

# *Total retail*

## *A change is underway*





# *Executive summary*



Would you buy a solitaire from an online store? Wouldn't you want to see it, hold it, and try it before you buy it? After all, it's expensive, and is something you will like to hand down to future generations. Does it provide you the same shopping experience as your trusted retailer's store?

Online sites such as [caratlane.com](http://caratlane.com) are changing all that. They are bringing the store to your doorstep so that you can see as well as feel the product.

An old school of thought if worthy, a shift is happening in front of our eyes and reveals the story of the emerging shopper in India.

Today, online experts help shoppers through the process along with offering a plethora of options. The customer is guided through the buying process. After the order is placed, the delivery is made on the agreed date and time. The home delivery experience is also enhanced along with service and product guarantees.

Not too long ago, online shoppers would rue about infrastructure, security, quality of delivery. Our multichannel survey shows that while most of these issues still exist, what has positively changed is the confidence on the channel and developing trust with the brands. As the smartphone and tablet become an integral part of our lives, so does the online way of shopping. Shopping is no longer a weekend experience, omni-channel has made sure it can happen 24/7.

## Customer experience is today driven by the customer

For long, retailers were driving the experience they wanted to provide to their customers. Then, along came the onliners who started changing the way shoppers shopped. Physical store-owners realised that it was a good way of beating a number of issues plaguing the industry and got on to the bandwagon. It was a good time for the shopper because now he or she could shop 24/7, at his or her own convenience because the shop never closed. What emerged was the trend of omni-channel, which is shopping through various mediums beyond the brick-and-mortar- model. However, experience across channels and mediums was not consistent because what one got online might not be available in-store, schemes were inconsistent, prices varied and to make things worse, loyalty schemes were different, if not non-existent online.

At the root of all this was the paradigm that online, in-store, access via mobile, tablets were all different channels or mediums. All these channels operated in silos and treated the customer as four to five different entities.

To add to this all, there was another phenomenon that was taking place that took retailers by surprise—social media. Social media moved the centre of gravity of the customer experience from the retailer to the customer. It was no longer the retailer who was defining what experience he or she could provide but it was the customer who was defining what experience they wanted. And therein lay the paradox. While multichannel was giving the requisite choice and convenience, it lacked to provide the integrated experience.

## Thinking Total Retail

There was a clear difference between how the retailer looked at customer experience and what the shopper wanted. To be able to bridge this gap, it was important to break the silos and create a unified experience. For too long the customer had been the subject of interest of the marketing department only. Today, technology has raised that bar. What emerged was what we at PwC call Total Retail—a unified brand story across all channels that promises a consistently superior customer experience which ensured that the marketing department is integrated with the back-office supply chain facilitated by agile and innovative technology—together which constitutes the building blocks of the next retail business model.

## Changing expectations

For too long, the customer has been of interest mainly to the sales or market research department of a retail organisation. But today, consumers empowered by technology have enormous expectations that raise the bar for every part of a retail organisation.

Our survey in India showed us that the changing behaviour of shoppers has a deep connection with emerging business models which will change the way 'total retailers' do business. In India, customers are still making up their mind on their preferred retailer, the categories to buy online vis-a-vis in-store, etc. It is not online vs in-store but online and in-store. This provides a unique opportunity for the retailers to up their act to take advantage of the first mover.

Technologies such as social media, smartphones and tablets are driving buying behaviours as never before. The customer wants customisation, transparency, access to inventory and availability of stock. While some of this might be good news to the retailer, it is easier said than done. Customisation means intelligent analytics to track and make sense of customer preferences. Access to inventory or available stock means that disparate systems that were once siloed need to start talking to each other. Consistent experience across channels means merchandising talking to marketing to back-end operations to store operations to IT as never before.

At a basic level, this also means creating apps and browsers that are consistent with all technologies on smartphones, PCs or tablets.

## Key trends

Our survey revealed key trends that the 'total retailer' will need to take note of while enhancing their customer experience.

- My favourite retailer: The customer is still deciding
- Buying pattern: Leveraging the best of both worlds
- Why do customers buy online or in-store?
- The 'social' usage of social media
- Smartphones and tablets: The game-changers

These key trends will drive the business model for the 'total retailer' and blur the lines between online and in-store. This phase of change will be led by the customer, and it might make business sense for the retailer to co-create their business model with them.

## Rachna Nath

Retail and Consumer Leader  
PwC India



# Methodology



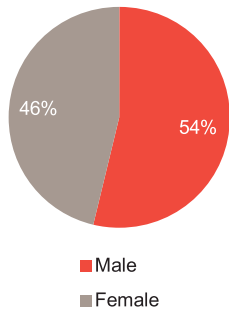
PwC's Global Retail and Consumer practice, in conjunction with the International Survey Unit (ISU), administered a global survey to understand and compare consumer shopping behaviours and the use of different retail channels across 15 territories: Brazil, Canada, China/Hong Kong, France, Germany, India, Italy, Middle East, the Netherlands, Russia, South Africa, Switzerland, Turkey, the UK and the US.

A team of subject matter specialists representing each participating territory developed the survey based on last year's survey. Research Now, an external provider, carried out the survey in July and August 2013, resulting in 1,000 completed responses in every territory.

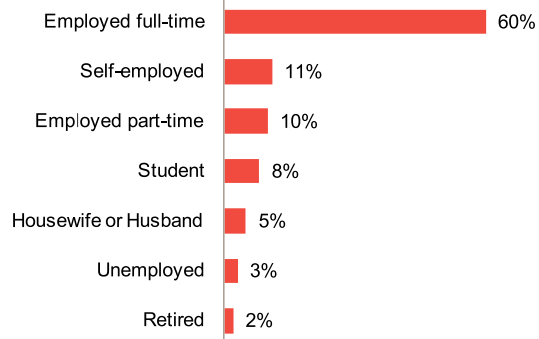
- Fifteen thousand and eighty online interviews conducted across 15 territories during July-August 2013.
- In order to survey the most appropriate audience, online survey respondents in each country are nationally representative by the Research Now (RN) panel profile or online users for the following demographics:
  - Age
  - Gender
  - Employment status
  - Region

