THE BOSTON CONSULTING GROUP

Confederation of Indian Industry

CII National Retail Summit: 2016

RETAIL TRANSFORMATION: CHANGING YOUR PERFORMANCE TRAJECTORY

January 2016

The Boston Consulting Group (BCG) is a global management consulting firm and the world's leading advisor on business strategy. We partner with clients from the private, public, and not–for–profit sectors in all regions to identify their highest–value opportunities, address their most critical challenges, and transform their enterprises. Our customized approach combines deep insight into the dynamics of companies and markets with close collaboration at all levels of the client organization. This ensures that our clients achieve sustainable competitive advantage, build more capable organizations, and secure lasting results. Founded in 1963, BCG is a private company with to 82 offices in 46 countries. For more information, please visit bcg.com.

The Confederation of Indian Industry (CII) works to create and sustain an environment conducive to the development of India, partnering industry, Government, and civil society, through advisory and consultative processes.

CII is a non-government, not-for-profit, industry-led and industry-managed organization, playing a proactive role in India's development process. Founded in 1895, India's premier business association has around 8000 members, from the private as well as public sectors, including SMEs and MNCs, and an indirect membership of over 200,000 enterprises from around 240 national and regional sectoral industry bodies..

In its 120th year of service to the nation, the CII theme of Build India - Invest in Development: A Shared Responsibility, reiterates Industry's role and responsibility as a partner in national development. The focus is on four key enablers: Facilitating Growth and Competitiveness, Promoting Infrastructure Investments, Developing Human Capital, and Encouraging Social Development.

With 66 offices, including 9 Centres of Excellence, in India, and 8 overseas offices in Australia, Bahrain, China, Egypt, France, Singapore, UK, and USA, as well as institutional partnerships with 312 counterpart organizations in 106 countries, CII serves as a reference point for Indian industry and the international business community.

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Context

Foreword

Retail industry in India is large and has shown steady growth over the last few years. The industry is undergoing a fundamental change. Today's business environment is characterized by rapid, extensive change and unpredictability. The combined effects of demographic & economic shifts, the emergence of digital—both in the form of a sales channel as well as proliferation of digital media, will have a profound impact on the industry. Against this backdrop, it is imperative for retail companies to transform themselves to change their current performance trajectory. The cost of inaction would be very high and for some, not transforming may no longer be an option. The visible signs for an urgent need for transformation are slowing consumer traction, flat sales, proftiability lower than industry peers, low employee engagement and an eminent threat from new entrants

In this report, by the Confederation of Indian Industry (CII) and The Boston Consulting Group (BCG), we highlight how a transformation effort that can change the performance trajectory of a company can be undertaken. Three priorities emerge –*Winning in the medium term* to establish competitive advantage through strategic/ structural moves, *Rapid cash release* in the short term from current business to fund the journey and *building capabilities* to be future ready. In this report, we have incorporated inputs from leading CEOs on the key trends impacting the industry, and have leveraged proprietary data and research conducted by BCG.

We would like to take this opportunity to thank all the members of CII National committee of retail for the year 2015-16 for their valuable contribution and providing input for this report. We hope you find this report interesting and informative for your businesses.

Shashwat Goenka
Chairman, CII National Committee on Retail 2015-16
& Sector Head, Spencers Retail,
RP Sanjiv Goenka Group

Abheek Singhi
Head Asia Pacific, Consumer Goods and Retail
Senior Partner and Director,
The Boston Consulting Group

Executive Summary

The overall retail market in India is estimated to be ~630 Bn USD in 2015. The organized market is estimated to be 9-10% of the total market i.e. ~ 60 Bn USD. The sector has grown at ~12 % over the last decade and going forward we expect growth to be moderately higher. We expect the retail market to be 1100-1200 Bn USD by 2020, of which organized retail could be potentially 140-160 Bn USD.

The overall growth would be driven by significant demographic shifts: 70% increase in income levels, 100 Mn youth entering the workforce, increasing nuclearization & 35% of Indians living in urban centers.

In the last few years, retail has been one of the top performing sectors globally from a shareholder returns perspective. However, in India, retail lags other sectors on key metrics of profitability and return on capital. Our analysis of the top 10 companies in key sectors, shows that the average profitability in retail is lower by 300-500 bps and return on capital employed by 500-1000 bps vs other sectors. The same comparison also indicates Indian retailers deliver lower returns when compared with global peers.

The sector performance is shaped by

- ***Value conscious, digitally connected consumer***, who demands lower prices and is getting increasingly digitally influenced.
- ***Supply side economics***: Lower margins relative to global peers driven by lower salience of organized retail and higher rents
- ***Competitive landscape*** Strong value proposition and low cost model of traditional retailers; Emergence of E-commerce as "new competition "
- ***Regulatory barriers***: Ability to attract capital, running a cost efficient operation and ease of doing business constrained by regulation, both at the Center and the State level

The one big trend that would shape the industry is the increasing expectations for retailers to provide a true all-channel experience

By 2020, we expect

- ~650 Mn consumers will be online, of which 350-400 Mn consumers would be "digitally influenced" in retail categories
- E-commerce market to grow to 45-50 Bn USD online. There could be a potential upside with active steering by the supply side
- The drivers of buying online would not be just price but convenience, availability of a relevant, wider variety. In Tier 2 towns, the relevance of variety would increase, driven by lack of options in organized retail
- Pure-play online players would continue to grow and strengthen their business models and capabilities. Retailers who are able to build strong capabilities in omni-channel would be better poised to win vs pure play in most categories

However, the growth for organized retail is not a given. The size and profitability of the opportunity would be driven by both some external uncontrollable factors but also by the actions of the players themselves

In order to realize its full potential, it is imperative for players to act on multiple fronts simultaneously. It is critical for senior leadership to craft a large scale transformation agenda to stay relevant and win in the market place. Senior leadership effort to drive this large integrated change is imperative. Our research suggests that 2/3rds of such efforts do not meet desired results due to lack of senior leadership commitment.

A typical transformation journey is examined through three lenses:

- ***Win in the medium term***: Identify what the consumer really wants and build the consumer proposition and aligned operating model. This requires a recrafting of the operating model elements, categories, formats and building new revenue streams
- ***Fund the journey***: Generate cash from core operations to support investments to pursue mid term goals
- ***Enabling the transformation***: Invest in organization and build new capabilities to improve efficiency, productivity and improve morale

Winning in the medium term

Winning in the medium term entails the following levers

- ***Sharpen / Reinvent core proposition***: Winning retailers identify and sharply target a set of shopping spaces—defined as an intersection of shopping mission and demographic elements (income, age, location). These winners provide a superior consumer proposition in the prioritized shopping spaces and align their operating model elements to offer a consistent consumer value proposition and experience
- ***Win with the omni-channel consumer***: Whilst omni-channel is a buzz word today, retailers are not very clear on what to offer (and why) and its impact on the overall economics.

  Retailers need to take a strategic view of the opportunity and be clear on their aspiration: Potential revenue (& profit pools), right to win vs pure plays, brick & click propositions and take a de-averaged view by category. Retailers need to then lay out a clear path on how they would evolve. Finally, retailers would need to build a new set of capabilities through both organic and inorganic routes
- ***Customer advocacy***: Conventional media is getting less credible as sources of recommendation. Creating strong advocacy by leveraging the right advocates (~2% of the customer groups), focusing on the drivers for advocacy has proven to be far more powerful

Fund the journey

Companies need to examine three levers to fund the journey.....

- ***Pricing and promotion Optimization***: It is critical to take a holistic approach that ensures that the overall perception of pricing is in line with the banner proposition, and simultaneously monetize opportunities to balance growth and profitability.
- ***Margin enhancement through COGS reduction***: Given lower profitability and margins compared to global peers, Indian retailers should take a structured playbook approach to COGS reduction using a set of levers that are accretive in short and long term.
- ***Retail execution excellence***: Relentlessly execute against key dimensions: customize merchandize to catchment, efficient supply chain, deliver an in-store experience consistent to banner proposition, allocate space effectively and run effective localized campaigns

These moves create significant cash release for the company to fund its medium term aspirations and strategic bets

Enable the transformation

To make the transformation a reality, senior leadership needs to build organization capabilities across the following dimensions

- ***Creating talent pools across the organization***: At senior level, investing early for cross functional & right experience, enabling middle managers to transition from functional experts to better leaders and right skilling at the entry level
- ***Building the capabilities for 2020s***: The winners of the future will require new capabilities—some of which retailers today cannot build easily or organically.
- ***Adapting smart simplicity principles***: Indian retailers would do well to avoid the mistakes that larger retailers in other markets have made as they grew larger. Increase in size and complexity in the marketplace led to complicated and bloated organizations. There is a need to redesign the organization to be lean, nimble and simple.

A transformation journey is long and a challenging one—it requires a strategic orientation to define the future goal posts, full organizational commitment, and execution resilience. However, results from a successful transformation exercise can change the performance trajectory and hence it is imperative that retailers put in the right effort and resources to reorient themselves to transform

Retail Landscape

Overall retail market estimated to be ~ 630 Bn USD, growing at 12-13%

India's retail market is estimated to be ~ 630 Bn USD.

We have defined retail to include the following categories

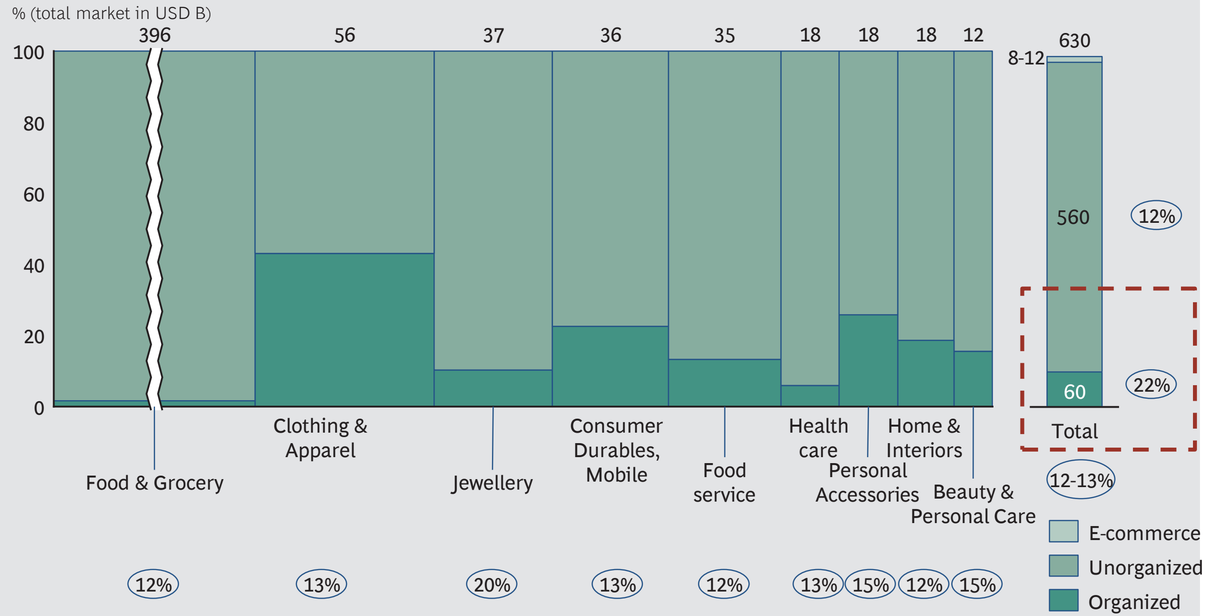
- Food & grocery
- Clothing & Apparel
- Jewellery
- Consumer Durables, Mobile
- Food service
- Healthcare
- Personal Accessories
- Home & Interiors
- Beauty & Personal Care

We estimate the organized retail market to be ~60 Bn USD and e-commerce is estimated to be 8-12 Bn USD in 2015.

