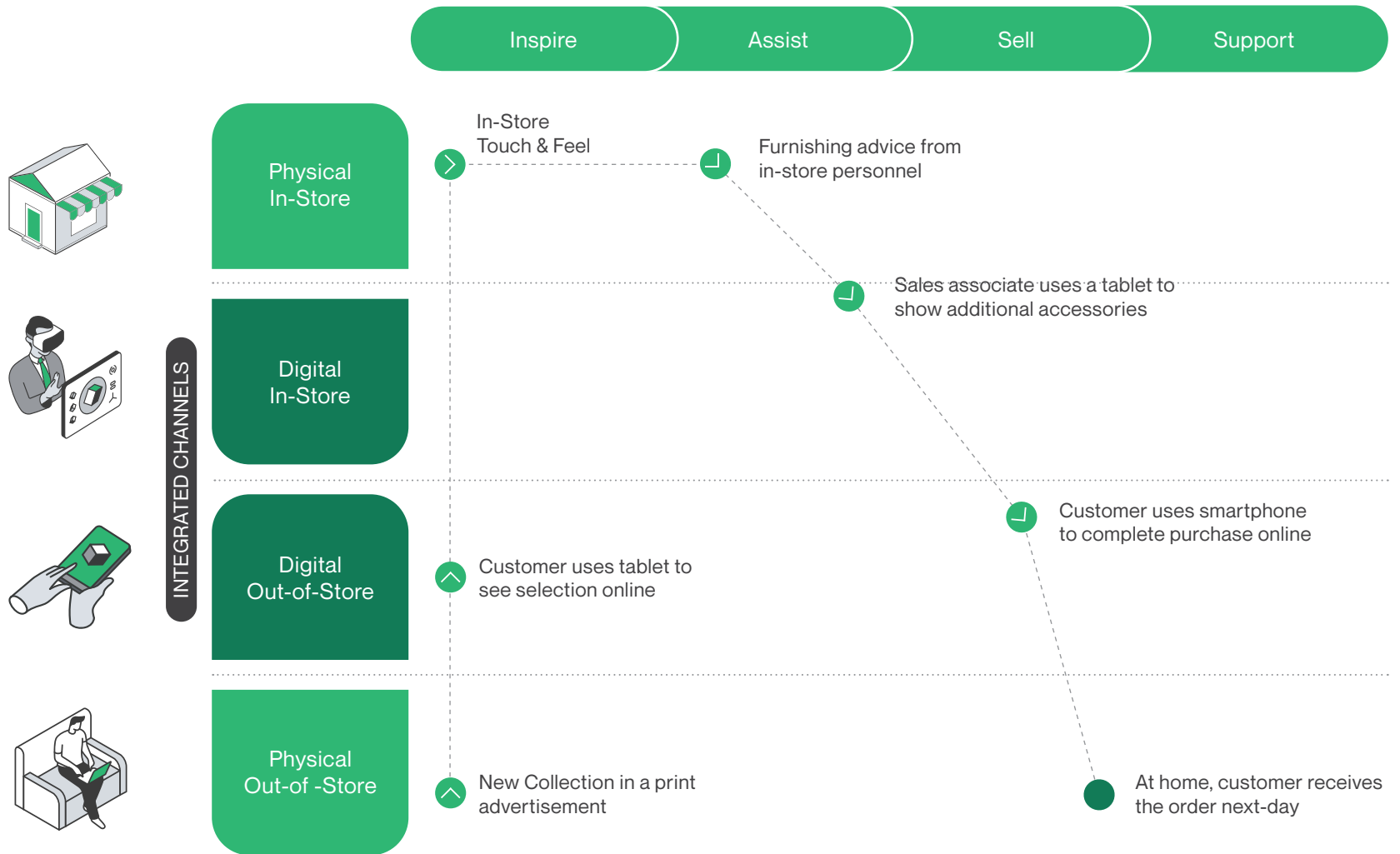
NEXT-GENERATION STORES

Greater shift in consumer spending to online / other viable channels

Retailers evolving their store's format and purpose to add more value to customers



"Seamless" Retail | Consumers want shopping to be a seamless experience





Behavior is moving towards an 'anything, anytime, anywhere' expectation



I can buy
everything ...

At home, via IoT

While commuting, via shoppable wall

On mobile, direct from recipes



... delivered
anywhere ...

