The Changing Landscape of Retail

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Abstract

With the advent of internet technology and the availability of data analytics retail industry is undergoing a drastic change. Many new avenues of business in its varied forms albeit armed with technology are coming under the umbrella of the thriving phenomena called retailing.

In the dynamic retail industry; it is Customers' want and desire that would spur decision regarding purchase. It is the retail customer who makes most of the consumption decisions. It is learnt that changing business models and predictive analytics has changed the shopping behaviour and processes of the customers. This paper makes an attempt to highlight the concerned retailing areas in which newer technology has changed the course of the game. Also, this paper strives to analyze the trend of retailing in the future and how it would impact the current marketing practices. One of the "P" out of the four P's deals with the "place" which means the customer's access to the product. In pure marketing terms this "p" was leveraged to give value to the customers by increasing the convenience to buy the product. The very meaning of convenience has changed rapidly due to the access of the internet technology to a wide range of customers.

It is predicted that by the year 2030, our country will add 140 million middle-income and 21 million high-income households – meaning thereby a huge middle-class population available. Current internet penetration is close to 830 million which is the second largest in the world. This article would be covering all the factors of retailing like increased income, a rise of the middle class, internet penetration, growing aspirations, etc.

Keywords

Retailing, Newer technology, Middle-class population, Online branding, Global Retail Development Index (GRDI), Homepreneur, and Artificial Intelligence (AI).

1. Introduction

Retail sector in India is all poised to be the most promising and flourishing sector of the Indian economy. This phenomenon would drive the economy to a greater height and is attracting huge attention from entrepreneurs, and foreign investors as well. Internet penetration, retail space, availability of products, a rise of middle-class population and effective brand communication are some of the factors that are driving the retail sector in India. This sector is also creating huge employment, along with it, new shapes and dimensions of the organized retail sector have emerged within the given retail industry. Same-day delivery, social commerce, omni-channel retail, AI use, and interactive retail are a few of the important developments in the retail sector. One of the widely implemented new retail strategies has been the use of mobile technology during the entire purchase process from the time customers chooses a product until he /she pays for it. The cornerstone of a successful marketing plan in terms of retailing has been the 6Ps: Product, Price, Place, Promotion, People, and Presentation.

The Indian retail industry off late has emerged as one of the most prolific and fast-evolving industries due to the entry of several new players and the emergence of new avenues. It accounts for almost 10 percent of the country's gross domestic product (GDP) and close to 8 percent of employment. India ranked 73rd in the United Nations Conference on Trade and Development's Business-to-Consumer (B2C) E-commerce Index 2019. India is the 5th largest International Retail Destination in the world and is ranked 63rd in the World Bank's doing Business 2020 report.

1.1 Indian Retail Industry Facts and Figures (Kearney research: 2019, Bain & Company, Flipkart.2021)

- India's retail industry is expected to grow at 9 percent over 2019-2030, from US$ 779 billion in 2019 to US$ 1,407 billion by 2026 and more than US$ 1.8 trillion by 2030.
- It is anticipated that offline retailers in India, commonly referred to as brick- and- mortar (B&M) merchants, will boost their revenue in FY20 by Rs. 10,000-12,000 crores (US$ 1.39-2.77 billion).
- India's direct selling industry is expected to be valued at US$ 2.14 billion by the end of 2021.
- E-retail has been a huge leap during the pandemic.
- E-retail market is expected to grow to US$ 120-140 billion by the end of the year 2026, growing at 25-30 percent p.a. over the next 5 years.

- Though there are many challenges in the form of inflation, economic volatility still the Indian consumption figure is robust.
- It is mainly influenced by affluence, accessibility, awareness, and attitude, household consumption stood at Rs. 130-140 trillion (US$ 1.63-1.75 trillion) in 2021.
- India has the 3rd largest number of e-retail shoppers (only behind China, the US).
- The new-age logistics players are expected to deliver 2.5 billion Direct-to-Consumer (D2C) shipments by 2030.