## Demographic profile of respondents: India

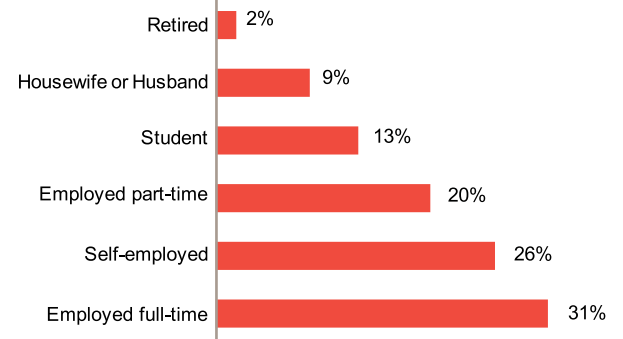
### Gender



### Employment status



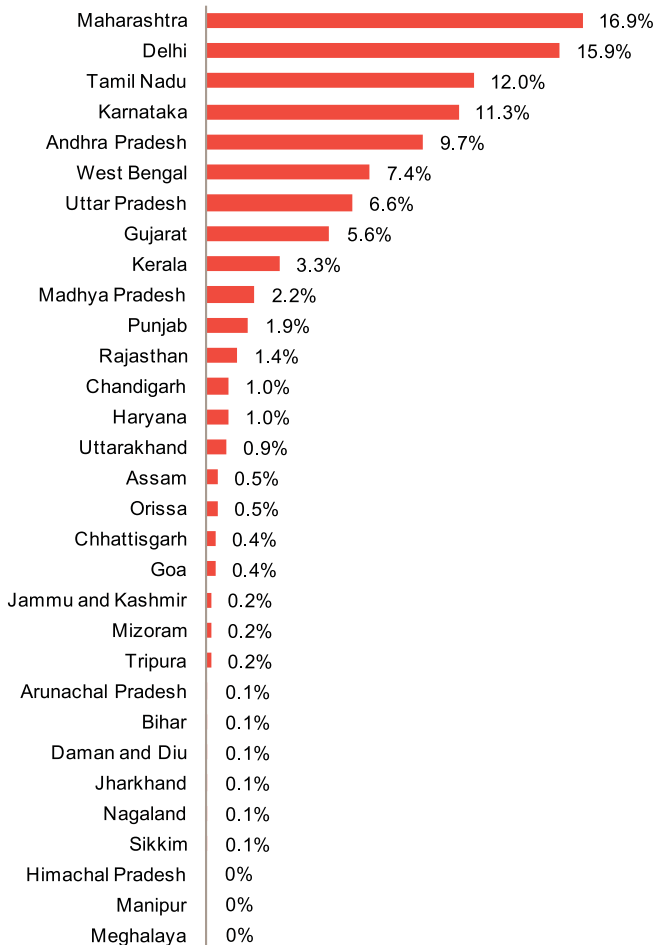
### Age



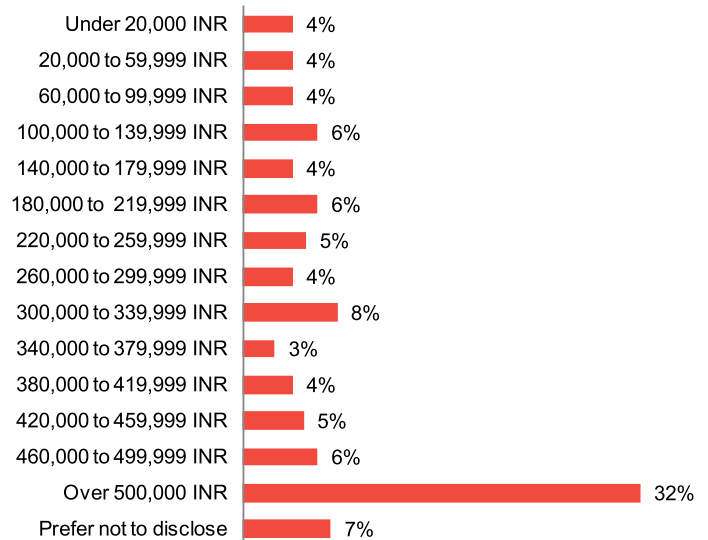
Base: 1006

## Region and household income breakdown: India

### Region



### Household income



Base: 1006  
Global Multichannel Survey 2013

# The emerging customer trends



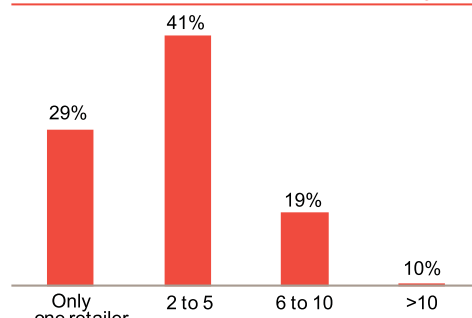
## My favourite retailer: The customer is still deciding

The Indian retail sector has come a long way from neighbourhood stores to co-existing with large formats of organised retail to consumers shopping online using PCs, mobiles, smartphones and tablets.

Customer preferences during this period have evolved and he or she is spoilt for choice. So when asked about the number of in-store retailers Indian respondents shopped with typically in the last one year, a large part of them (41%) said they have shopped with two to five players. This is similar to the number our global counterparts shopped with. However, it was the lowest among the BRIC countries where a higher number of Brazilians (50%), Chinese (54%), and Russians (52%) shop with two to five retailers.

Ninety-three per cent of our respondents placed **trust** as the top factor why they shopped from their favourite retailer or brand in-store. This was closely followed by price, merchandising and the location of their stores. A great loyalty programme was sixth in the list, with 86% placing this factor as the reason why they shopped from their favourite retailer. Clearly, what our respondents were telling us is that a good loyalty programme coupled with factors such as price, social media connect, etc were lucrative reasons to attract them to a store. However, what made them come back or **loyalty** in its true sense, only developed when retailers were able to build an element of trust.

## Respondents who use multiple digital platforms: Number of exclusively online retailers shopped with

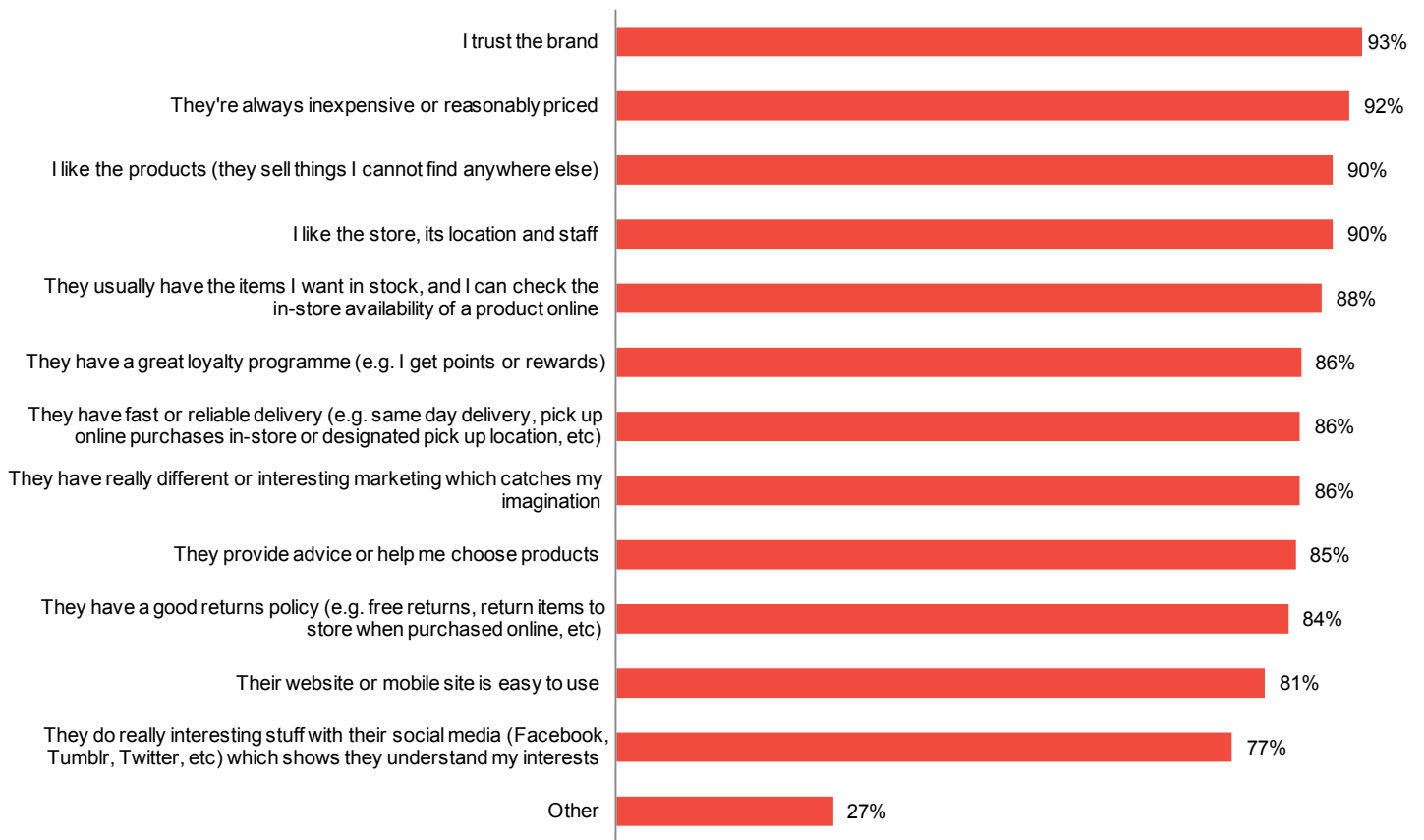


Base: 340

Note: Respondents could select whether they purchased from online retailers via their PC, tablet, smartphone or a social media platform.