Home Delivery

Delivery to Car

Click & Collect



... at a moment's
notice

One-Hour Delivery

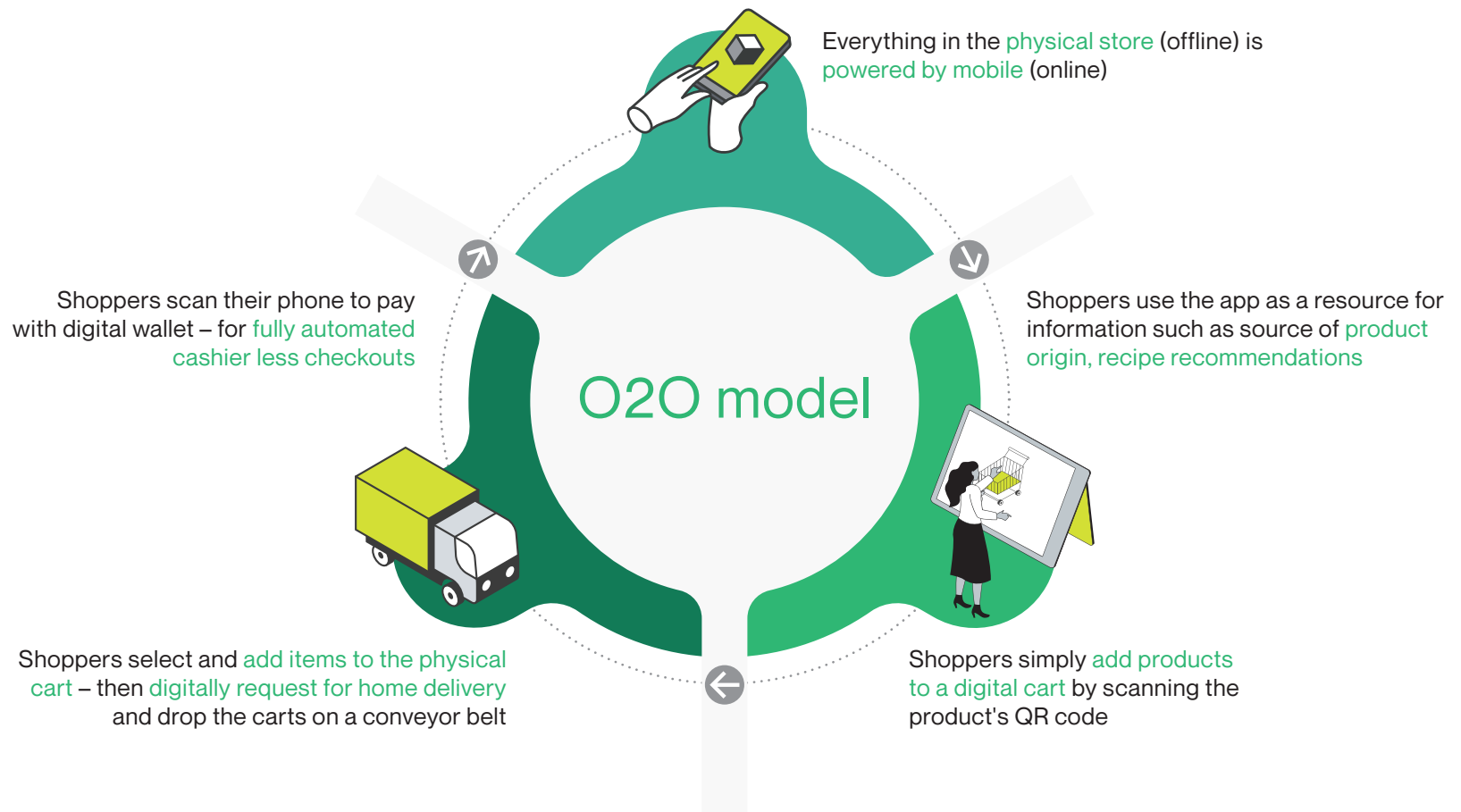
Repeated Delivery (Subscription)

Made-on-Demand

A US based global e-commerce player has fully integrated their offline stores with the online offerings to offer a seamless grocery shopping experience



A Chinese grocery player offers 'O2O'- Online-to-Offline stores that gives consumers a “more efficient and flexible” shopping experience



Emerging Revenue Models | Retailers are experimenting with new revenue models while enhancing their customer value proposition

Retailers are adopting traditional methods to diversify their offerings



Extension of Core Retail

- + Using new revenue streams for existing product line like Product Rentals and Paid Memberships



Retail as a Service

- + Providing services to complementary 3rd party sellers like - Advertising Services and Marketplace Hosting



★ NON-EXHAUSTIVE

There is an emergence of many e-commerce models, unlocking new customers for retailers



VIDEO / LIVE

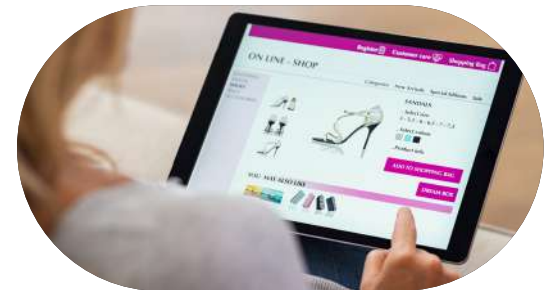
Using livestream / pre-recorded videos to drive customer purchase journeys:

- + Generating interest through short videos
- + Using live video to share product details
- + Answering customer queries in real time



INFLUENCER LED

- + Leverages "Key Opinion Leaders (KOLs)", who have a steady following, to endorse/ review the brand's products or services
- + An influencer might demonstrate certain hacks of the products, explain its pros and cons, etc



RESELLER LED

- + Marketplace using resellers to sell a curated set of products in their circle
- + Consumers trust the recommendation of the reseller for product quality and prices
- + Supplier holds inventory & 3rd PL fulfills delivery to the customer

An Asian social shopping platform enables businesses to leverage livestreaming and short videos for e-commerce

Livestreaming purchase journey on the platform

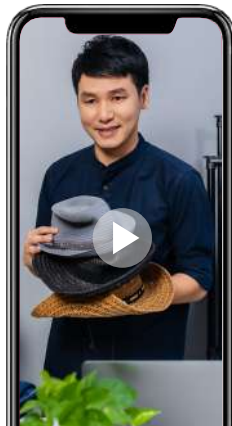
Discover

Short videos uploaded to trigger interest



Interest

Livestream provides 360-degree product demo and option of Q&A



Live video to show the touch & feel of the material

Purchase

Customers can purchase the product on the same online platform



In-built store for conversion, cross-sales & repurchase

3 Key levers determine campaign success

KOL (Key Opinion Leader) Management:

- + Leveraging a range of opinion leaders (Leading influencers, category leaders, in-house experts)
- + External influencers to drive traffic

Portfolio Management:

- + Selection of suitable product for KOL's video e.g., Expensive new SKU shall be driven by leading influencer, etc.