Due to the higher share of private consumption in the GDP, India is protected from the volatilities of the global economy however it also hints that a robust high economic growth in India directly transforms into a sustained consumer demand for retail products. The rising income of the middle-class population has fostered consumer demand. Due to the advent of technology we have witnessed a spur in the demand for products ranging from electronics to beauty products to food. Since access to the product has increased convenience, it has resulted in an increase in the market.

1.2 Indian Retail and E-commerce Scenario (IBEF)

- India ranked 2nd in Global Retail Development Index (GRDI) in 2021.
- In India, the retail industry employs about 8 percent of the workforce (35+ Mn) and contributes more than 10 percent of the nation's GDP. By 2030, 25 million additional jobs are anticipated to be created.
- Indian retail market is poised to reach $2 Trillion by 2032, spurred by socio-demographic and economic factors such as increased urbanization, rise in income, and nuclear families.
- The Indian e-commerce industry is expected to cross the $350 Bn in GMV by 2030.
- Indian e-commerce industry is expected to cross the $350 Bn mark by 2030, growing at a CAGR of 23 percent.
- The Gross Merchandise Value of the Indian e-commerce market was estimated to exceed $55 billion in 2021. It is anticipated to reach a gross merchandise value of $350 billion annually by 2030.
- Online customers in India are poised to reach 500 million dollars in 2030 from around 150Mn in 2020 which is a considerable leap.
- India's digital economy is estimated to reach $800 billion by the year 2030.
- India is set to become the 3rd largest online retail market by 2030, with an estimated annual gross merchandise value of $350 Bn.

1.3 India's GDP Figures (Indian economic survey-2022-2023 and IMF report)

- India is the world's 6th largest economy (nominal GDP), and 3rd largest by Purchasing Power Parity (PPP).
- Due to the Covid pandemic, India's economy suffered during 2020, with the current GDP witnessing a negative growth of ~1 percent.
- India's GDP growth is poised to remain robust in FY24.
- Economic growth to be boosted by the expansion of public digital platforms and measures to boost manufacturing output.
- In the year 2021, the GDP grew ~9 percent year on year, overcoming pre-Covid levels and it is expected to grow at a 9.4 percent CAGR during the current year 2022-27.
- India's real GDP is expected to grow at 7.4 percent in the year 2022.
- India's Per capita income has almost doubled to Rs.1.97 lakh (US$ 2,400) in the last ten years.

2. Background

The robust evolution of the retailing landscape has challenged retailers to operate in a highly dynamic and customer-driven and owned market. They are expected to continuously adapt to the changing and evolving expectations of consumers in order to retain them.

From the times of Industrial Age departmental stores to modern-day multi-channel, ubiquitous marketing environments, the evolution and rise of retail business continue to change drastically still the concept where a customer is given top-most priority with the famous adage "customer is king" seem to persist. We will learn the evolution of retail through the parameters of convenience while the shopping and marketing approaches are being deployed,

2.1 Convenience

Retail as an organized industry initiated in the 18th and 19th centuries with the rise of covered markets, specialty shops, and departmental stores. The concept of catalogues gave the opportunity to shop from home for the first time in the late 1800's. When their catalogues arrived. In the 1990's, retail stores allowed consumers to view and buy items through online. Earlier, this was seen with doubt and avant-garde concept, however, online retail has now evolved into a vital channel. The concept of e-commerce grew in the early 2000's, retail wars looked upon as brick-and-mortar shops against the evolving online retailers. The ensuing battle has long since ended, as most retailers now deploy cross-channel retail strategies to reach targeted

customers both online and in physical modes. In fact, with the concept of hybrid technology where consumers no longer perceive a distinction between online and offline shopping. Shopping has become ubiquitous, and people are able to use smartphones to complete transactions in the moment, whenever they are required to make a purchase. The availability of product information and online reviews, and shopper and attitudes now-a-days have been influenced accordingly. Retailers can now customize their product offerings based on the knowledge of a customer's location and mobile device. This facility allows retailers to provide offers that are best suited to the customer. Retailers who use Omni-channel retail strategies to use this data effectively are able to deliver relevant and useful suggestions to the customers.