For the purpose of this report, we have focused on the organized retail market. All references in subsequent pages would be to organized retail.

Between 2005-2015, overall retail industry has grown at a CAGR of 12-13% with organized retail growing at ~22%.

Organized retail market estimated to be ~ USD 60 Bn



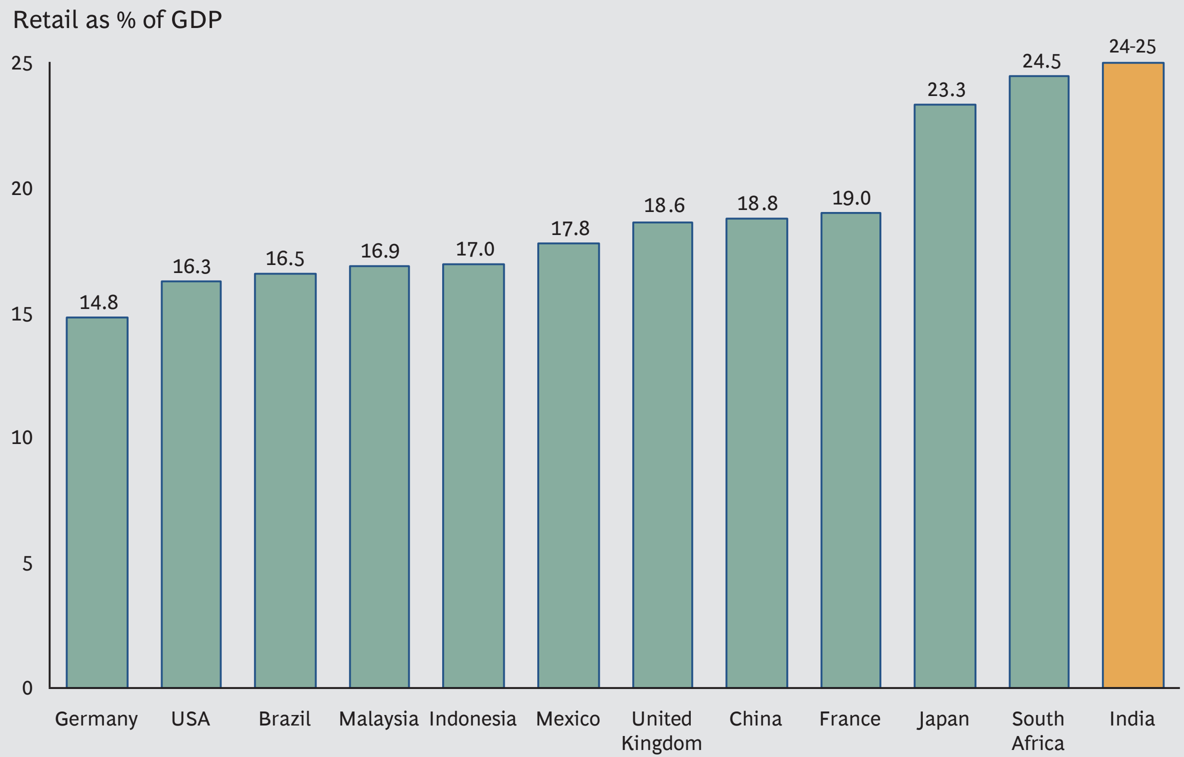
Food & Grocery includes Fruits & Vegetables, Poultry, Dairy, Pulses, Cereals, Oils & Fat, Flour, Tobacco, Spices and Sugar, packaged food, beverages, Home-care, laundry care, surface care etc
Clothing and Apparel includes menswear, womenswear and kidswear
Jewellery includes gold, diamond studded, Pearls, silver and platinum jewellery
Consumer Durables includes white goods (AC, refrigerator), small home appliances (microwave, mixer) and electronics (laptop, TV, mobiles)
Foodservice includes chain of foodservice outlets, standalone outlets and other unorganized formats
Healthcare includes medicines retailed in hospitals, pharmacy shops or even general stores
Personal Accessories includes fashion accessories, footwear, eyewear, watches
Home and Interiors includes home decore, furnishings (bed linen, upholstery, carpets) and furniture (sofa set, chair etc)
Beauty and Personal Care includes haircare, skincare, fragrances and cosmetics
USD = 65 INR
Source: Images India Retail Report 2015, Euromonitor, BCG analysis

The retail sector revenues are estimated to be ~25% of India's GDP

Retail is a large sector and an important sector for India.

The ratio of retail sector's revenue to GDP in India is amongst the highest in the world. For most developed markets, retail sector revenues are 15-20% of overall GDP, whereas for India it is around 25%.

India is over retailed as compared to other emerging economies



Source: Euromonitor.
Note: Above analysis is for the year 2014. There may be a slight divergence with India retail market size from previous page given the difference in sources.

Organized retail is a difficult business in India

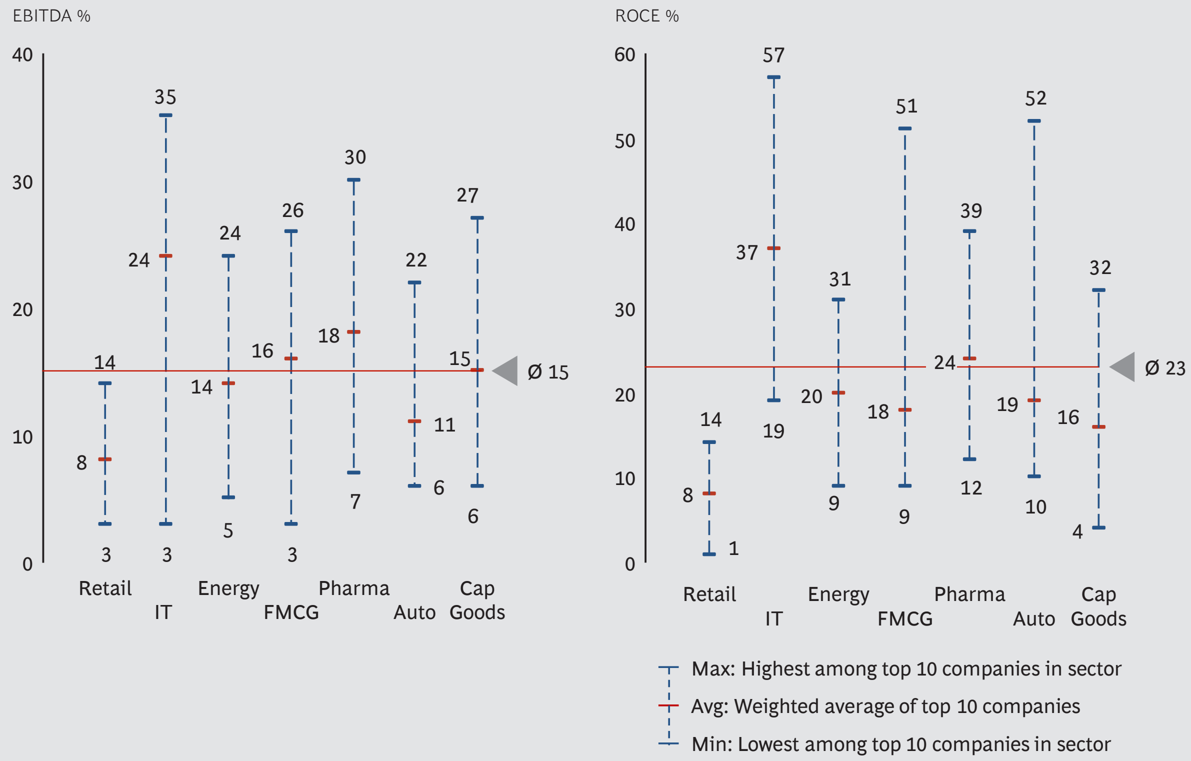
Organized retail is a difficult business in India. As can be seen in the exhibit on the right, the sector performance lags most other sectors on key metrics. In this analysis we considered the top 10 companies across a set of sectors to evaluate their performance on profitability and RoCE.

Profitability (EBITDA): The weighted average profitability of the sector for the top 10 companies is 8% and is about 6-8% lower than other sectors.

RoCE (return on capital employed): The sector has much lower RoCE of 8% vs other sectors. On an average, the sector RoCE is lower than other sectors by 8-10%.

Challenged economics (profitability) and low return on capital employed has constrained the growth of the sector.

Retail lags other sectors in profitability & RoCE



Sources: Ace equity, Value science, BCG analysis.
Note: Top 10 listed companies by revenue in each sector considered for above analysis; For retail sector, only pureplay retailers considered.
EBITDA and ROCE are 5-year weighted average numbers 3.Comparison is made with top 6 sectors by Market cap as of December 2015 excluding banks.