Content Management:

- + Content must be tailored to maximize marketing effectiveness for the specific product

Source: Expert interview; BCG analysis

★ VIDEO / LIVE

A Chinese community-based e-commerce platform allows users to check product reviews by users and purchase

Company started as a social platform to share product reviews ..



A social community for female customers to share shopping experience and product reviews

.. but is now a popular influencer marketing platform which enables customers to buy recommended products and share product reviews

01

Users can follow user / brand accounts to see trending content

02

User share detailed product reviews; other users can share/comment

03

Integrated e-commerce platform; users can purchase items in the app

01 Search the product you're interested in



02 Browse hundreds of notes & deep dive the one you like

03 Read the photos & texts to do research



04 Click to purchase

05 Compare and select the promotion offers



06 Add to shopping cart or buy instantly

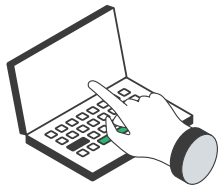
★ INFLUENCER LED

A Latin American platform gives businesses the access to resellers, who leverage their existing connections to acquire customers

Reseller's journey on the platform

01

Sign up on the platform



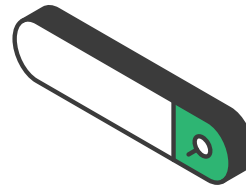
02

Select products to sell



03

Create a catalogue



04

Share catalogue



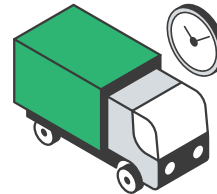
05

Receive orders



06

Track delivery



Benefits for retailers, resellers & customers

Customers benefit in two ways:

+ Get access to high-quality products at affordable prices that are difficult to find elsewhere, as platform works directly with manufacturers/ big distributors

+ Social recommendation solves for "Trust Deficit"

Resellers, who are mostly women, earn high commissions without incurring inventory risk.

Manufacturers benefit by being able to tap into an army of highly-networked salespeople – an extremely attractive proposition.

★ RESELLER LED



Rise of Mega Ecosystems | Leads to benefit for shoppers and retail partners

4 Key drivers fueling the rise of ecosystems



01

Access a broad set of capabilities & resources, while competing on core strengths



02

Scale quickly, before competitors mobilize



03

Remain competitive by lowering the cost to compete



04

Provide an improved value proposition to customers, through more services/ products under one platform



Source: BCG Henderson Institute



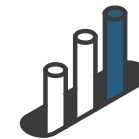
... the value proposition improves as additional complementary partners join the ecosystem