2.2 Marketing

At the onset retail marketing was limited to signage and packaging, During the Industrial Revolution, merchants started using direct mail, catalogues, and sometimes salesmen to increase awareness among the customers. The concept of 'celebrity marketing'- was being practised by giving products for free to members of the nobility in order to receive publicity and raise the product's prestige. With the evolution of the retail market, retailers stressed upon the 4Ps concept – Product, Price, Place, and Promotion, to sell their products. Apart from it retail marketers also used their personal credibility, and goodwill to get customer loyalty which in turn helped them to understand more about the customers. Elements of marketing communications like Billboards, and Magazine ads were deployed.

Senco Jewellers, Haldiram, Ganguram to name a few shops from different fields used their credibility to establish rapport with the customers.

In modern-day big data is driving changes in the way retailers' approach consumers today. The use of data with customer preference information through CRM, demographics, and location data empowers retailers to mitigate large customer segments into relatively smaller segments. Segmentation of customers has facilitated retailers to create Omni-channel retail strategies, with more targeted and precise advertising that caters to the needs and experiences of targeted segments. Customers are empowered with useful and actionable information about products, pricing, and competition, and they also want retailers to know them as well.

Some merchants are also using their data for cross-selling, which results in more successful email marketing through targeted product recommendations and retargeting.

3. Objectives of the Study

3.1 To highlight the new avenues of retail.

3.2 To identify the drivers influencing consumer purchase.

3.3 To explore the role of online branding in the retail landscape.

4. Review of the Literature

Retail marketing disruption have been spurred by amalgamations of factors that have resulted in a change in the marketing environment, a change in the physical forms and shapes of retailing, given our role as consumer researchers, in a fundamental change in the consumer experience.

Mobile is of great use in the consumers' shopping journey. Retailers had to introduce mobile websites as well as apps to enhance consumer convenience, experience and create increased engagement. In addition to retailer apps, there are apps associated with loyalty programs that provide tiered benefits related to status. (Wang, Krishnamurthy, and Malthouse, 2018).

Poja Sham et al. (2019) stated in their research paper that one resource that e-retailers are using to provide more individualised services is logistics, which provides flexible order fulfilment and a range of product delivery alternatives. One of the services which shoppers find attractive in terms of online shopping is last-mile delivery which includes shipment tracking, in-store pickup, deliveries during specific time slots, free delivery, and same day delivery.

Online buyers place a great emphasis on flexible and quick deliveries. As a result, it has been shown that online customers place a high value on last-mile delivery. PwC´s Global Consumer Insight Survey (2018).

Kleinlercher et al. (2018) studied the effects of integration of information by considering the retailer's online website as a source of information hub about the store. They examined how this integration affects channel switching to the store and highlighted that these effects depend on the type of information cues. It also stressed the fact that online medium is required to attract customers even to physical stores.

Modern-day customers are holding the retailer responsible and are expected to be apt in customer care. It is due to the fact they are empowered with the required information (Liu 2018).

One of the features of the smartphones is the capability they provide shoppers to enter and update a digital shopping list (now-a-days they use WhatsApp to make the purchase list) Huang and Yang (2018) examine how traditional handwritten shopping lists differ from that of digital lists.

Across three studies, their research identifies three key in-sights.

- First, they find support for their prediction that paper shopping lists include more products than digital shopping lists and that the products on paper shopping lists are generally less hedonic than those on digital shopping lists.
- Second, the authors find that shoppers with a paper shopping list made more planned purchases than those with a digital shopping list.
- Third, digital list shoppers made more unplanned purchases than paper list shoppers.

5. Literature Gap

From the above literature review, it has been identified that the above researcher have not thrown much light on the evolving newer market that comes under the ambit of retailing. Moreover, the drivers of modern-day retailing like the application of smartphone and online brand community has not been discussed in an elaborate way by the above researcher. Therefore, this paper attempts to highlight and discuss in detail the above gap in the evolving retail scenario.

6. Research Methodology

We have ensured to highlight the data as and when we mention any facts or our view points. We have totally relied on the authentic secondary data being published by reliable sources.