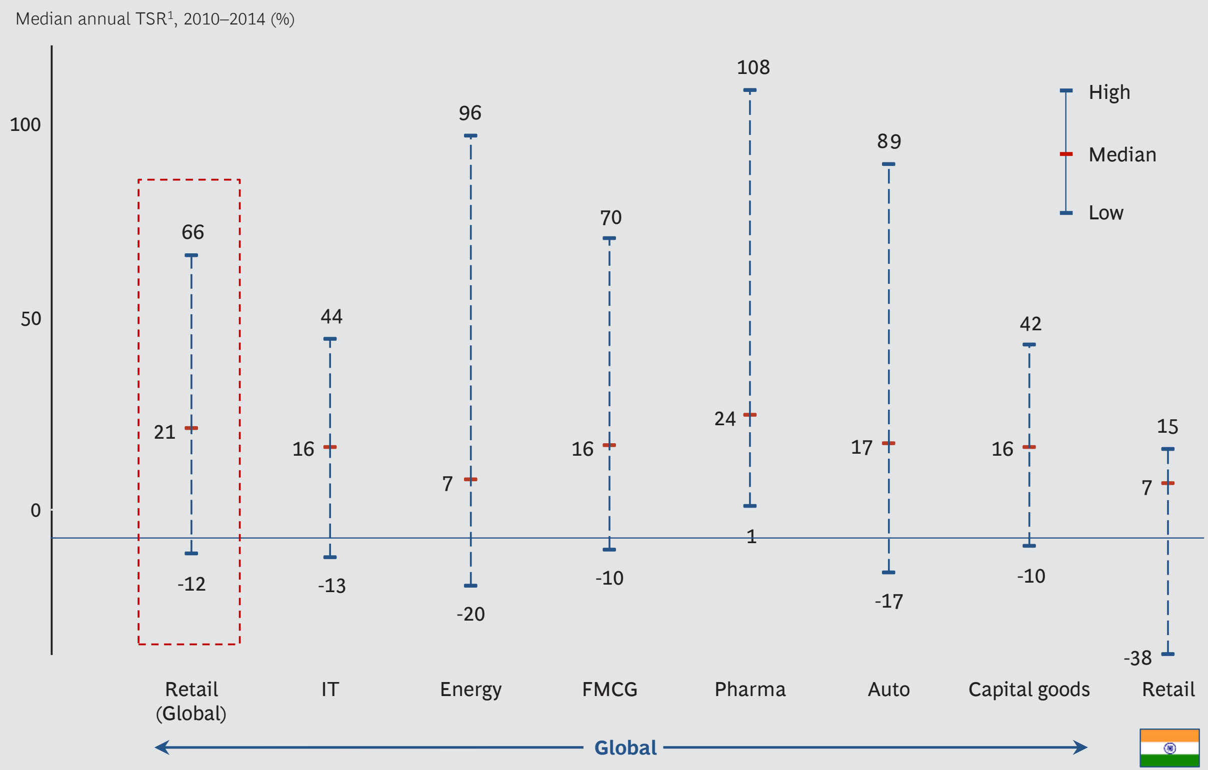
However, globally retail is one of the better performing sectors

Globally, retail has been one of the better preforming sectors.

BCG publishes the Value Creators ranking—an annual report based on an analysis of five year period Total Shareholder Returns (TSR) of around 2,000 global companies. Historically, retail has been among the industry sectors generating the highest TSR and has been consistently among top 5 industries for shareholder returns.

During 2010~2014, global retailers delivered an impressive annual median TSR of 21%. In comparison Indian retailers delivered TSR in single digits only. The difference is explained by the challenging environment faced by Indian retailers as compared to their global counterparts.

Globally, retail is an attractive business with strong returns



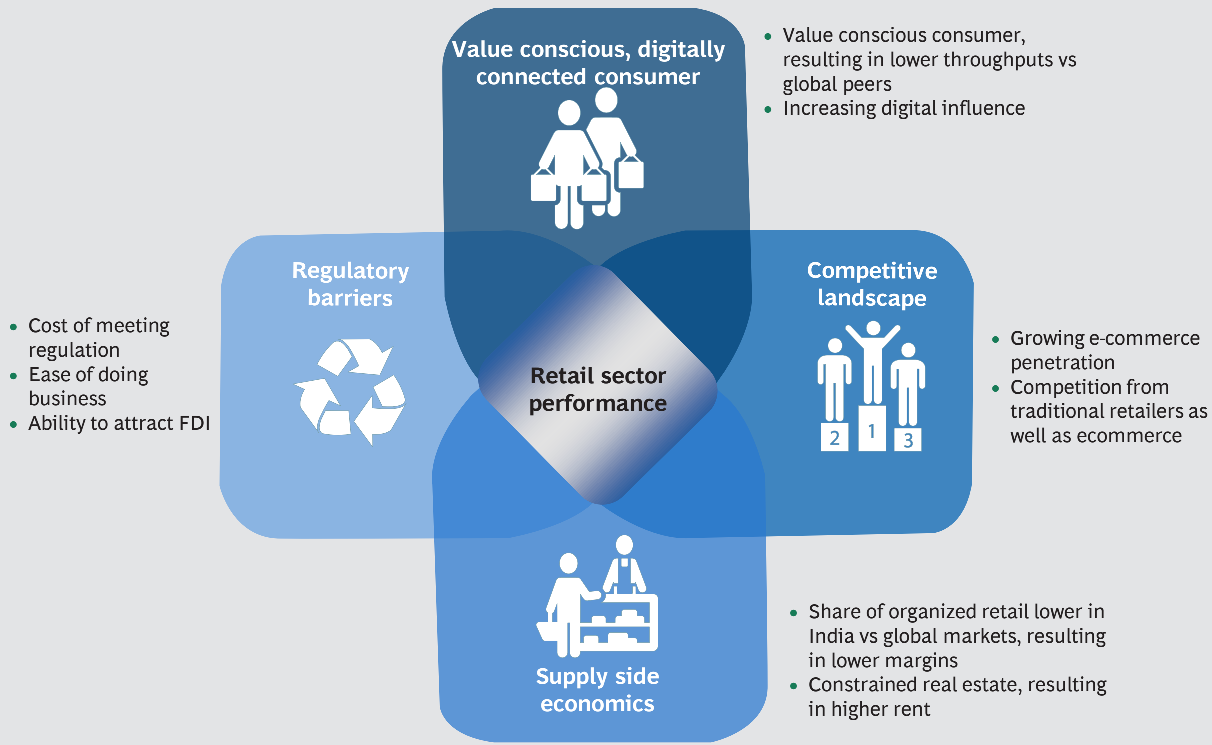
Sources: Standard and Poor's Capital IQ; company disclosures; BCG analysis.
Note: [1] Five-year average annual TSR (2010-2014) for weighted average of respective sample.

Indian retail sector performance is mainly driven by four drivers

The performance of retail sector is driven by the following drivers:

- ***Value conscious, digitally connected consumer***, who demands lower prices and is getting increasingly digitally influenced.
- ***Competitive landscape*** Strong value proposition and low cost model of traditional retailers; Emergence of E-commerce as "new competition".
- ***Supply side economics***: Lower margins relative to global peers driven by lower salience of organized retail and higher rents.
- ***Regulatory barriers***: Ability to attract capital, running a cost efficient operation and ease of doing business constrained by regulation, both at the Center and the State level.

Drivers of performance in retail



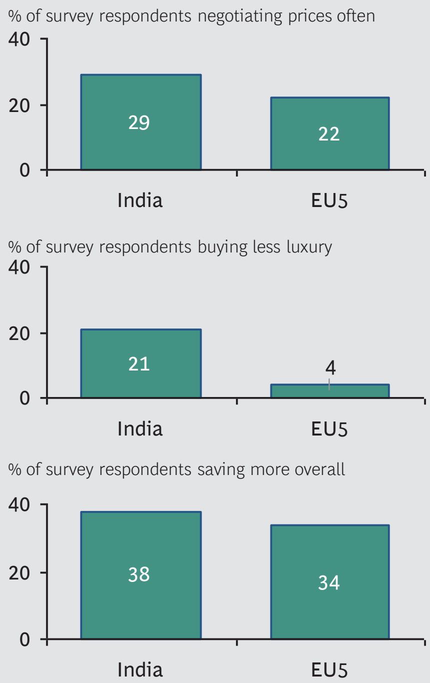
Indian consumers are value conscious and more demanding

Indian consumers are more demanding and price sensitive than some of their global peers.

Based on our research carried out with consumers in more than 10 countries, it is clear that Indian consumers are far more value conscious. They negotiate prices more often, spend lesser luxury items and save more than their counterparts in European countries.

As can be seen in the exhibit on the right, on an average, for a similar product, prices in India are 10-30% lower vs other markets, adjusting for PPP. This results in a relatively lower throughput for Indian retailers vs global peers.

Indian consumers are conservative in their spending habits compared to global peers



Prices in India for the same product are on average lower by 10-30% vs. other markets after adjusting for PPP

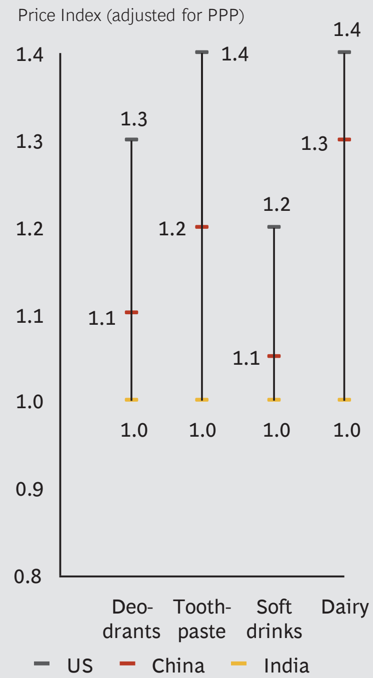


Illustration: Toothpaste

For a common SKU of a popular oral care brand

Price

India—USD 6/kg
China—USD17/kg
USA—USD 25/Kg

After adjusting for PPP,

Price

India—USD 20/kg
China—USD 28/Kg
USA—USD 25/kg

Sources: BCG analysis, BCG Global Consumer Sentiment Survey May and June 2013.
Note: Select brands considered in each category for price comparison Toothpaste—Colgate Strong Teeth, Deodorants—Adidas Dynamic Pulse, Soft drinks—Diet Pepsi Can.
USD = 65 INR, USD = 6.5 CNY, India PPP conversion factor = 0.3, China PPP conversion factor = 0.6.