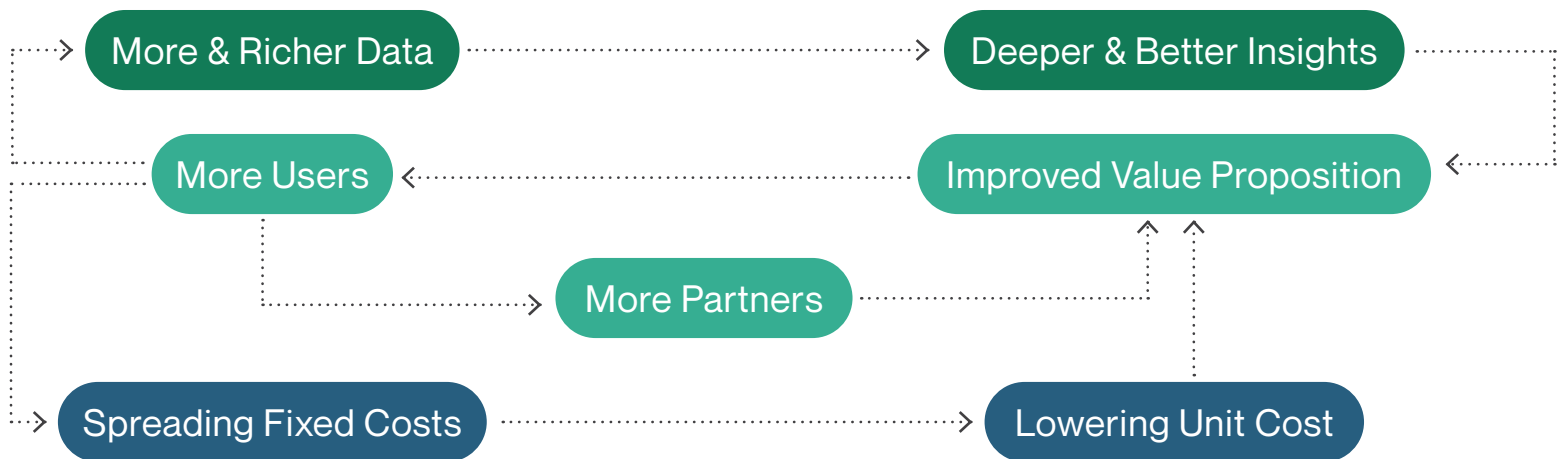
FLYWHEEL 01
Network Effects



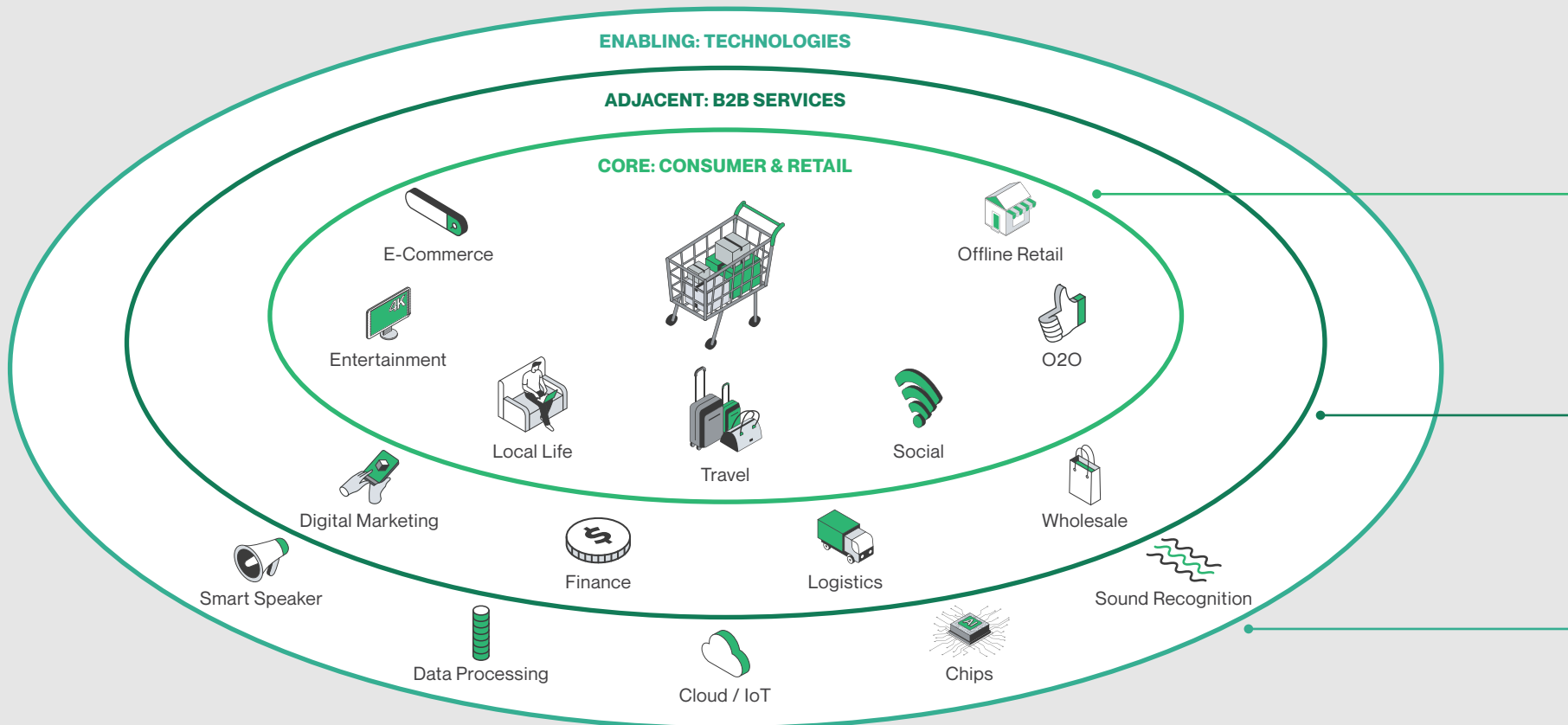
FLYWHEEL 02
Learning Effect



FLYWHEEL 03
Economies of Scale



Platform giants seeing rapid growth by building ecosystem through acquisitions and partnerships



Source: BCG analysis



Company's ecosystem strategy

Strengthening Consumer & Retail Core:

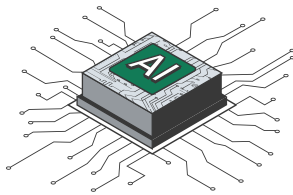
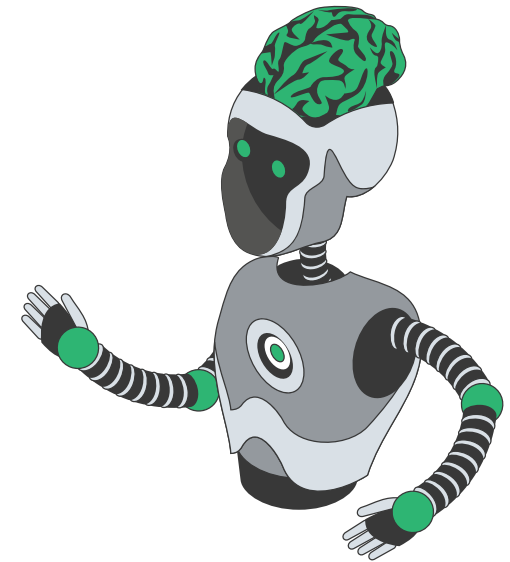
+ Example: Acquired stake in Chinese retail with hypermarkets to gain & control offline touchpoints.

Building adjacent B2B services to create additional value.

+ Example: Acquired a Chinese logistics company to enable seamless online & offline retail experience.

Developing technologies to enable businesses in the ecosystem

+ Example: Building capabilities to provide cloud computing services to ecosystem partners.



Personalization at the core | Personalization across all channels is the next big opportunity

What does it mean?



Providing every shopper with a unique journey across every single touchpoint and channel



Customers

Get a curated, concierge experience



Companies

Engage with individuals rather than just segments

Key factors driving the personalization wave globally



Differentiation

Hyper-personalisation provides key differentiation opportunity for retailers



Customer Expectations

Customers are now expecting personalized, convenient, and customised solutions and experiences



Data Abundance

Availability of quality data, a pre-requisite for creating a personalized customer experiences, has exploded in the past



Tools & Tech-Enablement

Technology to deploy personalization is now becoming a reality across retail touchpoints