7. Key Drivers in the Evolving Retail Landscape

7.1 Smart Phone and Retailing

In today's context, the retail customer experience should be seamless while shopping online, visiting a store, or resolving any issue. We can see that all of these channels diligently involve smartphone to varying degrees; sometimes while customers go for price comparison or to check product reviews, go for purchase using an e-wallet, or receive personalized promotion offers via SMS or through different social media channels. With the usage of smartphone, customers are laden with more information. Retailers can now be more relevant and personalised, which will enhance both the website and in-store purchasing experience. This includes knowing the customer's location in real-time and reviewing recent purchase history.

Smartphone penetration: Indian Context (Global Statistics)

- 45 percent of consumers use their smartphone for price comparisons, and 65 percent of consumers have concerned apps on their phones.
- It is estimated that almost forty-seven population of our country is equipped with internet facilities.

- It turns out to be a whopping six hundred and fifty-eight million internet subscribers.
- In the year 2022, the active internet users through smart phone have reached up to six hundred and one million.
- It is estimated that the annual internet user growth rate is close to 5.4 percent.
- It is also learnt that an average Indian spends around seven hours and nineteen minutes on the internet.
- Smartphone penetration is around 46.5 percent.
- The given average broadband speed of the internet is around 47.40 Mbps, which is a sharp 32.1 percent rise if we compare with the earlier year (2021).
- Internet speed on smartphone is close to 15Mbps. It is 56 percent more if compared to the previous data.
- The estimated number of mobile connections in India is close to humongous 1.14 billion.
- As per the report, almost 82 percent of our population have got mobile connections which makes the market one of the largest and most lucrative in the world.
- Out of all the mobile connectivity we have close to 77.1 percent of customers having broadband connectivity.
- The total number of mobile apps being downloaded is around 26.69 billion In order to mitigate some of the problems being faced by the customers and also to help retailers address the growing customer's aspirations in order to improve in-store experiences, there are some notable areas where Smart phone can spur differentiation and value.

7.1.1 Empowering Sales Associates

Equipping internal employees with modern internet technologies, it would enable retailers to improve productivity, customer care service, and merchandising.

By leveraging internet-enabled smartphone capabilities, salesperson can provide better, and customised service through a plethora of means; such as the ability to check availability and locate the product for customers in a real time, or to leverage customer data to cater to customer preferences.

7.1.2 Use of AI to Facilitate Seamless Activities

The usages of intelligent cognitive systems can take retail data analytics to increase the customer experience. Using natural language processing and machine learning algorithms, AI would help make important decisions using vast volumes of fast-moving big data.

Cognitive systems learn from each customer interaction to facilitate a real-time integration of digital and in-store physical customer experience.

7.2 C2C: Emerging technology and wide usages of e-commerce avenues have influenced the development of unique types of online business communities. One of the newer types of retailing that has emerged is C2C retail which is hailed as consumer-initiated platforms or communities where people with requisite needs and the supplier come together to facilitate the exchange.

(Armstrong Soule and Hanson 2018) opine that these sorts of communities are managed by the consumer and are apart from other C2C (consumer-to-consumer) exchanges because of the stress on a single-brand versus multi-brand platform.

Armstrong Soule and Hanson (2018) also examined this evolving trend of retailing in which the customer plays the dual role of seller and buyer as well. Some of the examples of C2C are Quikr, olx, Myntra, and Flipkart.

Besides we have many unorganised and fringe players which have marked their presence through social media platforms.

C2C total revenues would be around 15 billion in 2023 US $ from 9 billion US$ in 2017 with a CAGR of almost 70 percent (Consultancy firm Zinnon-2019).

Following are the benefits of this brand community which has changed the very course of retailing.

- It has given a gateway of brand building exercise.
- The brand engagement has touched a new height.
- Personalized communication has given rise to customisation.
- Feedback is received instantly and hence grievance redressal or customer care is customer oriented.
- Marketing communication has become cost effective which in turns facilitate the low cost with a good quality.

7.3 New Market under the Umbrella of Retail

Earlier Brands have relied heavily on retailers to sell their products to customers. Retailers due to the compelling reason could not promote much since they had other products to sell also. Brands had very little opportunity to be promoted or pushed by the retailers. With the advent of website brands. Many companies like Nyka, have managed to generate good brand awareness which is reflected in the market share that they have garnered.