## Why do you shop at your top three favourite retailers or brands?



Base: 998 Total responses selected for up to three retailers.  
Global Multichannel Survey 2013

In fact, what is interesting is that unlike their global counterparts, who usually go online to shop if the physical store closes down, the loyal Indian shopper is willing to go to the next physical store to purchase his or her product. When that is not feasible, he or she then physically goes to the next retailer present.

## What would you do if your favourite retailer closed down your local store?

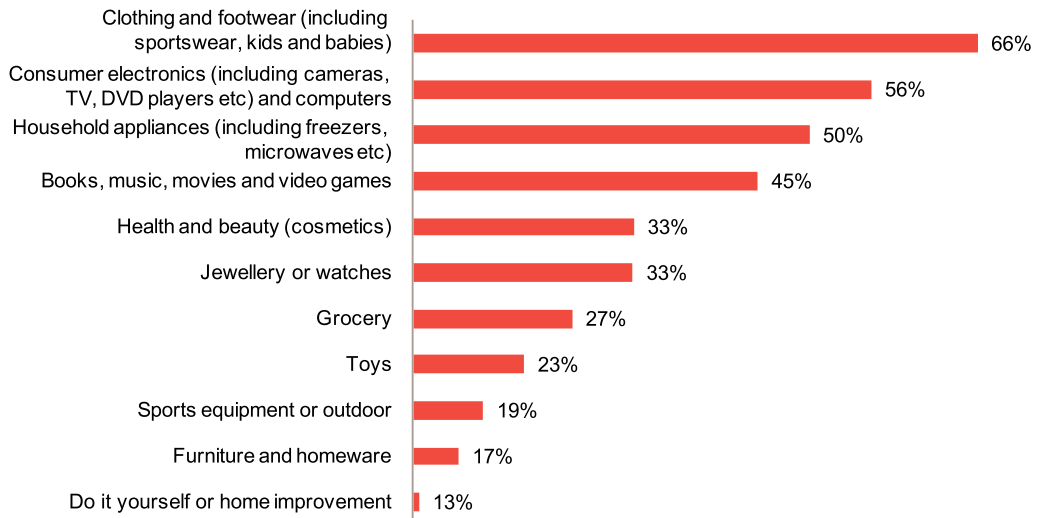


Base: 996  
Global Multichannel Survey 2013

Interestingly, when asked about the number of retailers multichannel consumers shopped with, for 29% of respondents the choice zeroed down to only one retailer. Forty-one per cent shopped with two to five retailers. Clearly, the opportunity here for retailers is to create a unified experience for shoppers across channels so as to ensure that they remain captive towards their respective stores whether online or in-store.

Our survey also showed that **brands** are increasingly acting like online retailers and customers with strong loyalty prefer buying these brands from their websites because they had a strong affiliation for the brand and the site offered a wider variety of choices as well as a better price bands.

## In each of these product categories, please indicate if you have bought directly from the brand online



Base: 908  
Global Multichannel Survey 2013

## Why do you buy directly from the brand's website?



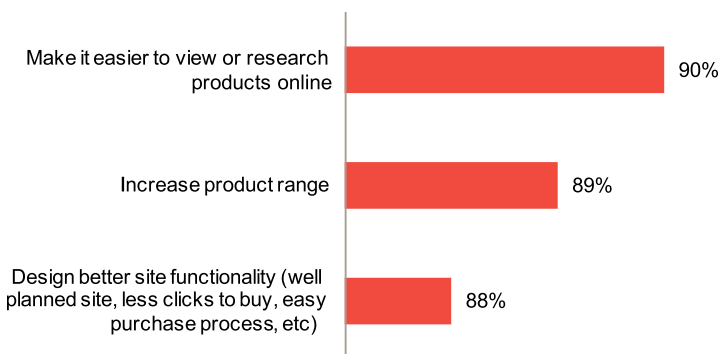
Base: 1006  
Global Multichannel Survey 2013

Whether it the brick-and-mortar format, brand sites or online only retailers, the number of retailers shoppers buy with goes up to 10. A strong 41% of our respondents said that they shop with more than 10 online only retailers. The top five retailers were as follows:

- Flipkart
- eBay
- Snapdeal
- Jabong
- Myntra

Today, shoppers want online retailers to invest in making the online shopping experience simple and seamless, following the principles of ease of use, ease of product search, more images with better quality, increased product range, easy purchase process, less clicks, etc.

## What do you wish Indian online retailers would do to make you research, browse and shop online more?



Base: 1002  
Global Multichannel Survey 2013

Customisation in order to cater to consumer requirements as well as preferences is becoming increasingly critical. Customer analytics is hence emerging as a key area of focus for retailers. Some of the online retailers we spoke to mentioned that they tracked the clicks of their buyers. A strong analytics at the back-end helped them create customised deals as well as direct promotions for these customers in **real-time**.

From two to five favourite brick-and-mortar retailers to a large number of consumers being loyal to only one multichannel to shopping with more than 10 retailers when it comes to online only retailers, shoppers in India are currently experimenting with their choices, and are yet to decide who would ultimately win their loyalty. The winner will be the one who can personalise the shopping experience and build an element of trust among consumers. Client loyalty for our respondents is about delivering what is promised and executing it efficiently. This is no way only a front-facing function, but has to be supported by an efficient back-end supply chain and delivery process. Business models hence have to be flexible as well as scalable in order to incorporate the changing customer needs, and also take into consideration the technological and supply chain requirements that need to be deployed.

### Case study

*eBay delivers personalisation to online shoppers with the introduction of the Feed, a customised home page basis the products relevant to the customer's individual interests and updated in real time.*

*Online buyers have matured from buying low-cost, risk-free items such as books and videos games to electronic personal items, to lifestyle products, and are now also buying international food items. All this has been possible since the e-commerce marketplace has been able to build an element of trust among its buyers. eBay has rolled-out its nine hour delivery services for some of its products in Mumbai. They are focussing on building their user experience and ecosystem so as to nurture and consolidate their position in the online space, since this medium is highly under-penetrated. Their payment platform, PaisaPay enables buyers to make instant payments for their online purchases, and money is released to the seller only when the buyer confirms the successful receipt of his or her item.*



## Buying pattern: Leveraging the best of both worlds

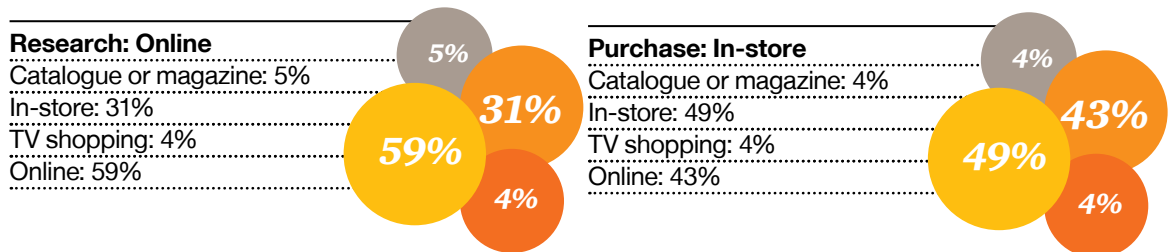
It is a known fact that customers usually research a product online and then purchase it in-store or vice-versa. The customer is hence using the best of both worlds to make their purchase decisions. In fact, this is changing the way multichannel retailers are looking at their KPIs<sup>1</sup>. For example, the KPI of the online sales head is changing his or her focus from the sales achieved online to include a sale that is being driven from the online medium.