Impact on Business



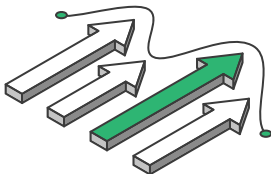
10%+

Incremental revenue



40%+

Increase in average order value



20%+

Increase in NPS score



.. reported by companies that used advanced personalization methods

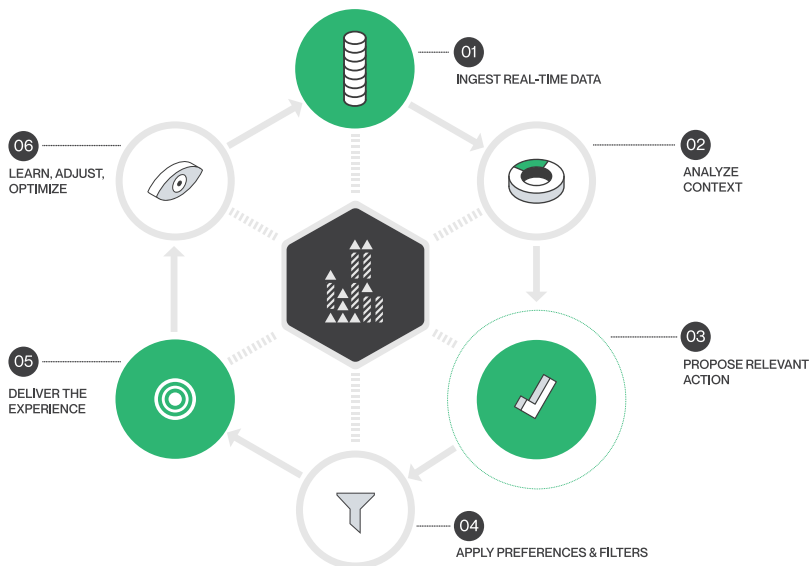
Retailers across the world are using personalization to deliver superior customer experiences

A US based global coffee player built loyalty through personalized offerings and rewards program



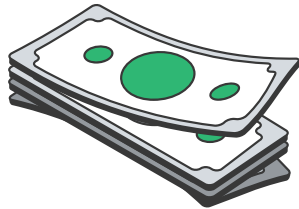
A custom-built technology platform to drive personalisation

- + Created customer DNA using purchase history & predicted propensity
- + Built integrated personalization AI engine, enabling personalized contextual recommendations





Personalization drove significant impact in terms of revenue & engagement



>3x

Incremental revenue per redeemer per year, totaling +\$250M



3x

Improvement in campaign results run rate



150%

Increase in marketing engagement

Next-Gen Stores: Retailers are evolving their store's format driven by consumer shifts, tech innovation and disruptors

Multiple factors are influencing the Physical Store Format

01 New & reconfigured store formats focused on convenience

- + Smaller format & urban-sized stores with focus on convenience
- + New delivery & pick-up models

02 Shift from store to experience

- + Retailers creating non-transaction reason to visit to create loyalty and preference
- + Maintain advantage over easier/lower price channels

03 Merging of mobile / digital and store experience

- + Integration of online & offline experience to ensure frictionless transaction customers
- + Consistent touchpoints throughout customer journey

04 Technology enhancing in-store experience

- + Integration of high-tech shopping experiences in-store for discovering and purchasing
- + Eg., Augmented Reality, Beacons and Digital Signage

05 Technology increasing in-store productivity & labor savings

- + Use of new technologies to cut labor costs and to increase efficiencies in the store
- + Eg., Self-Checkout & Robots for Inventory Management

Primarily influencing front-end

Primarily influencing back-end



From store to experience: Brands are experimenting with experience concepts & entertainment

Format

Description



Showroom



Shops designed **only for browsing and testing** products



Brand Immersion



Stores designed to **showcase the brand story**



Elevated Service



Customer **service and personalized support**



Curated Assortment



Smaller footprint with a selection of items **curated for a specific shopper journey**



Winning Example



Asian appliances company has showrooms designed to **experience the products – but buy online**



An Italian chain offers supermarkets, delicacy shops, restaurants **under one roof**. Full '**Italian**' experience, with direct tasting