Nyka, net sales was 300 million. (ecommercedb)

Companies like Zomato, Swiggy gofers, etc. have prospered and can be termed as a retail company since they are catering to the end customers.

Online grocery

Online food delivery value rose from $4.82 billion in revenues in 2017 to $27.47 billion in 2022. By the end of 2027, it is expected to reach $71.62 billion. (indmoney.com)

In the year 2022, online grocery in the Indian market attained a value of nearly USD 4.8 billion.

7.4 Population Demographics and Middle-Class Aspirations

The ever-increasing middle-class population and many unexplored retail markets in India are the main alluring factors for the retail market to grow. The urban Indian consumer's purchasing power is increasing, and branded products in the clothing, cosmetics, footwear, jewellery, watches, beverages, and culinary categories, and even jewellery are gradually evolving into business and leisure that are well-liked by the urban Indian consumer. India's retail industry is anticipated to grow to a whopping US$ 2 trillion in value by 2032, (Boston Consulting Group BCG, 2022).

One out of every three Indians belongs to "middle-class population" in India with income between Rs 5 lakh and Rs 30 lakh per annum. This number is expected to double by the end of 2047, thus having two out of every three Indians placed in the category.

It is anticipated that between 2021 and 2022, the percentage of people in the middle class will increase from 14 percent in 2004–05 to 31 percent. (PRICE report, 2022). Hence by 2047, the Indian income pyramid will have a huge number of the middle class.
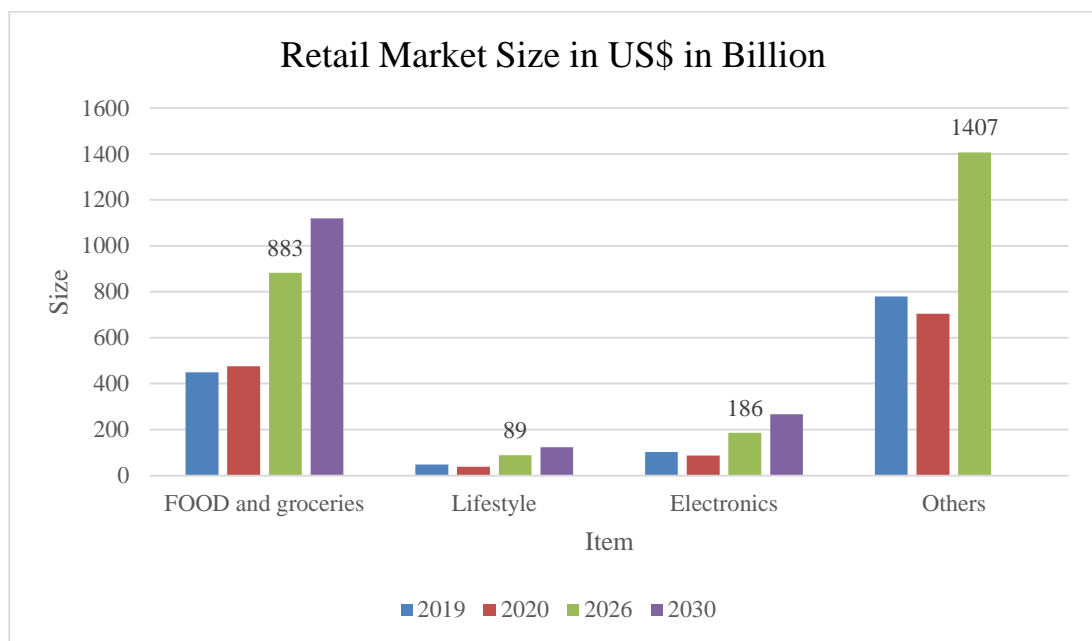
Source: Indian Brand Equity Fund, 2022