> 350 mn digitally influenced consumers by 2020; they would account for ~ $250 Bn of retail spend

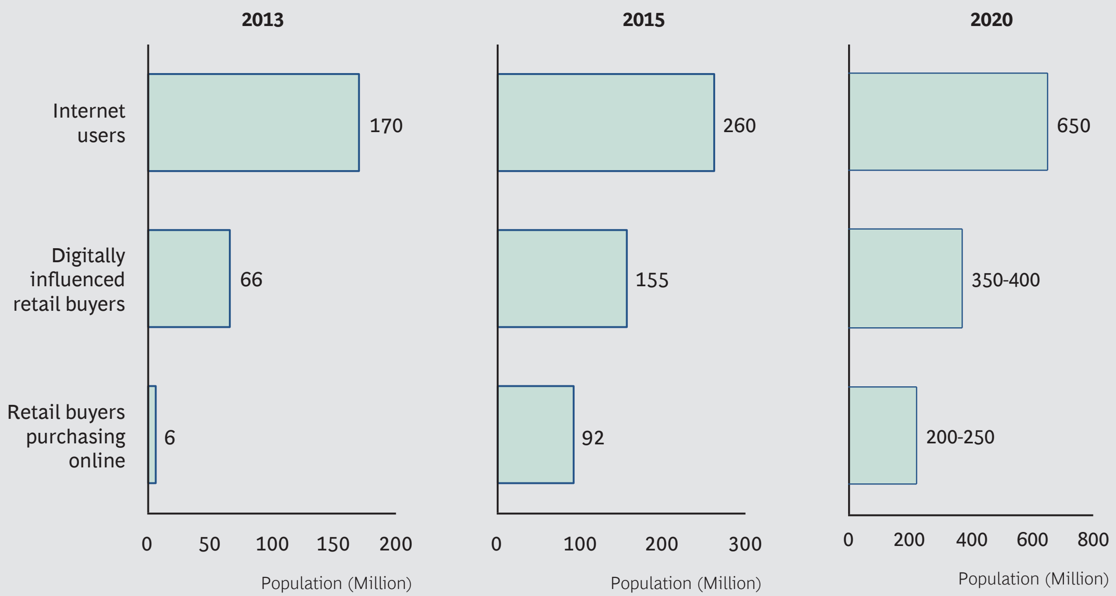
To assess the impact of digital across categories, we use two key metrics: digital influence and digital purchase. Digital influence is the fraction of category buyers that use the internet for product research, purchase or post-purchase. Digital buyers refers to the fraction of category buyers who buy the category online.

Today, ~150 Mn consumers are estimated to be digitally influenced in Retail, of which ~90 Mn buy online.

As digital age rises (defined as no. of years a consumer has been online), there is a significant increase in digital influence. As an illustration, for apparels, 60% of consumers who have been online for over 4 years are digitally influenced compared to only 38% of consumers who have been online for < 1 year.

Projecting this forward, we expect that in 2020, 350-400 Mn Indians would be digitally influenced in Retail, while 200-250 Mn would purchase online. These 350 Mn consumers are expected to account for $240-250 Bn i.e. 20-25 % of total spend on Retail by 2020.

Digital influence and purchase in Retail projected to rise exponentially



These digitally influenced consumers would spend ~ 240-250 Bn USD in Retail by 2020

Estimated spend 240-250 Bn USD (20-25% of retail)

Sources: BCG CCCI digital influence study 2013,2015, Indicus income distributions; EuroMonitor; BCG income distribution adjustment model; BCG analysis.

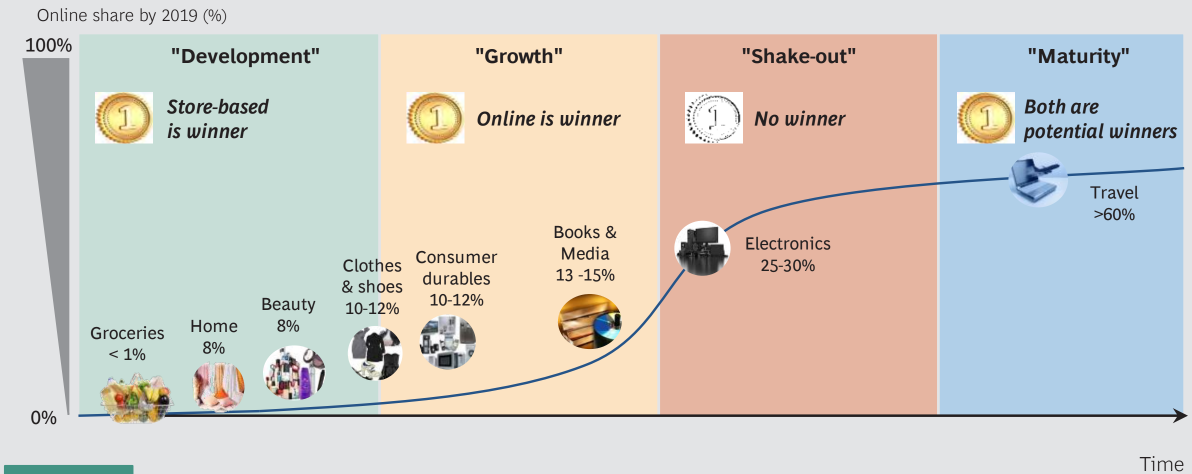
E-commerce could grow exponentially to become 45-50 Bn USD by 2020 and potentially higher...

E-commerce is already strong and is expected to be ~45-50 Bn by 2020. The size of the e-commerce market for goods could be potentially much higher with active steering by manufacturers/ supply side.

The adaption of online commerce varies by category, as is evident from the chart on the right. Some categories e.g. electronics/ mobiles are further ahead in the curve share of online, whilst others e.g. grocery would continue to have a relatively small percentage in terms of e-commerce.

We are currently in a development phase in most categories where online is just complementing in-store and not necessarily driving sales growth. Next phase is when growth from e-commerce starts kicking in. During growth phase, companies invest in capabilities required to win with e-commerce. In the next phase of maturity, called shakeout, online competes with in-store for contribution to sales.

Growth in e-commerce would vary by category



Online penetration	• <10%	• 11-30%	• 31-50%	• >50%
Sales growth	• **Not impacted** • Online is a complement to stores	• **Store growth towards zero** • Online moving from complement to competition	• **Store growth turning negative** • Store-based vs. online battle for market shares	• **Markets settle and growth rates converge**
Profitability	• **Higher in store-based retail**	• **Lower in store-based retail** • Gross margins deteriorate while stores are maintained	• **Converging at low levels** • High competition as stores restructure and online matures	• **Stabilizing at fair levels** • Competition normalizes and markets settle

Sources: BCG analysis; HUI; SCB.
Note: Online penetration in each category projected for the year 2019.

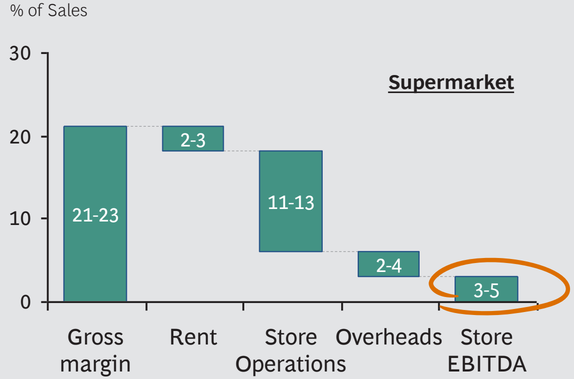
Traditional / Unorganized retailers are reinventing themselves to compete with modern retailers

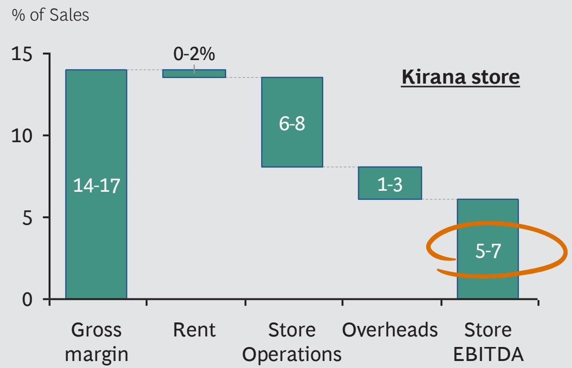
Traditional retailers have a better cost structure vs organized retailers. As the exhibit on the right shows, despite having lower gross margins than organized retail, local / organized stores have higher profitability.

In addition, last mile access gives them several structural advantages—ability to manage credit, provide quick delivery with lower drop sizes.

Traditional unorganized retailers are also reinventing themselves to stay competitive in line with changing consumer expectations. There are several examples of enhancements they have done in consumer service offerings (provide last mile service to online players, reorganizing the store format etc.) as well as enhancing cost advantage (buying in consortiums to enhance margins with scale, leverage Cash & Carry channel to enhance sourcing efficiencies).

Traditional stores are more profitable than Modern retailers..





..and are reinventing themselves to compete in the new reality

1. Improved service offerings through home delivery and credit
2. Increasingly collaborating with online players to widen customer reach
3. Relay store formats to make them more contemporary, at times with support from manufacturers
4. Able to avoid deep discounts on non-bulk purchases & realize higher pricing
5. High touch purchase experience and long-standing relationships with customers

Source: BCG analysis.

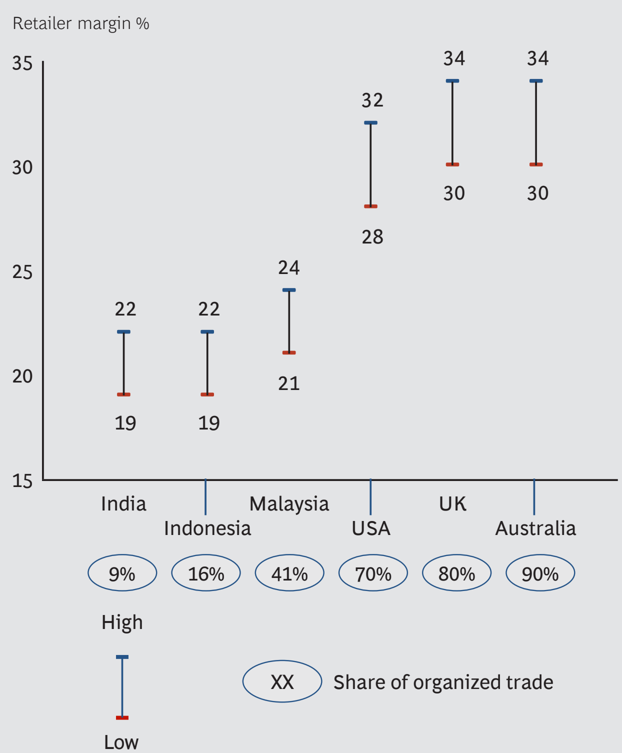
Retailers in India have low bargaining power with suppliers compared to global peers

Share of organized retail in India is much lower compared to other global markets. As a result, retailers in India have lower bargaining power and margins as compared to their global peers. The exhibit on the right, shows that retailers in India have lower like-to -like margins vs other markets by as much as 4-12% depending on the market concentration.

Another illustration of lower bargaining power is in high rentals. Restrictive zoning laws, rent controls and protected tenancies results in scarcity of real estate and high rentals. Rental as a % of sales in India is higher vs global peers by 600-800 bps. Even after adjusting for lower throughput (normalizing for spsf) rent as % of sales is higher by 3-4% for Indian retailers vs global retailers.