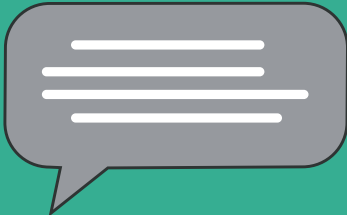


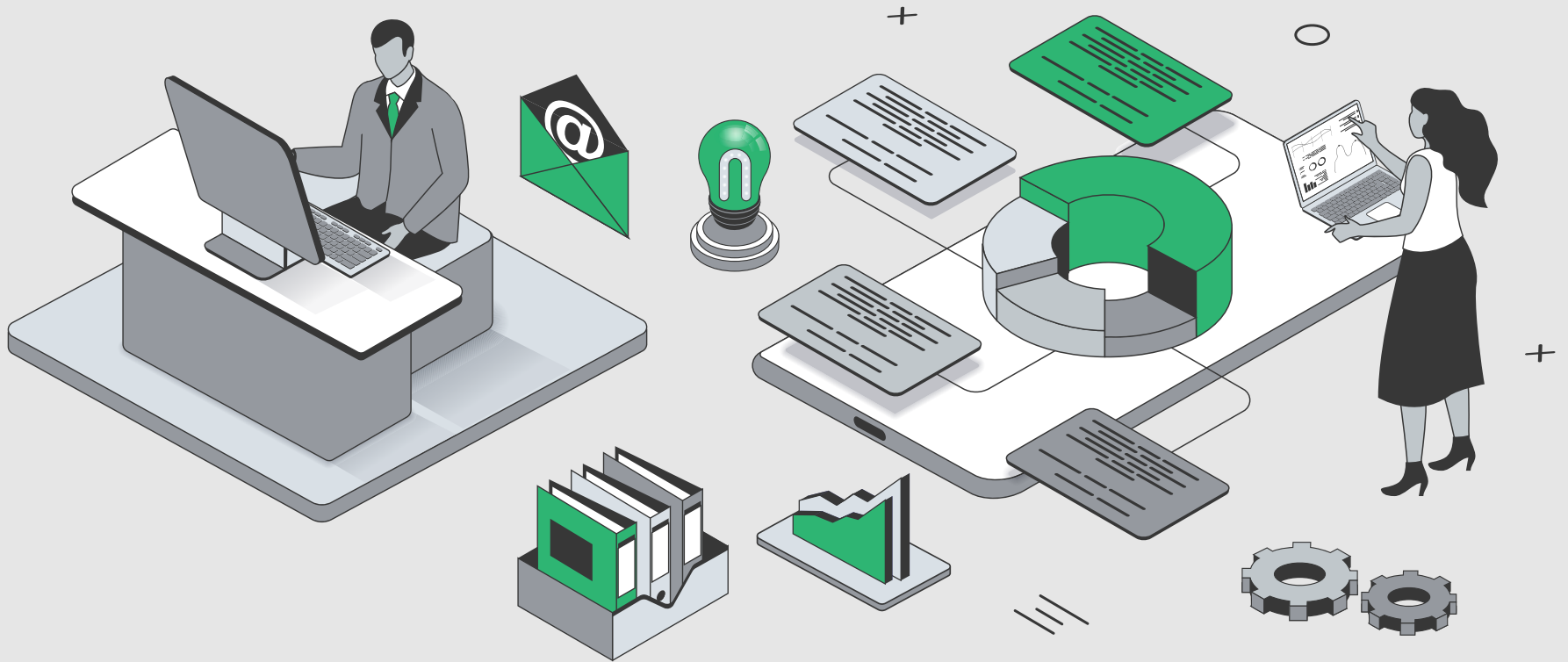
American luxury chain has stores that are **service-only**, from alterations & tailoring to buy online / pickup in store options



European furniture retailer has opened smaller stores in urban areas to **sell curated assortment of items** for dwellers far from suburbs





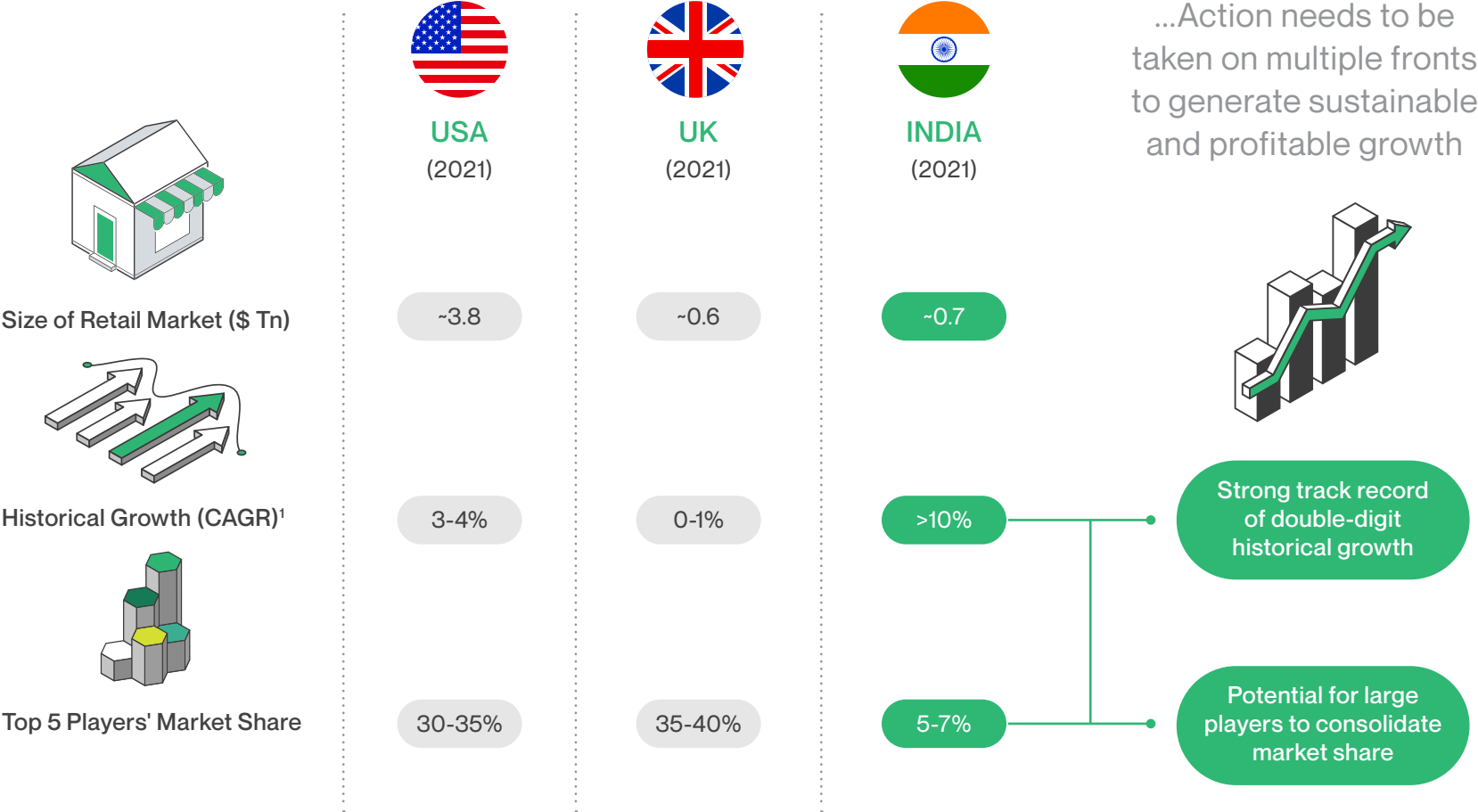


Chapter 03: Key imperatives for Indian retailers to succeed





While retail has massive potential in India, driven by strong underlying fundamentals...