Further, our study shows that people research and buy products from different mediums, depending on the categories. For hardline categories such as consumer electronics, home appliances, furniture and homeware buyers go through various websites in order to research the product features as well as pricing, and then visit their preferred retailers to purchase the product in-store.

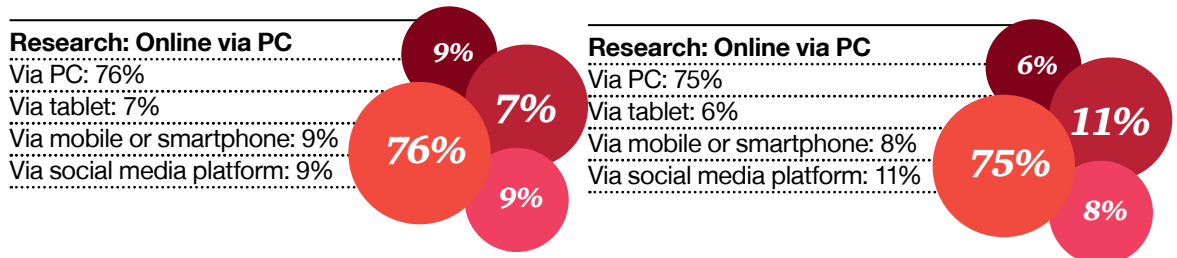
On the other hand, for softline categories such as clothing, footwear, books, music, movies and video games, consumers prefer to research as well as purchase the products online.

## Consumer electronics and computers

### Preferred purchase journey



### Online channels separated



Note: % totals may range from 99 to 101 due to rounding.  
Global Multichannel Survey 2013

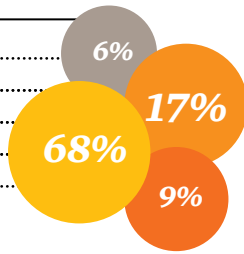
<sup>1</sup> Key performance indicators

# Books, music, movies and video games

## Preferred purchase journey

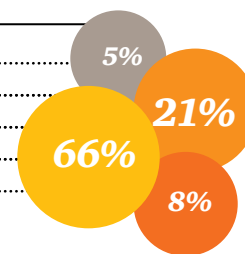
### Research: Online

Catalogue or magazine: 9%  
 In-store: 17%  
 TV shopping: 6%  
 Online: 68%



### Purchase: Online

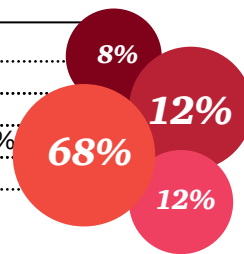
Catalogue or magazine: 8%  
 In-store: 21%  
 TV shopping: 5%  
 Online: 66%



## Online channels separated

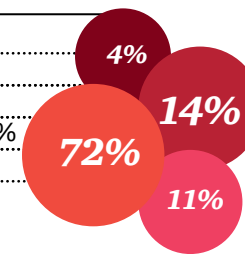
### Research: Online via PC

Via PC: 68%  
 Via tablet: 12%  
 Via mobile or smartphone: 12%  
 Via social media platform: 8%



### Research: Online via PC

Via PC: 72%  
 Via tablet: 14%  
 Via mobile or smartphone: 11%  
 Via social media platform: 4%



Note: % totals may range from 99 to 101 due to rounding.  
 Global Multichannel Survey 2013

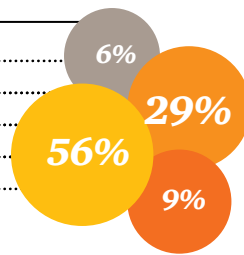
Buyers in India, are now increasingly opting to purchase product categories such as furniture and homeware, grocery and do-it-yourself or improvement items through the online medium, which traditionally were purchased in-store. This is different from their global counterparts who still have not opened to buying grocery or sports equipment items through the online medium. This is good news for the Indian retailer since it indicates an increasing trust amongst consumers towards the medium as well as the delivery system. This makes it all the more critical work upon building efficient processes into supply chain and logistics, including reverse logistics.

# Sports equipment or outdoor

## Preferred purchase journey

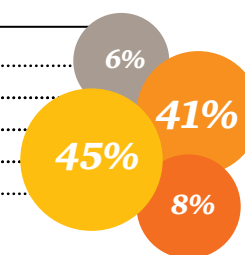
### Research: Online

Catalogue or magazine: 9%  
 In-store: 29%  
 TV shopping: 6%  
 Online: 56%



### Purchase: Online

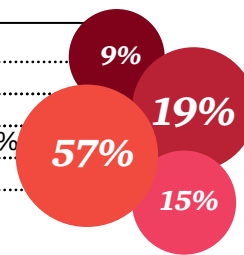
Catalogue or magazine: 8%  
 In-store: 41%  
 TV shopping: 6%  
 Online: 45%



## Online channels separated

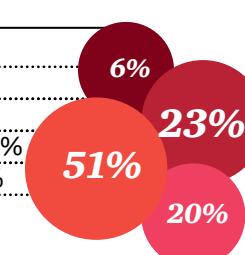
### Research: Online via PC

Via PC: 57%  
 Via tablet: 15%  
 Via mobile or smartphone: 19%  
 Via social media platform: 9%



### Research: Online via PC

Via PC: 51%  
 Via tablet: 20%  
 Via mobile or smartphone: 23%  
 Via social media platform: 6%



Note: % totals may range from 99 to 101 due to rounding.  
 Global Multichannel Survey 2013



While free home delivery continues to be the most crucial delivery option for 78% of our respondents who shop online, convenience is another important factor for them, and retailers are increasingly augmenting the home delivery model with various models of delivery or pick-up services. Free home delivery, pick-up from a convenient location, pick-up from a post-office or a delivery store, online purchases and in-store pick-ups are some of the preferred delivery options. Globally, same-day delivery is the fourth most preferred mode. Online companies such as eBay, Snapdeal and Flipkart have rolled-out initiatives such as same-day delivery for some of their category of products, and are using this as a differentiation<sup>1</sup>. Also, with the advent of Amazon lockers, order and pick-up services, customers now also have the option of picking-up their products from their lockers.

Market place	Delivery time	Cities covered	Customer charges
Amazon	24 hours	New Delhi, Bengaluru, Pune, Hyderabad, Ahmedabad	99 INR per item
Flipkart	24 hours	Bengaluru, Chennai, Delhi, Noida Hyderabad, Mumbai, Pune	90 INR per item
Snapdeal	24 hours	Delhi-NCR region	Free
eBay	9 hours	Mumbai	-

Source: News articles

## Return policy is driving purchase decision

Eighty-four per cent of our respondents mentioned that they usually shop from the top three retailers only because they have a good return policy.

For the total retailer, it is important to not only understand the channel that is driving these sales, but also the fact that customers are increasingly making their choices based on the return or exchange policies offered by retailers. While retailers have built this option into their model, it is also important to note that the customer today might not just choose to research and purchase products across myriad channels, but he or she will also wish to use alternate channels for returning these goods.

There exists an interesting correlation between product categories that are usually not bought online with the return or exchange policies offered by retailers for such products. Majority of the people interviewed for this survey opined that they prefer to return the products in-store, even when it is bought online.

The option to return a product is cumbersome, if it falls under categories such as furniture, homeware or sports equipment. Our survey shows that the preferred return mode among Indian consumers is the pick-up option at a specific time.