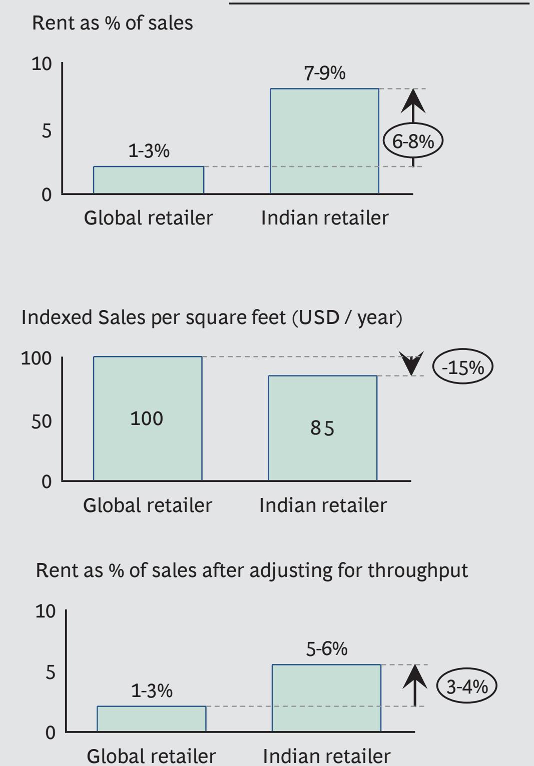
Retailer margins are low in India vs global peers

Illustrative for a category



High rentals in India further impact profitability of retailers

Illustration



Source: BCG analysis, Company websites.
Rental comparison carried out for departmental stores as an illustration.

Addressing regulatory barriers at central / state level could unlock profitable growth

In the recent past, there have been attempts to provide regulatory unlocks to the industry.

Yet, a lot needs to be done. As detailed in the exhibit, regulatory barriers at the Central/ state level have limited sector's ability to:

- Build an efficient operation to compete vs unorganized sector
- Grow rapidly to build scalable business
- Access to FDI

The regulatory barriers, if unlocked, can provide the sector a much needed impetus to improve profitability, be competitive with global peers, get access to capital and unlock growth.

The sector needs a nationwide FDI policy that gives confidence to foreign players to commit resources for the longer term.

<table>
<tr><th></th><th>Central Government</th><th>State Government</th></tr>
<tr><td rowspan="4">Operational barriers</td><td colspan="2">Challenging labor laws
• Work hour limits on woman employees, minimum wage laws results in lack of flexibility required for seasonal retail business</td></tr>
<tr><td colspan="2">Multiple laws, regulations & clearances required for operations
• Complex plethora of laws e.g. Shops Establishments Act, Essential commodities Act, APMC act etc, restricts expansion of organized retail.
• No single window clearance and need to take multiple approvals from different government authorities at central, state and local levels
E.g. hypermarket requires 30+ licenses and approvals, is impacted by ~40 regulations and is governed by various local, state and central bodies</td></tr>
<tr><td rowspan="2">Excessive taxation and lack of clarity related to taxation policies
• In absence of clear taxation policies, retailers face uncertainty related to tax deductibility of certain expenses. E.g. In the past, tax authorities have disallowed obsolete stock written off in the books and tax deductibility of advertisement, marketing and sales promotion expenses
• On inter-state sales or purchases of goods, retail is not eligible to credit input central sales tax charged by the seller in the originating state, resulting in higher cost of procurements</td><td>Inflexible zoning, rent and tenancy laws
• Restrictive zoning laws, rent controls and protected tenancies results in scarcity of real estate and high rentals
• Traditional retailers with controlled rents and protected tenancy have unfair cost advantage over new entrants, thus restricting competition.</td></tr>
<tr><td>Complexity arising from differing taxation rates and permits
• Different VAT legislations in various states results in increased complexities and costs. Certain states disallow VAT setoff for goods sold at a loss
• Permit requirements for movement of goods impacts supply chain structure of retailers</td></tr>
<tr><td rowspan="2">Restrictions on FDI</td><td>High entry barriers with stringent requirements
• Minimum investment of $100Mn restricts entry
• Requirement to source 30% from SMEs increases operational costs and inefficiencies</td><td rowspan="2">Low predictability in policy
• State governments hold final authority to permit FDI, lack policies that assure long-term continuity for FDI</td></tr>
<tr><td>FDI in e-commerce
• Policy allows 100% FDI in market place model & B2B E-commerce but not inventory based model. Brick & mortar retailers have limitation in attracting FDI, while e-commerce pure plays have done so</td></tr>
</table>

Potential for organized market to be ~140-160 Bn USD, E-commerce to be 45-50 Bn USD by 2020

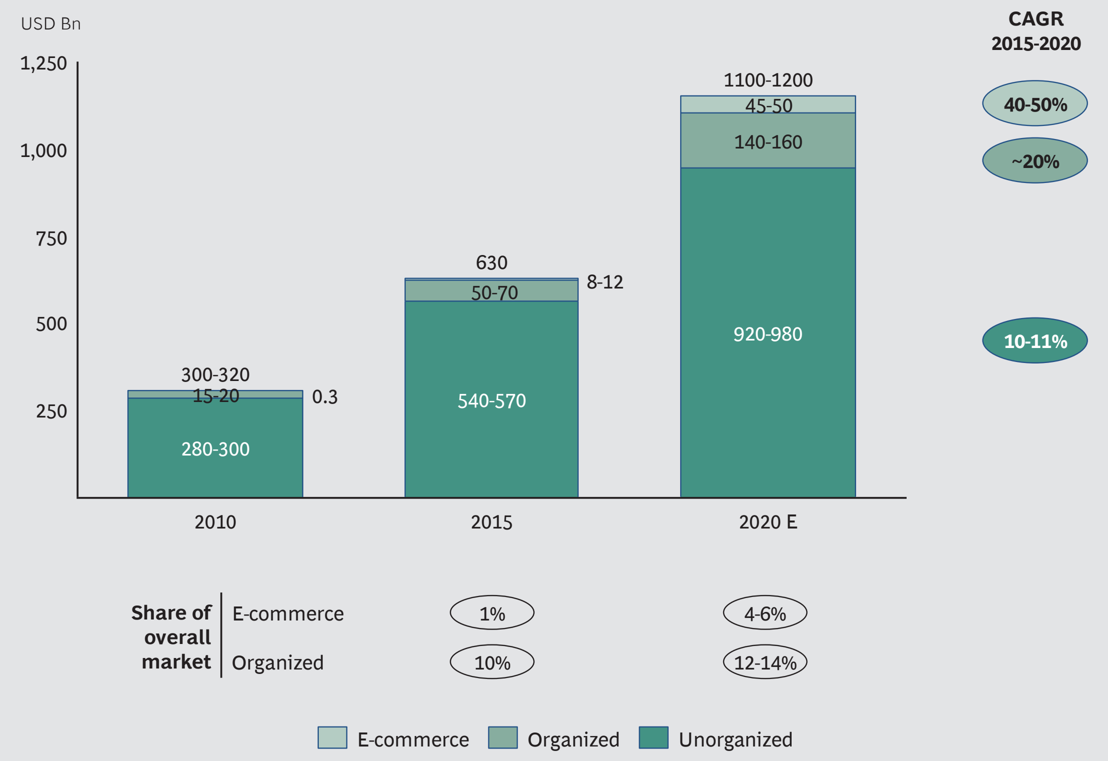
We expect the growth in overall retail market to accelerate going forward. This growth would be driven by significant demographic shifts: 70% increase in income levels, 100 Mn youth entering the workforce, increasing nuclearization and 35% of Indians living in urban centers.

We expect organized retail to grow at ~20% and E-commerce at ~40-50%. By 2020, organized retail would be ~12% of the retail market and e-commerce would be ~5%.

By 2020, we expect the overall retail market to be ~1100-1200 Bn USD. The organized retail to be 140-160 Bn USD. We expect the e-commerce market to grow to ~45-50 Bn USD & potentially higher driven by active supply side interventions. There could be some fungability between organized retail and e-commerce depending on how retailers evolve their omni-channel offerings.

Most retailers have started working towards a multi channel environment and are investing in technology to meet increased customer expectations. This will increase revenue from organized retail and e-commerce.

Organized retail expected to be big, E-commerce to grow exponentially by 2020



Sources: Images India Retail Report 2015, Value Science, BCG analysis.
Note: E-commerce includes only goods not services.

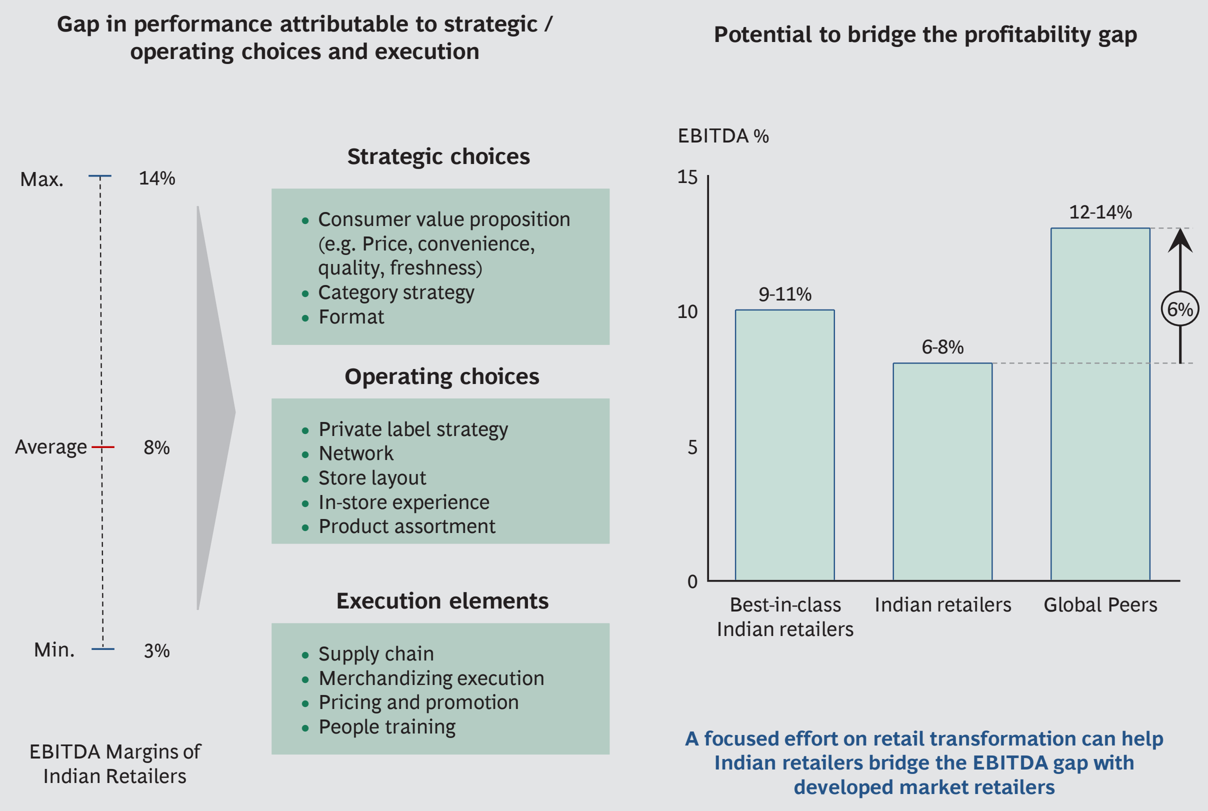
Potential to plug the gap in profitability with global benchmarks

Whilst at a sector level there are several challenges, our analysis suggests that there is a significant spread in profitability across companies. This performance variation is explained by strategic/ operational choices made by the individual company and ability to execute flawlessly.