1. Annual household gross income are based on 2019 prices.
Source: CCI proprietary income database; BCG analysis

Interplay of several factors will shape the contours of retail in India



CHANGE IN CUSTOMER BEHAVIOR



DISRUPTIONS IN OPERATIONS

Emerging preferences based on trends in mature geographies

- + Concern for data and privacy
- + Mindful of sustainability
- + Need for human element
- + Minimalism
- + Conscious of corporate values
- + Rise of singles and loners

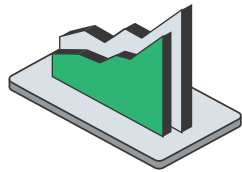
Expected to continue as is

- + Multi-channel engagement
- + Healthy living
- + Shift in purchase decision maker
- + Convenience on the rise
- + Need for personalized experience
- + Interaction and influence
- + Shop as per latest trends

Could go up or down— Wild Card

- + Rent or own
- + Shift towards experiences
- + Brand affinity

- + Low-cost operating model
- + Alliances and ecosystems
- + Smaller store format
- + Leveraging gig workers economy
- + Viable space productivity
- + Private labels
- + Cost structure impact due to a mix of gig vs permanent workers



EMERGING BUSINESS MODELS

- + Social commerce
- + Evolution of product as a service model
- + Cross-industry play
- + Financial institutions
- + Rise of the D2C sector in India
- + With data at center, retailers can go beyond traditional products



TECHNOLOGY DISRUPTIONS

- + Digital consumer journeys
- + AI and VR at scale
- + Digital supply chain
- + ONDC¹ implementation in India
- + Automation of operations using robotics
- + Technology driven staff enablement



POLICY & REGULATION LANDSCAPE

- + FDI in multi-brand retail
- + Revised minimum wage laws
- + Gig formalization
- + Data and privacy protection laws
- + Tariffs/local sourcing/GST

1. ONDC: Open Network for Digital Commerce

Select factors have the potential to truly disrupt the landscape

01

What is impact of ONDC to truly democratize retail



By enabling interoperability across networks, ONDC provides single protocol for ecosystem of retailer and consumers to transact

02

How can retailers leverage core consumer data to create offerings beyond retail?



Retailers have access to a large volume of consumer data from their buying patterns, buying preferences to transaction mode

03

Which supply side innovations will unlock value for retailers?



Potential for many supply side innovation like alliances and ecosystems, smaller store formats, private label and leveraging gig likely to gain significance



Buyers have **access to large number of retailers** – more choices and better price discovery

Create a **level playing field** for retailers – higher discoverability and more growth opportunity

Accelerate digital commerce adoption

Potential to leverage the core data to create a layer of services which are **beyond retail**

For instance, **using buying preferences data to sell financial services** viz loans, insurances, etc.

Nature of these alliances could vary from the past, considering the advent of data / technology, fintech, social media giants

B2C retailers starting smaller store formats to provide **convenience/ ease of access**

Exploring gig labour for physical retailers with high variability in footfall

1. ONDC: Open Network for Digital Commerce

As these factors play out, **retailers will need to make strategic choices**



Core Consumer Proposition

Target Segments

Product Range, Price,
Quality, Design, Service

Brand Promise

(Factoring Lens of Business Economics)



STRONG INTERPLAY BASED ON CHOICES MADE



Operations

Channel

Store Concept

Cost Model

Value-Chain
GTM

Organization, Alliances

Data & Technology

These will pave the way for select themes that could gain prominence

Retailers would need to make business model innovations on value proposition and operating model



CORE CONSUMER PROPOSITION

Level of maturity with sufficient scale currently observed in India

Low

Sustainability: Focus on local sourcing, fair trade and local values

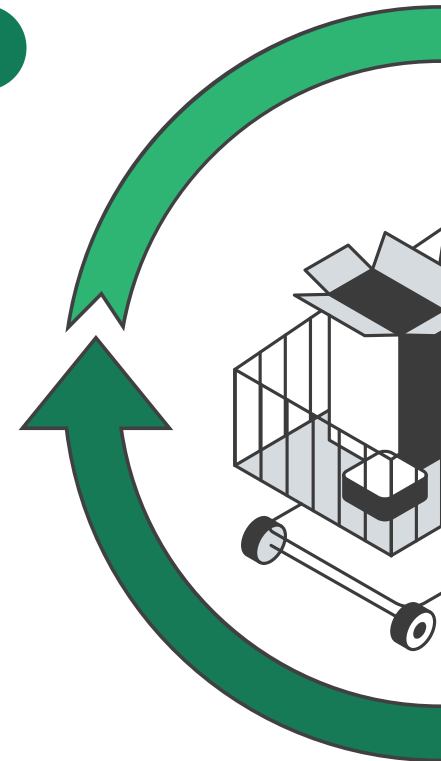
Personalization: Customization of products and services

Omni-Channel: Integrated experiences across stores and online channels

Value: Focus on low price and high value

High

Convenience: Focus on high convenience across the entire customer journey



Source: BCG analysis/experience



OPERATIONS

Level of maturity with sufficient scale currently observed in India

High

Alliances & Ecosystems: Collaboration is Key

Help increase ecosystem reach by entering partnerships with the unorganized

High-Tech: Data-Driven Focus

Automation, AI, Predictive-Tech, Digital Supply, Voice-Tech

Gig: Gig Labour

Gig Platforms — Flexible Labour (Day, Time & Week)