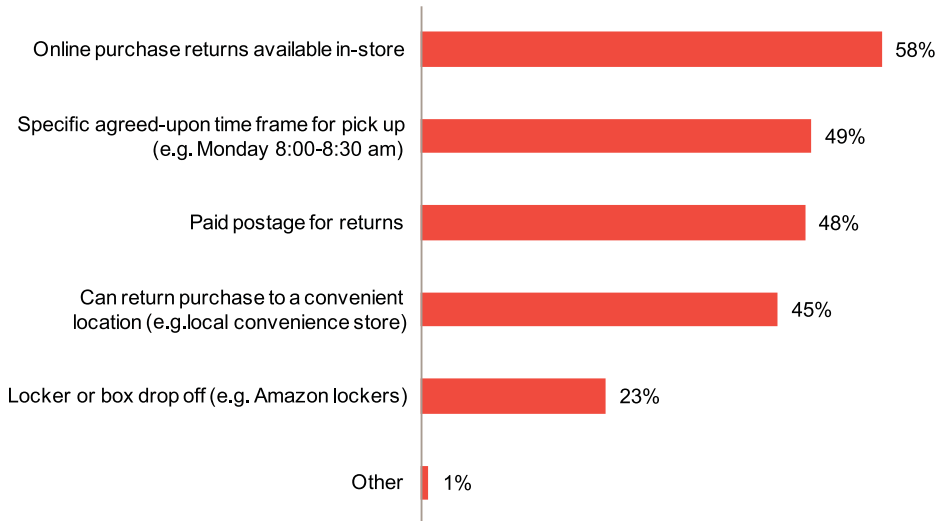
Paid postage for returns also allows the customer to experiment with new categories of products. In fact, our survey also showed that respondents preferred paid postage as an important return option.

<sup>1</sup> <http://indianonlineseller.com/tag/same-day-delivery/>



## Which are the most important return options for you while making a purchase online?

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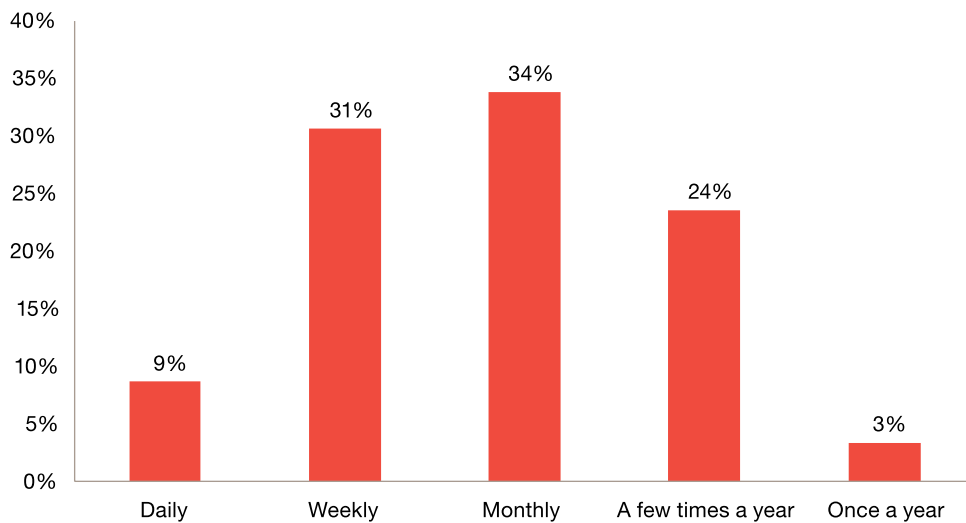
Base: 1001  
Global Multichannel Survey 2013

### Why do customers buy online or in-store?

We spoke to online retailers who said that the last 18 months has seen an increase in traffic and sales as never before. This is corroborated by our study which shows a jump in the number of times Indians are shopping through the online medium. Out of a total of 1,006 respondents from India, a majority of them (34%) opt for making purchases through the internet on a monthly basis. This resonates with the global average of 33%, but is lower than China, where 62% of respondents said that they are weekly shoppers.

Considering that this might be more than the number of times a customer usually visits a store, there is an opportunity for multichannel retailers to increase the footfall of their customers towards their stores across online or in-store formats.

## On an average, how often do you buy products online via your most used device for online shopping?



Please note: Forty-two said they never shop online  
Base: 1006

As per the Mobile Association of India, out of 17.5 million active internet users who surf the internet at least once a month, 13.6 million users opt for this medium to look up for details on products they are interested in purchasing, while 7.4 million users have actually bought a product or service online. With 17.5 million users browsing the internet and only 7.4 million actually buying online, the overwhelming consensus among retailers was that just the task of converting these browsers to buyers gives them ample opportunity for growth.

On the other hand, Indian online shoppers believe in choosing from abundance. The number of e-commerce retailers that Indians shopped from within the last one year is more than 10. This figure is way above the developed economies, where people restrict themselves to two to five retailers. For developed countries, since they restrict themselves to a lesser number of players, issues such as the online payment method or security of personal data are not a burning concern for them, unlike in India, where our survey has indicated that one of the primary reasons for consumers not to shop online is the concern over security.

In order to understand this trend, we asked shoppers what drives them to shop online instead of in-store.

Our survey indicates convenience of making a purchase from one's home as the key reason for shopping online. Ease of shopping 24/7 came to a close second. Our survey also reveals that consumers prefer the route of online shopping since it gives them access to lower prices as well as better deals than those offered in-store. They are able to research much more easily for products or deals, compare a wider variety of products, access peer remarks as well as reviews that help them make better informed decisions. This is in contrast to the global environment where the price point is the main reason why people (55%) prefer online shopping, followed by convenience in shopping experience. For other BRIC countries, it is the price factor that attracts 66% Brazilians, 59% Russians and 68% Chinese (interviewed for this survey) to the online medium.



## Case study

Shoppers Stop is looking at increasing the usage of in-store technology to enhance the customer experience. They are looking at eliminating any existing redundancies in the purchase journey of their customer such as LCD screen panels and walls for fashion tips, tablets for sales associates to help in the customer's buying process and many other initiatives.



## Why do you buy products online instead of in-store?



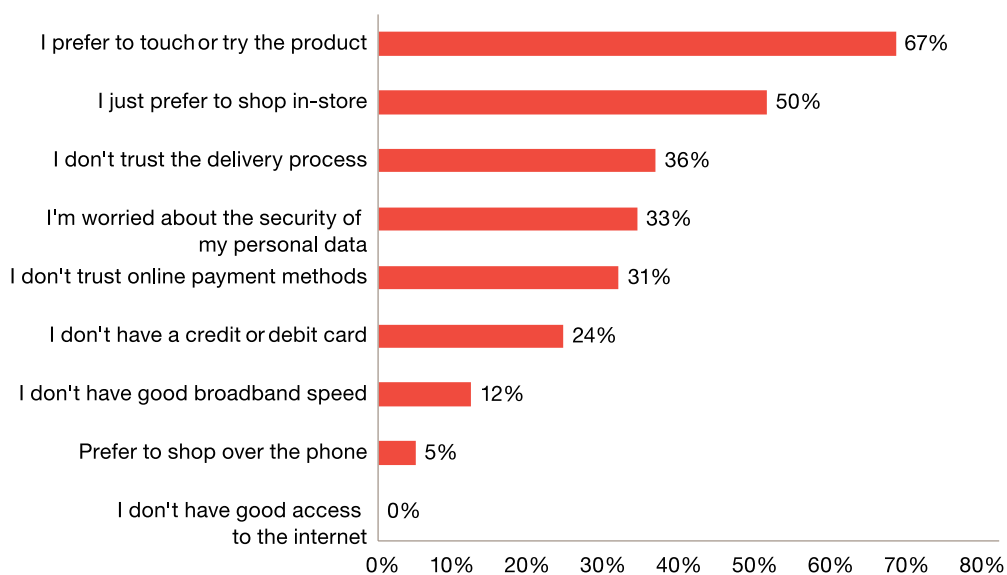
Base: 1006

Note: Respondents had to select their top three options.