Even within the same category, we have seen significant variance in the performances due to different choices made by company management.

Companies face strategic choices and tradeoff related to convenience, value and assortment volume. Such strategic choices influence operational decisions related to store sizes, merchandize mix and in-store experience.

Performance metrics such as sales per square feet or profitability of the companies significantly vary depending upon the selection of choices.



Sources: Images India Retail Report 2015, Value Science, BCG analysis.
EBITDA margin is weighted average of 3 to 5 department store retailers in each market.

To realize this opportunity, retailers would need to fundamentally transform their business

A typical transformation journey is examined through three lenses…

- ***Fund the journey:*** Generate quickly cash from their existing operations to support investments required to pursue their medium term goals. Typical methods are to relook at the core pricing and trade spending models, cost / sourcing improvement programs, and driving retail execution excellence and with an end-to-end view of the business.
- ***Win in the medium term***: identify the truly winning proposition for the next few years to build competitive advantage; sharpen / re-invent core banner proposition, win in omni-channel and create strong advocates.
- ***Enable the transformation***: build capabilities, invest in people and technology to enable the transformation to make the changes that are needed along the way.

Win in the medium term

Developing a differentiated offering to build medium term competitive advantage

1. **Sharpen / Re-invent core banner proposition**
2. **Win in omni-channel**
3. **Create strong advocates**

Fund the journey

Extracting cash from the business to fund future growth engines and experiments

4. **Sharpen retail pricing and promotion**
5. **Improve margin through COGS reduction**
6. **Pursue Retail execution Excellence**

Enable the transformation

Invest in skills and technology with an integrated business view

7. **Leverage big data and analytics**
8. **Organization and capability building**

Winning in the Medium Term


RESEARCH
WEB
DATA
TECH
1000000 USERS
COMMERCE
ANALYTICS

High performing retailers pivot to sharply target selected "shopping spaces"

Some retailers assume that a little tinkering with the value proposition is all it takes to adapt to changes in the marketplace. Although it is almost always necessary to keep the value proposition aligned with shifts in the market, the most successful retailers strive for clarity in sharply targeting specific shopping spaces. We define shopping spaces as an intersection of demographics & shopping missions.

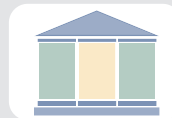
To craft this value proposition and deliver against the same, successful retailers

- Create the "shopping" spaces map along with associated revenue & profit pools.
- Prioritize spaces to win in basis attractiveness and starting position.
- Developing the store category concepts.
- Integrating into a full store identity, proposition and commercial model.
- Conducting pilots; and
- Refining the design, finally rolling-out to the complete fleet.

Deliberate methodology supported by proven toolkit will deliver customer-centric profit-improving format

Define Banner value..

Map the shopping spaces	• Mission of Purchase • Demographics • Revenue, profit pool of the segment
Identify winning position	• Current positioning • Competitive landscape • How to differentiate
Functional and Technical parameters	• Identify target consumers and their mission of purchase • Preferred format for the target segment



..with differentiating pillars

Unique features
Examples

Quality
Price
Customer Experience

Obligatory features
Examples

Hygiene
Friendly staff
Promotions
Convenience

..and define operating model elements

- Size of store—small, large, flagship
- Location of store—mid-size cities, mostly big cities
- Store layout
- Pricing and promotion policy
- Product range policy

Globally, retailers orient their operating model to deliver consistently on prioritized spaces

Globally, winning retailers have prioritized selecting shopping spaces and have reconfigured their operating model to deliver against the chosen consumer value proposition.

This allows them to win disproportionate share in the selected spaces vs trying to stand everything for everyone.

Alignment of the core banner proposition to the operating model is imperative to deliver consistent consumer experience. There are several examples of successful models where retailers have communicated and reinforced banner identified through consistent execution.

Deliberate methodology supported by proven toolkit will deliver customer-centric profit-improving format

Illustrative of Department stores

Fashionable value	House of brands	Enhanced Traditional	Aspiration within reach
Multi tier pricing but focused on value for money with frequent offers and own designer brands	Concession of second tier brands at good prices; including good representation of international brands	Full span of categories, mastering a few of them with strong and exclusive own brands	Closer to destination shopping with high end brands, good service and unique customer experience
E.g. Debenhams, Kohls	E.g. JC Penney, Coin	E.g. John Lewis, Macy's	E.g. Selfridges, Nordstrom

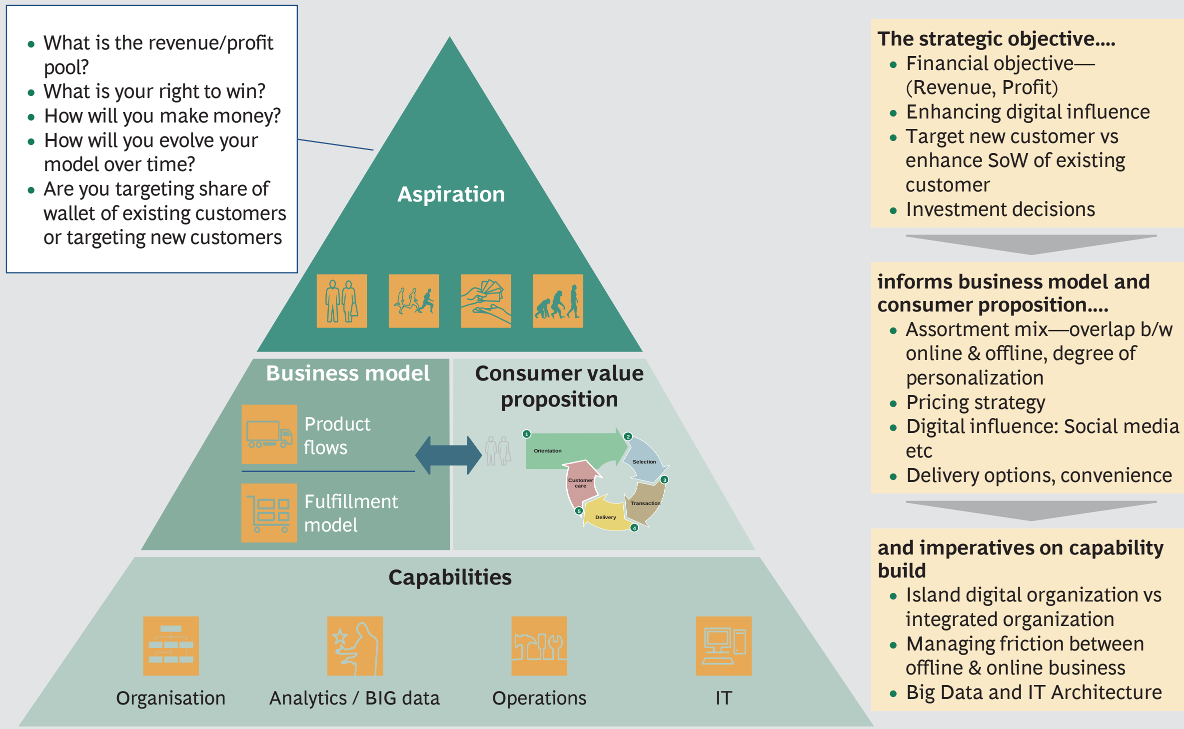
Winning in omni-channel requires an integrated approach

Omni-channel is the new buzz word today, with some retailers already investing in expensive instore interventions. However, most retailers are unclear on the opportunity and stance to take.

We recommend companies take a top-down view of the opportunity and answer the following questions with a 3-5 year horizon

- What is the vision for omni-channel over the next 3-5 years?
  - Target audience
  - Right to win vs. the pure plays, brick & click
  - Potential size and profitability
  - De-averaged view by category
- How will you evolve to get there?
  - Wait and watch or lead
  - Rapidly build ecommerce vs focus on in-store
- What should be your strategy with regard to marketplaces?
  - Fight or join?
- What are the immediate capabilities required to facilitate this evolution?
  - IT, supply chain, organization & culture
  - Organic build vs inorganic growth

Operating choices, consumer value proposition should flow from the omni-channel vision



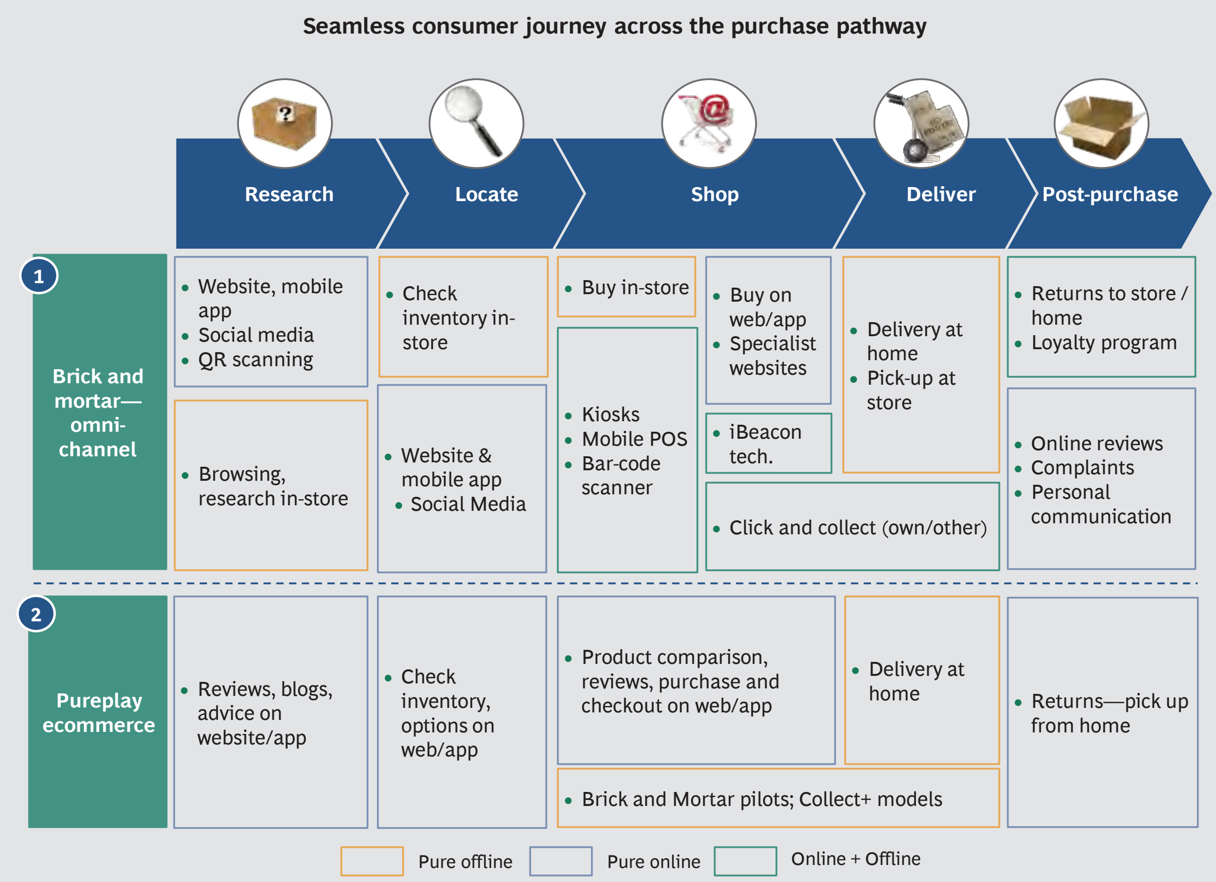
Source: BCG Case Experience.