Multi-Channel: Omnipresence

Presence in both physical & offline channels, drive accessibility

Many India(s): Regional Play

Basis needs, preferences of regions for improving local play

No Frill: Cost Excellence

Low Costs, Private Labels, Minimal Shopping Experience

Low



There are a set of **critical imperatives** for retailers to follow



01

Build **own unique portfolio / platform** - invest in models that work, divest where needed



02

Improve **customer experience**, personally connect with customers, focus on customer relationship versus product leadership alone



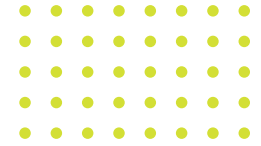
03

Develop **destination products / experiences**, the more differentiated the better



04

Look out for **partners, alliances** help to maximise resources, capabilities, play to own strengths



Attract best talent with **new and unique capabilities**



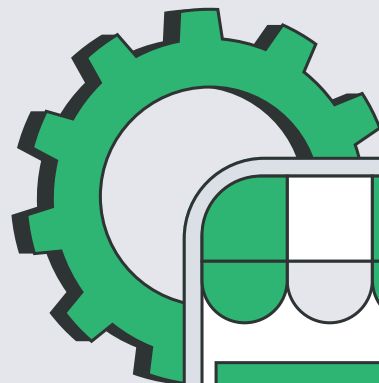
Build **cost-efficient and technology enabled** retail operations, essential ingredient to success



Speed organization, be on the look-out to evolve retail model to stay relevant with emerging trends



Apply a **test-and-learn approach**, consider when and how to scale aligned with goals



SHOP
LOYALTY PROGRAM





CEO Speaks



“

While our resilience was put to test, some of the retailers are emerging stronger rather than weaker following the unprecedented pandemic.

Today, being just a retailer isn't enough, as disintermediation is a real risk. At the same time, the rise of common digital platforms is an interesting trend that allows retailers to gain disproportionate access to a large consumer base. Given the backdrop, control over key aspects of the value chain and engaging directly with customers is an imperative.

Key to win in these uncertain times is an unwavering focus on business fundamentals and disciplined execution. Three top priorities for me include strengthening direct to consumer, building scale and delivering the brand promise consistently.

Venkatesalu P

CEO & Executive Director, Trent Ltd.

“



We believe the next tier towns hold great potential for future growth for retailers. People in these cities are increasingly becoming more and more aware of quality products & brands, something we are looking to capitalise on. Beyond this, we believe E-commerce, Omni-retail and consumer analytics are among the trends that are seeing large adoption and will drive business forward.

Lalit Agarwal

Founder & MD, V-Mart Retail Ltd.



“

Consumption in India is going through tectonic shift in terms of channel choices, instant gratification options through quick commerce and evolving consumer brand preferences with focus on health consciousness. Further, Retail is increasingly becoming omnichannel, with businesses integrating both online and offline channels to create differentiation. What's most important is that businesses need to keep consumers at the core of all decision-making and those business models, which don't lose sight of the consumers, will win eventually.

Devendra Chawla

MD & CEO, Spencer's Retail & Nature's Basket

“



Hybridized "new retail" is the future as it blends elements of experiential brick and convenience of click. The lines between traditional and online retail will blur as retailers will pivot between brick and mortar and online sales. This naturally increases the customer base and your ability to sweat your assets. A growing culture of immediacy is unstoppable as the industry faces a new trend: impatient customers. Consumers increasingly want instant results and retailers need to respond to this. Personalization and arguably hyper-personalization is increasingly important. Retailers need to speak with consumers in a relevant manner to stay relevant as consumers become more and more time starved.

Mohit Kampani

CEO, More Retail Ltd.

For Further Reading

Boston Consulting Group publishes reports on related topics that may be of interest to senior executives. Recent examples include:

Retail Resurgence in India: Leading in the New Reality

A report by Boston Consulting Group, February 2021

Retail 4.0: Winning the 20s

A report by Boston Consulting Group, February 2020

How India Spends, Shops and Saves in the New Reality

A report by Boston Consulting Group, December 2020

Demystifying the Online Food Consumer: An \$8 Bn Opportunity

A report by Boston Consulting Group in association with Google, January 2020

Ten Trends That Are Altering Consumer Behaviour in India

An article by Boston Consulting Group, October 2019

Going for Gold by creating Customers who create Customers

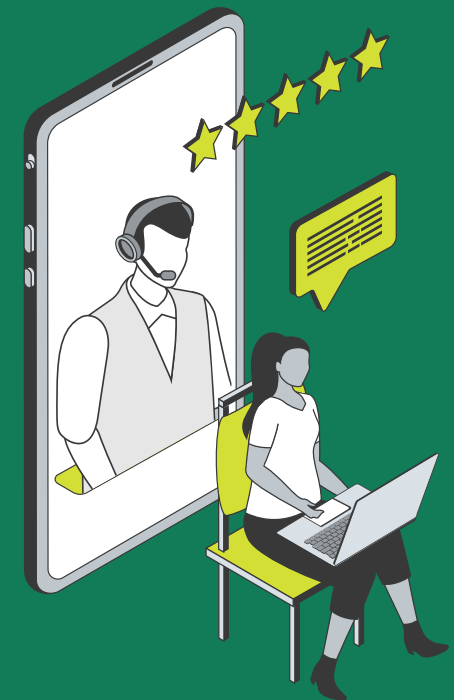
A report by Boston Consulting Group, February 2019

Decoding Value Creation in Retail

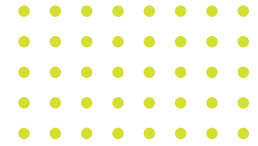
A report by Boston Consulting Group, February 2018

Digital Consumer Spending: A \$100 Bn Opportunity

A report by Boston Consulting Group, February 2018



Note to the Reader



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