Figure 1:- Retail Market Size in US$ in Billion
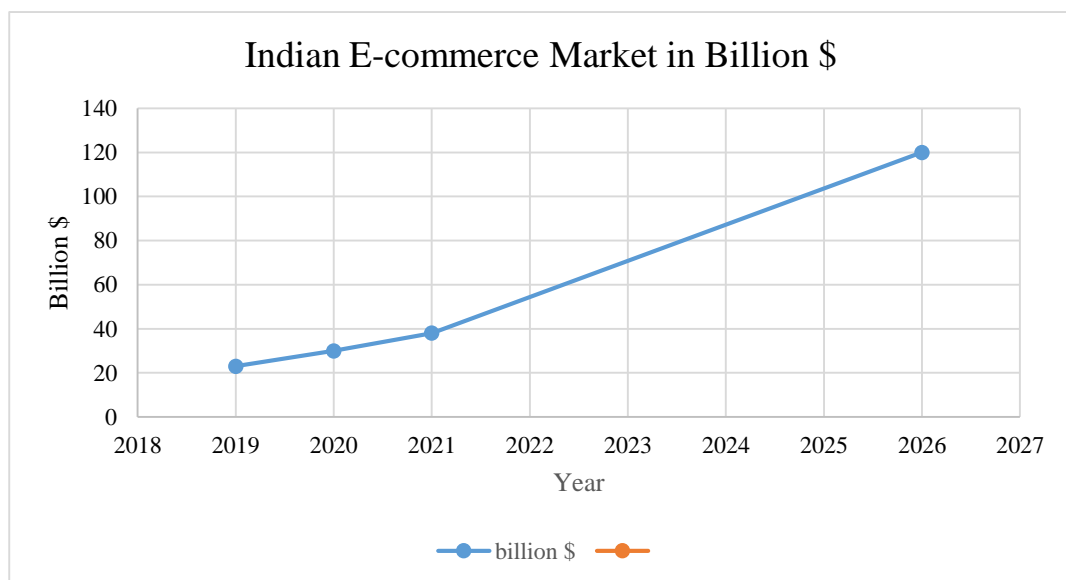
Source: Indian Brand Equity Fund, 2022

Figure 2:- Indian E-commerce Market in Billion $

9. Key Take Aways

- Rise of C2C business models.
- Increased use of the internet and smartphone abetted the growth of retail.
- Future of retail lies in customisation which is quite plausible with the use of technology.
- Middle-class population is increasing with an increased aspiration.
- Online branding has spurred the growth of retail since it has given new wings to the company where they are no longer totally dependent on their retail intermediaries.
- Distance between the company and the end customer is decreasing.
- AI would help predict the customer's customised needs.
- Many new industries are coming under the ambit of retailing like online food grocery and food deliveries.

10. Conclusion

The Indian retail industry is going through a radical change. We have the availability of digitally naïve customers who are willing to make purchase decisions provided their need is met in terms of product attributes and convenience. As technology evolves and customers continue to become comfortable shopping online, online branding will continue to prosper. It is also learnt that; marketplaces continue to drive the majority of the e-commerce order volumes. Newer avenues of retail also enjoy consumer trust, with faster deliveries that has led to a great consumer experience. The emergence of artificial intelligence has allowed the retailers to develop a marketing strategy that can give insight to consumers with personalized, customized retail offerings. One of the major changes in a retail industry involves the ability of customers to shop across online/offline channels, and as a result, retailers are able to have many touch points with shoppers. We have also seen that the online community has democratised the processes and has empowered customers with product and service information. The rise of the middle-class population enabled with smartphone and data abundance has positively impacted the newer avenues of retail Industry. Retail Industry growth would resemble the growth of the middle-class population, internet growth, technological advancement. Indian retail industry with new wings is going to grow along with the countrymen and women.

11. Suggestions

- Payment interface should be made robust.
- Tier 2 and tier 3 cities have great potential; hence efforts should be given to improve the technological infrastructure.
- The future lies in customisation which could be more effectively reached with the diligent application of AI and data analysis.
- C2C retail should be patronised since it would give rise to Homepreneurs.
- Retail players must offer integrated sales channels to give a seamless customer experience.
- Retail marketing is going to move around speed and convenience hence the players should be facilitating on these parameters.

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