Omni-channel retailers are better positioned to offer a seamless consumer experience vs pure plays

Traditional stores have a natural advantage of having closer understanding of customer behavior, meet the needs of "touch and feel", instant gratification. An omni-channel retailer who has built capabilities is hence better positioned vs pure play e-commerce players to get a higher share of consumers wallet.

Leveraging the multi-channel platform isn't just about selling online. It is rather an integration of processes that promise the customer a consistently smooth experience and seamless execution of their needs through the purchase journey as they toggle between physical and online channels.

Transitioning from traditional channels to multi channel processes requires deeper understanding of the customer purchase journey. Simply replicating the old ways of functioning into the new environment may result in failure to capture synergies present across channels such as those of scale.



Sources: BCG analysis.

Role of stores need to be reimagined in the omni-channel world

Defining consumer journeys and clarifying the strategic role of each channel are important parts of the equation; so, too, is separating the "need-to-haves" from the "nice-to-haves." This means getting a solid grasp on the economic implications of cross-channel assortment and pricing decisions, options in customer relationship management, and various delivery scenarios.

As can be seen in the exhibit on the right, there is a wide continuum of in-store experience elements to cater to the needs of instore consumer.

Retailers need to customize their digital offering depending upon role of the channel, and economic implications.

This would effectively translate into spreading the entire spectrum of cultivated digital capabilities ranging from basic to sophisticated across stores. Most best in class companies offer the full suite of offerings in their flagship stores for experience delivery.

Consumer proposition

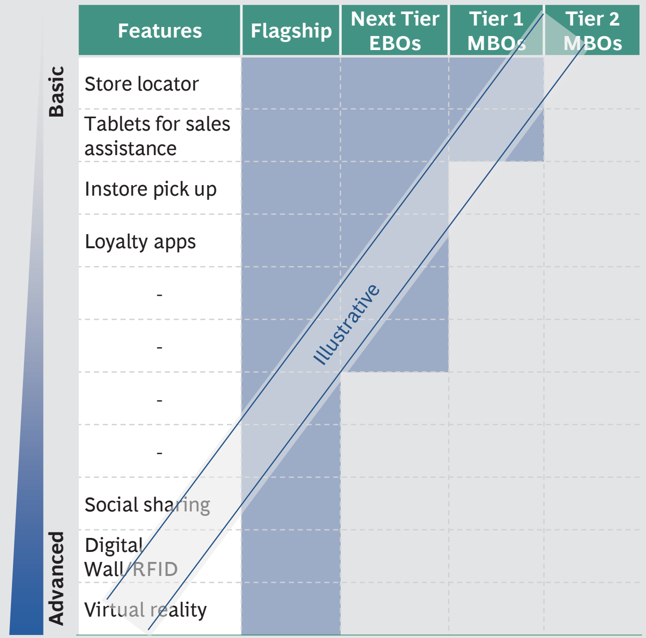
Basic

- Store locator
- Mobile Wallet
- Tablets for sales assistance
- Instore pickup
- Endless aisles
- Loyalty Apps

Sophisticated

- Digital wall
- Social sharing
- Real time inventory
- Consultative advise
- Personalization
- Virtual reality / Visualization
- Extended proprietary content
- Click and Collect
- Self check out

Digital offerings should be customized by role of channel & underlying economics



Source: BCG Case Experience.

Omni-channel supply chains need to handle fragmented and less predictable flows, more returns

Omni-channel supply chains need to handle more fragmented and less predictable flows, more returns.

In a traditional supply chain, a company faces at best a few hundreds of orders per day, with forecastable one-way flows and a few delivery points. The range handled is relatively smaller, picking typically happens at a carton level. Internal processes are less customer facing.

The omni-channel supply chain deals with significantly higher number of orders/ day, has non-predictable two way flows with potentially thousands of drop off points. The SKU range handled is much wider, mostly handled at the inner packaging level.

To manage this complexity, companies need to think through the trade offs between cost, customer service and inventory they carry.

Companies, need to hence clearly define the flow paths by category & customer type based on the underlying economics, competitive offer and the retailers starting position.

Optimize supply chain flows for costs and customer service levels

Channels \ Fulfillment model	Store pick	DC	Supplier
Store Click & Collect	*Click & Collect from store*	*Click & Collect from DC*	*Click & Collect from supplier*
Home Delivery	*Home Delivery from store*	*Home Delivery from DC*	*Home Delivery from supplier*
Returns	*Return to store*	*Return to DC through parcel company*	*Return to supplier (exceptional)*

Factors affecting flows of operation

Customer demand
- Willingness to pay for offer
- Expectations regarding lead time
- Importance of store network
- Assortment per channel

Channel economics
- Delivery cost
- Inventory cost
- Picking and handling cost
- Level of investment
- Absolute gross margin per item

Competitor offer
- Channels and pricing

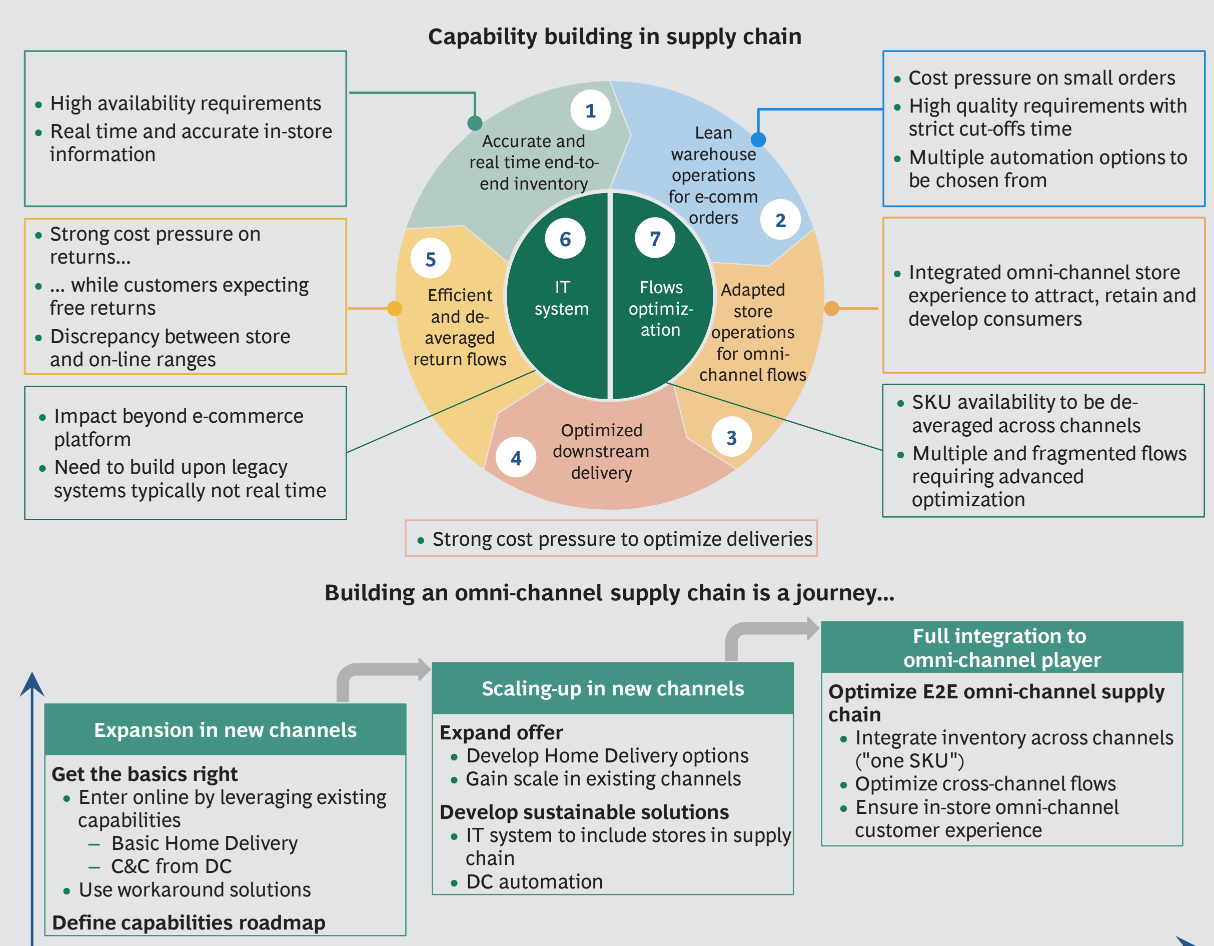
Retailer current position
- Capabilities
- Scale
- Competitive position

Source: BCG analysis.
Note: Delivery to pick up points treated as a subset of home delivery.