While online retailers has been able to overcome the barriers of physical infrastructure and real estate, issues such as logistics and supply chain continue to be an issue. Around 36% consumers who do not shop online, do not trust the delivery process and hence do not make online purchases.

Our research shows that while buyer preference of the shopping medium is fast changing, the brick-and-mortar model still is the preferred mode for a large proportion of the people. For this group of people, physically touching as well as feeling the product was the most important reason why they prefer not to buy online. However, when asked about the technologies that they will like to see in-store, this group felt the need for advanced technologies such as video walls that show the selected product, QR codes that allow them access to additional content, mirrors than can share their pictures with friends in their stores.

## Why don't you buy products online?



Base: 42

The ability to check other stores or online stocks quickly, use of mobile phones for payments, sales associates demonstrating their alternate line of products through tablets, faster payment process through the store's online app or sales associates who can help consumers with their payments without going through the cash register are some of the other areas where customers want retailers to invest in order to enhance their shopping experience.

Respondents to our survey also mentioned that shopping at the store is their preferred medium since they are able to get their product immediately. This group feels that the return policy option of an in-store purchase is customer-friendly. The convenience of quick home delivery, even when they place their order by phone, makes them an in-store advocate. Surprisingly, like their online counterparts, the in-store group also believes that they shop in-store because they get a better deal.

There are certain categories where there seems to be not much of a difference in preference to buy online or offline. Perishable goods continue to be one such category, where the millennials and their previous generations prefer to buy in-store.

Security of personal data continues to be a concern for buyers. Not just pure play online retailers, but also those with an online portal need to be cognizant of this fact, and need to maintain constant communication with their consumers, informing them about the risk and vigilance systems incorporated in order to address this issue, and the ways in which absolute security of customer data is ensured.

While brick and mortar companies are also going online, few reasons such as the ability to be able to touch and feel products are forcing online retailers to create physical stores which can facilitate this process or create an infrastructure wherein they can take their merchandise to the doorstep of the customer. However, for the total retailer, it is perhaps not the issue of online vs in-store, but online and in-store.



## The 'social' usage of social media

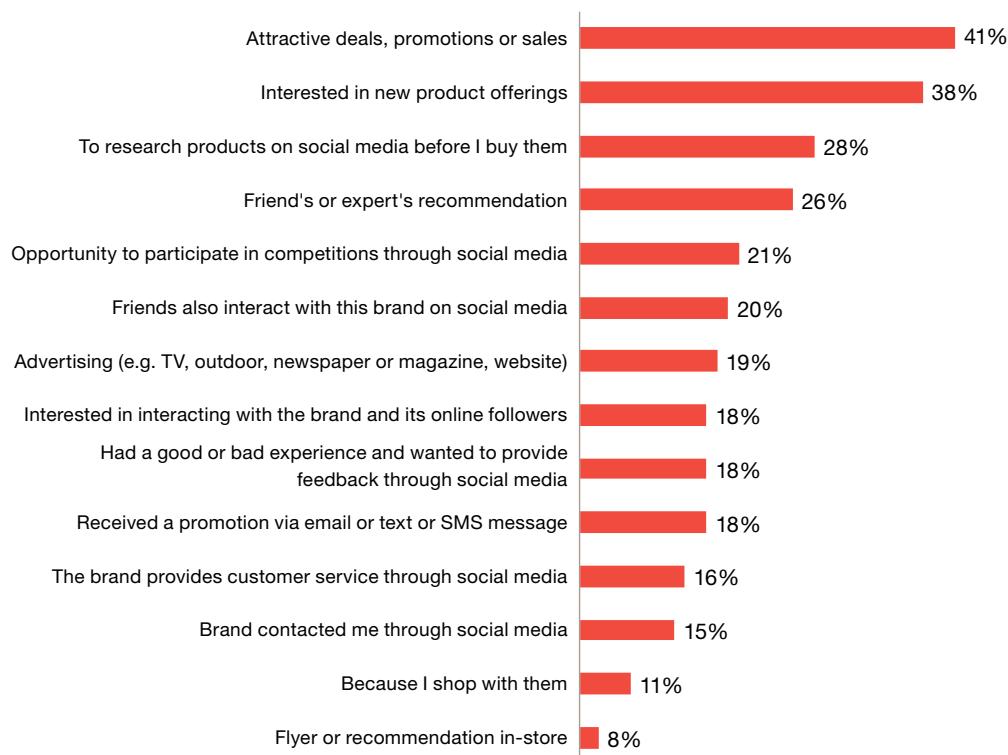
Social media today is an all-pervasive phenomenon in India. One might make the mistake of presuming that it is an urban phenomenon, but as retailers increase their reach through online stores, going beyond the metros and Tier-2 and 3 cities, the social media phenomenon also follows them. Users are increasing using this medium to express their preferences, likes or dislikes of a particular product and service.

Facebook, not surprisingly, is the most popular social network in India, and despite the country's low internet usage rates, the population is vast enough to place the nation among the top countries in terms of the number of Facebook users worldwide. eMarketer's estimates rank India on the second position globally, with 114.8 million users in 2013. Even the demographic profiling of Facebook users in India indicated that 89% were under the age of 35 years and almost half the users (48%) were aged between 18 to 24 years. Out of the Facebook users surveyed, 75% were male users while 25% were female users. After Facebook, Google+, LinkedIn, Twitter and Orkut were the most popular social networking sites in India. This strength of numbers makes it imperative for any retailer to have a strong social media strategy for their brands.

Today, social media is no longer just being used to share photographs or status updates but also to engage more with brands. People not only follow and interact with their favourite brands, but also provide their feedback for the brand to better itself. In June 2012, comScore found that social media took 25.2% of the internet users' time spent online, the largest share among online activities in India. Discovering new brands and researching about a brand are the other activities that people engage in on social media. Globally, customers typically use social media for the same reasons. Fifty-nine per cent of the global population discovered a new brand on social media.

While developing their social media strategy, retailers must take cognizance of the fact that the ease of browsing their websites, promotional offers as well as upcoming collections are all well-communicated through their Facebook page or Twitter handle. A distinguishable experience on a social media page will win new customers for a brand. In India, a couple of fashion brands now provide styling tips on their Facebook page, and that has evinced a lot of interest from their online followers. It has been observed that even when customers do not have a social media account, they still follow their brands or browse through the social media page in order to be up to date with their brands.

## What attracts you to go to a particular brand's social media site (e.g. on Facebook)?



Base: 941

Some of the most common categories for which customers will have researched, browsed or bought products using social media are clothing and footwear, consumer electronics and computers, household appliances, books, music, movies and video games. When we asked our survey participants as to what attracted them to a particular brand's website, 18% mentioned that they wanted to provide feedback on their experience with the brand.

Consumer enthusiasm for social media indicates that consumers will increasingly wish to engage, comment as well as affect change for their retailers and brands. Customers are no longer reticent about their feedback and the total retailer must have a robust mechanism of constantly interacting with the customers. Clearly, responsiveness coupled with agility will be crucial in order to create the differentiation.

### Case study

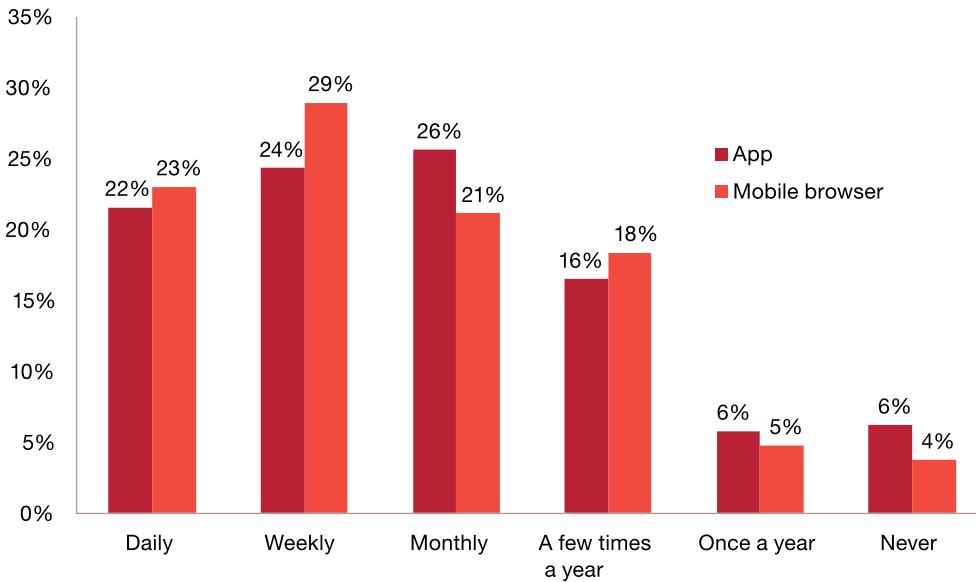
*Shoppers Stop's online website is in existence since the last four years but momentum has picked up only in the last two years. Shoppers Stop also has an extensive social media presence via its Facebook, Twitter and YouTube pages, which gives it a two-way channel to interact with its customers. In fact, Shoppers Stop has more than 5.1 million fans on its Facebook page making it the largest big-box retailer on Facebook in India.*

*While it has been observed that their customers may not use social media to actually shop online, it is an excellent medium to connect with customers, update them about all the happenings at Shoppers Stop and also receive their feedback, positive or negative. Immediate redressal and a robust escalation matrix have helped Shoppers Stop to address customer issues immediately. Moreover, social media platforms also help to drive traffic to the shoppers stop website by linking customers to the e-store.*

## Smartphones and tablets: The game changers

Talk to any retailer and chances are that they will say that the online business is an important part of their sales strategy. Smart phones and tablets are driving uptake of the online sales. This is evident from the fact that more than 60% of the survey respondents indicated that they use either the mobile app or the mobile browser version of a brand for shopping at least once in a month.

## How often do you use either an app or the mobile browser on your mobile or smartphone for shopping?



Base: 691

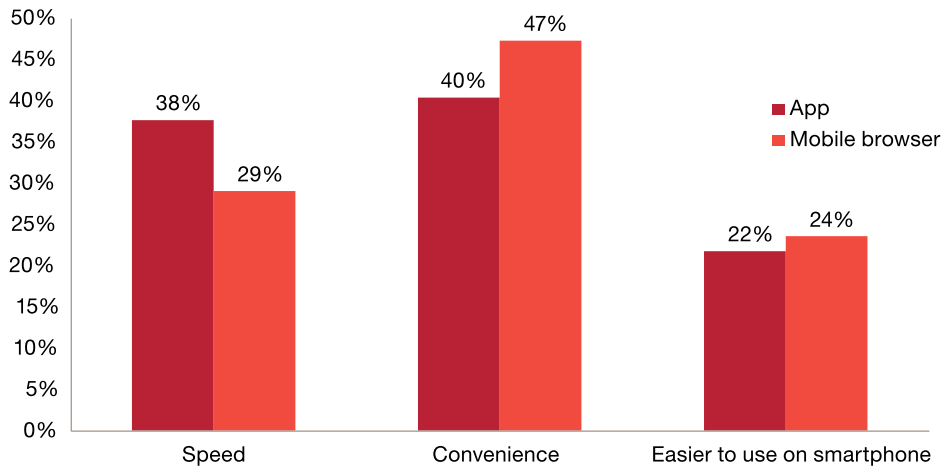
The survey also indicated that comparing prices with competitors (70%) and researching the product before making a buying decision (61%) as the top two reasons for the Indian customer using smartphones for online shopping.



## Mobile app vs mobile browser: Where does the retailer invest?

Our survey also has revealed that in India, customers use both the mobile app as well as the mobile browser on their smartphones for shopping. It was interesting to note that there is only a marginal difference in customer preference for the mobile app as against the mobile browser for mobile shopping. This preference is more due to reasons such as speed (38% for apps as against 29% for the mobile browser), whereas the convenience factor scores more for users of the mobile browser (47% as against 40%).

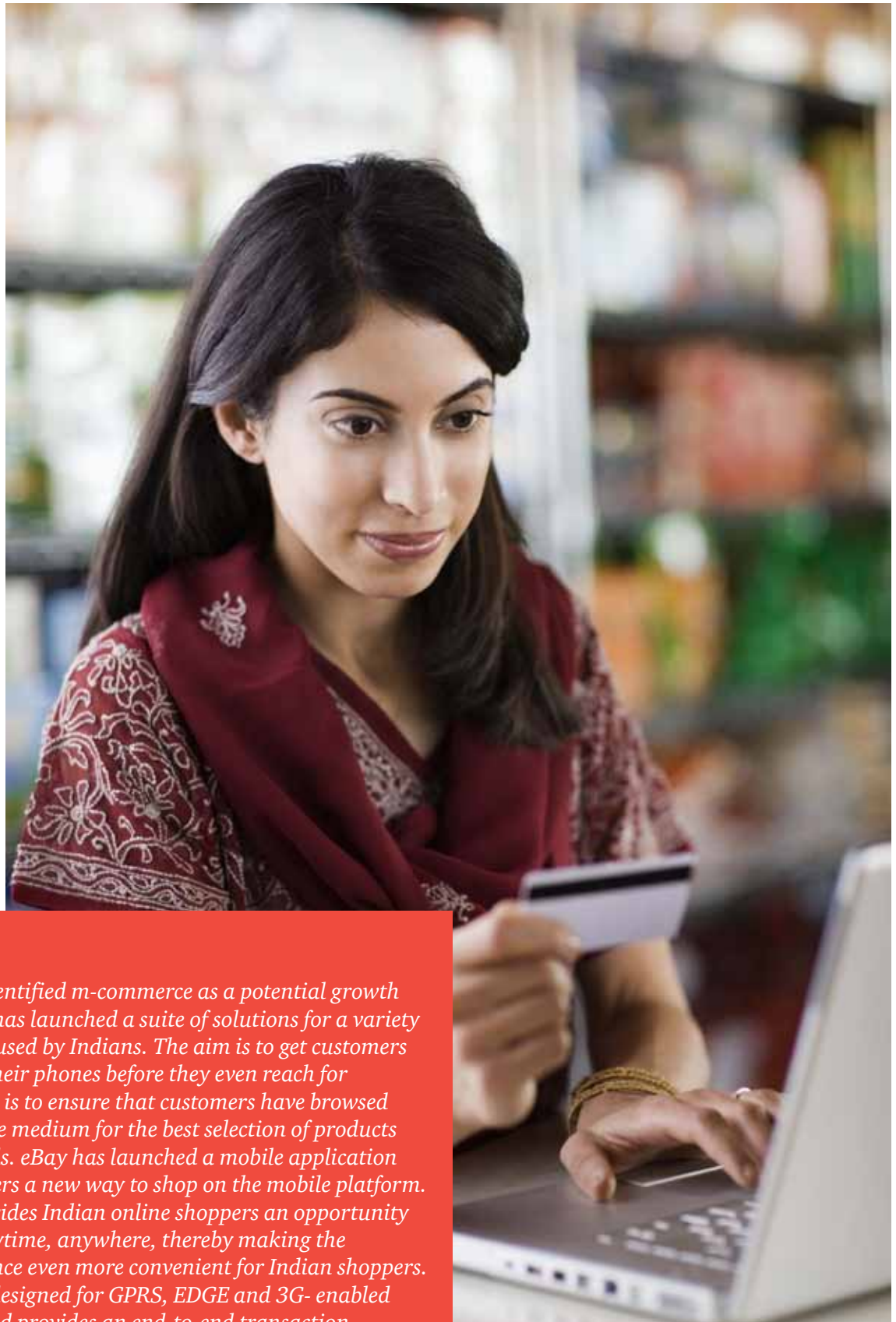
## Why do you prefer an app or a mobile browser over the other?



Base (app): 623 Base (mobile browser): 636

The number of retailers Indians shop with online is far greater than those in the other developed countries. This can be due to the fact that in India online retail is still in the 'norming' stage and buyers' preferences are still developing. With time, as the buyer moves from 'I prefer this retailer' to 'I am loyal to this retailer', we will see them move from browsing on mobile sites to using apps. We are already seeing this trend for travel and ticket booking sites. Along with the merchandise and schemes available on sites, the key differentiator will be the ease of use and the navigation tools available for users on these sites.

Again, for the total retailer, it will be important to focus on both their mobile app as well as browser strategy, and weave in factors such as convenience and ease of use as well as navigation in order to ensure that the customer returns the next time.



### **Case study**

*eBay India has identified m-commerce as a potential growth opportunity and has launched a suite of solutions for a variety of mobile devices used by Indians. The aim is to get customers to reach-out for their phones before they even reach for their wallets. This is to ensure that customers have browsed through the online medium for the best selection of products and lucrative deals. eBay has launched a mobile application which gives its users a new way to shop on the mobile platform. M-commerce provides Indian online shoppers an opportunity to access eBay anytime, anywhere, thereby making the shopping experience even more convenient for Indian shoppers. Its mobile app is designed for GPRS, EDGE and 3G- enabled feature phones and provides an end-to-end transaction platform for consumers to search, buy and pay for products online. The company has introduced a suite of mobile apps for the iPad, iPhone, Windows, Nokia as well as Android, thereby allowing users to shop conveniently from their mobile devices.*

# The emerging retail business model

In today's environment, retailers face many hurdles to growth, ranging from value-conscious shoppers to hard-to-crack delivery requirements to providing a satisfying shopping experience. The key therefore, is chalking out a business model that provides actionable information.

In PwC's 17th Annual CEO Survey released this year at Davos, 91% of CEOs said that they were already working on their customer strategy or that it was currently underway. Eighty-one per cent identified technological advancements as the top three global trends. They recognise the fact that change is taking place at a rapid pace. A third of them are pinning their hopes on new products or services, primarily to fuel organic growth. Most also want to improve their company's ability to innovate: eighty-six per cent aim to alter their R&D functions, while 88% are exploring better ways of using and managing big data and 90% are changing their technology investments.

However, there is a glaring gap between aspiration and action. Only 27% of CEOs have already started or completed the changes they are planning, to make their companies more innovative. Only 28% have made any headway in getting a grip on big data and only 35% have altered their technology investments.

The story is similar when we talk about the retail industry. For example, a recent study published in November 2013 indicates that most retailers are still under-investing in areas that they already know represent the future of their business<sup>6</sup>. According to the survey, 50% of retailers mention that they are currently not spending enough on the web and mobile medium, while 45% admit that they are also under-spending on areas such as business intelligence and analytics. One of the primary reason is that the business model is not agile enough to meet the fast pace of change in customer behaviour and the change that technology is bringing about, in the way they interact or wish to interact with their retailers.

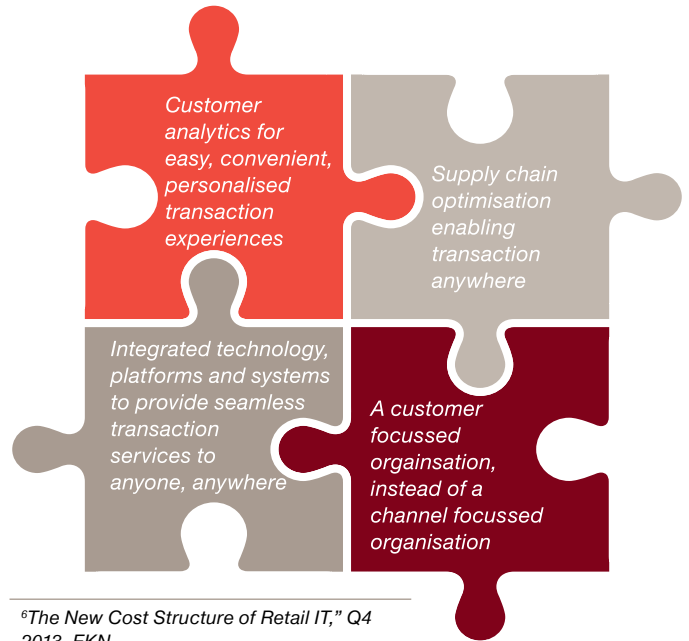
Post our survey, we interviewed a number of multichannel and online retailers who catered to customers residing in metros, Tier-1, 2 and 3 cities, and others who were targeting beyond these cities. Retailers operating in the online medium mentioned that there is enough space for everyone to play. If they were able to convert 'browsers' to 'buyers', it would get them the required leverage. This is similar to the in-store business scenario, where the retailer is constantly working on converting footfalls to business.

Multichannel retailers said they treat both in-store as well as the online medium as key channels to expand their business operations. It helped them scale-up without making any investments in real estate. While some were able to reach-out to customers located only in the metro cities, others were willing to place their bets beyond the Tier-3 cities. In the case of the latter, penetration beyond Tier-3 cities was constrained by the fact that few courier companies have a presence in such regions, since they felt that postal services might have a larger role to play to support penetration.





## Building the next retail business model



“The New Cost Structure of Retail IT,” Q4 2013, EKN

Retailers will need to manage the physical as well as the online store as a portfolio of stores. On the customer service side, managing online customers require additional amount of rigour than managing those who walk into the stores. This is accentuated by the fact that the online customer today is more proactive in sharing his or her overall shopping experience on social networking sites.

Customer analytics is a key area of focus for all retailers. Almost all respondents mentioned that they are currently analysing their customer’s buying behaviour so that they can accordingly provide customised services and almost on a real-time basis.

In the future, retailers who are successful in differentiating themselves in the market are the ones who are agile to change, can build a flexible as well as scalable business model that seamlessly integrates the front and back-end processes in order to meet customer expectations and build trust.



# About our Retail and Consumer practice

The India Retail and Consumer practice boasts of having worked with the Fortune 500 companies. Developing the market entry strategy for global companies, location assessment based on the target audience, streamlining the supply chain and distribution system, deploying IT strategy, linking the customer data using analytics, managing the inventory and ensuring a delightful experience for the customer are among the gamut of services that we offer our clients to help them in their journey to success.

Our clients in the R&C goods sector operate in different formats ranging from supermarket chains to food and beverage manufacturers and from luxury goods retailers to consumer packaged-goods manufacturers, and agribusiness companies.

PwC's globally renowned technical expertise, its unsurpassed tax capabilities, 19,000 professionals in 118 countries serving the R&C companies, and the fact that it hosts the best talent worldwide makes it the best choice to help you overcome every challenge and optimally utilise all opportunities.

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