Seven capabilities required to have effective and cost efficient omni-channel supply chains

We believe seven core capabilities are required:

- ***Inventory information***: Accurate and reliable store, DC and supplier inventory information, real-time inventory tracking across channels.
- ***IT Platform:*** Transaction platform accommodating online sales and channel agnostic returns with real time tracking capabilities.
- ***Warehouse operations***: Efficient DC picking for piece picking orders, meeting strict shipper cut-off time.
- ***Store operations***: Procedures for efficient order fulfillment in stores with mini backrooms.
- ***Returns management***: Efficiency of return flow to facilitate shipment from customers, re-stocking, defined procedures on cashback, reselling, restocking.
- ***Flow optimization***: Optimized de-averaging of SKU availability, inventory pooling with sophisticated safety, optimized de-averaging of return flows.
- ***Down stream optimization***: Optimized delivery cost by dynamic routing systems, delivery fleet utilization.



Source: BCG Case Experience.

Creating strong brand advocates is the most effective source of growth

In survey after survey, we observe consumers say that they trust recommendations from friends/ family and colleagues, more than mass media or celebrities.

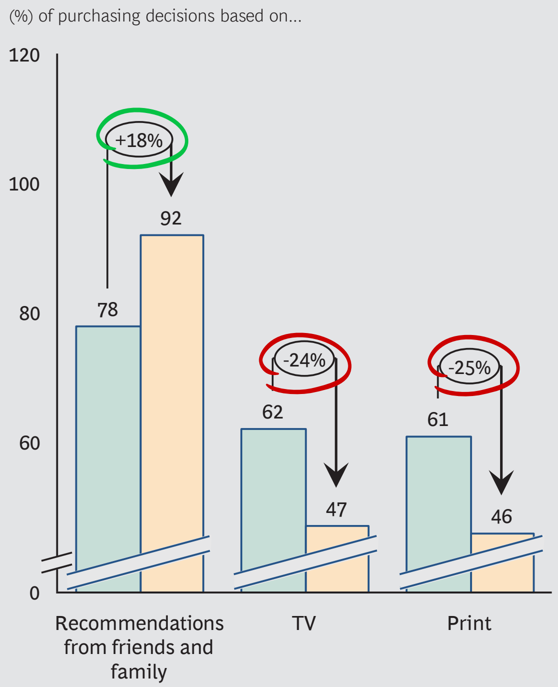
Conventional marketing wisdom believes that strong word-of-mouth is ultimately driven by the consumer's experience and cannot really be influenced.

Recent work in this space has shown that not only can advocacy be created, but it can also have a strong long term effect on brand relation with consumers. We have developed the BAI index (Brand Advocacy Index) which measures the drivers of product recommendation, and brand performance across multiple product categories.

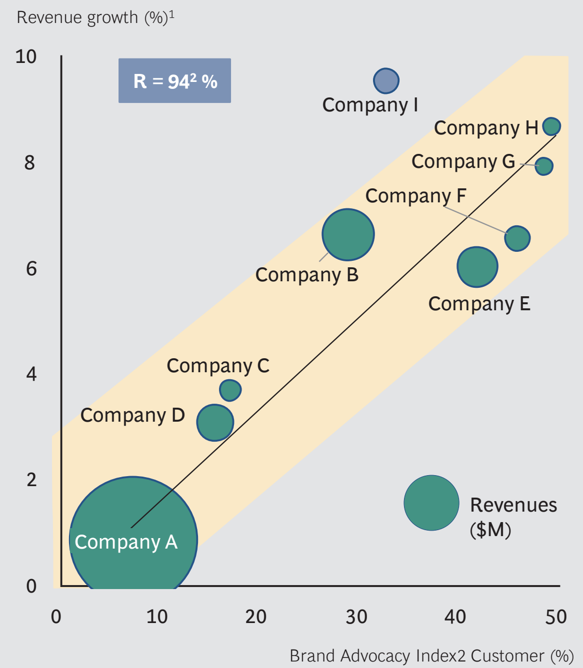
Our research suggest a strong correlation between growth and BAI. Companies with high BAI scores tend to grow at a differential growth rate vs others.

For retailers, ability to influence the consumer down the purchase pathway using this insight can be a compelling source of advantage.

Advocacy is the most effective source of sales leads and rapid growth



Advocacy has strong correlation with revenue growth



Sources: Nielsen Report—Global Trust in Advertising and Brand Messages, April 2012 (3Q2011 data) 28,000 internet users from 56 countries participated in the study; IntelliSurvey (~30,000 respondents, USA, UK, France, Germany, March-April 2013; ~2,000 respondents, Spain October 2012); BCG Analysis.
[1]2007 data for recommendations from friends and family; [2]Brand Advocacy Index is a BCG proprietary framework in which BAI customer (% of customers)= Advocates(% of customers)-Critics (% of customers); [3]Impact od advocacy on purchasing decisions compared for 2011 vs 2009; [4]Revenues of US grocery retailers in 2012 considered for correlation analysis.

Effectively creating strong advocates requires working on multiple levers, simultaneously

Rather than just leaving brand perception to chance, companies can use these insights to develop a brand strategy that proactively influences how they are perceived in the marketplace. We advocate a three step approach:

- ***Recruiting effective advocates***: Identifying right advocates requires rethinking consumer segmentation—on the basis of influence and not consumption. Our research suggests that 2% of advocates can reach 90% of community.
- ***Pinpoint the drivers*** BAI reveals what really motivates people to advocate for a brand. For example, variety and value-for-money drive advocacy in grocery retail. These need to be uncovered by the retailer for their specific context.
- ***Continuous relationships and viralisation of a powerful message***: This entails creating a powerful message centered around the drivers and then make it viral in a multichannel environment.

1 Recruiting effective advocates

Identify target consumers
- Requires identifying consumers with highest influence potential

Within the consumers, 2% can allow reach to 90% of the community

2 Powerful messages

Build a powerful message around product experience
- Message should deviate from original expectations to pique people's curiosity, make them want to talk

Engage with consumers altruistically expecting nothing in return
- Increase affinity with the brand by giving gifts to community and individuals

3 Continuous relationship and viralization

Develop sustainable 3 way relationship between brand and consumers

Be relationship oriented rather than campaign oriented

Be multichannel: Leverage both offline and online channels to target consumers and maximize advocacy effectiveness

Fund the Journey

Pricing is a complex topic and often executed poorly

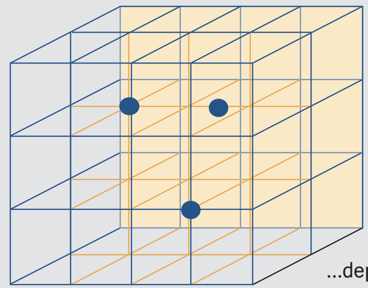
A host of issues comes up for consideration in retail pricing: the nature of the local competition; product discounts; and defining the rules of pricing by store catchment, geography and product hierarchy.

Our experience of working with retailers in India suggests that most retailers today take a fairly simple benchmarking-based approach with pricing without considering the ability of the consumers in the catchment to pay, or the historical price elasticity.

This approach falls short of identifying opportunities to drive both price perception and profitability. Price perception plays a key role in deciding choice of shopping destination.

The pricing model needs to be well synchronized with the overall banner proposition along with tools to handle large amounts of data to drive benefits in a short time.

Pricing is a complex topic in current retail in India...



A typical hypermarket retailer with ~20,000 items in 50 stores has 1 million prices to set accurately every month

...and is often poorly executed as retailers take a short term view

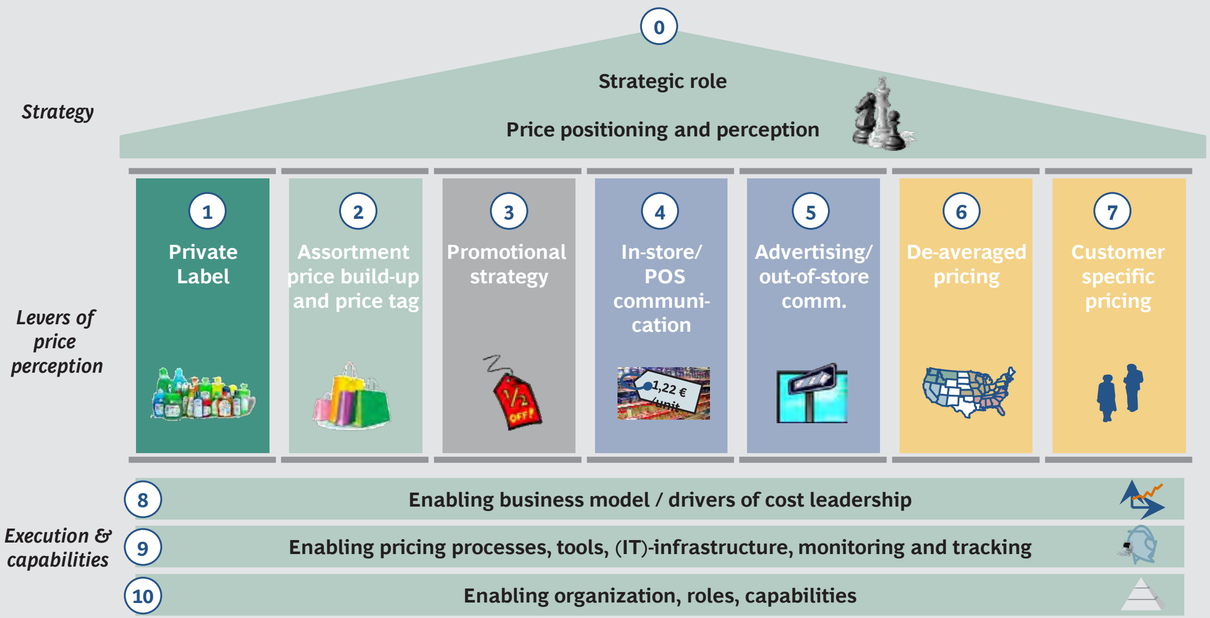
1. Focused on securing margin at expense of long-term perception registration
2. Prices set against competitor prices instead of customer's willingness and ability to pay
3. Promotions are introduced to boost sales tactically, simply to match previous sales
4. Prices set by focusing on item-level or category-level sales instead of overall impact on store, customer loyalty
5. True logic of pricing quantity or quality hierarchy is unknown
6. Private label plays a major role today and getting pricing (and different sizes) right are critical to drive it
7. Transactions data is not leveraged enough to make micro-decisions on pricing

Winning retailers use an integrated approach to pricing

The key for deriving short and long term value from pricing is to win both price and price perception. It is equally critical that the principles behind the pricing model are closely linked to the core banner proposition.

A dynamic pricing model requires looking at a wide gamut of levers. It also requires institutionalizing the use of multiple objective techniques such as customer price discovery, benchmarking and elasticity analysis.

Our experience suggests that a holistic pricing strategy encompassing the elements laid out on the right, can result in an EBITDA upside of 100 -300 bps whilst significantly driving up footfall & spsf.



Price perception (example—driving a value perception)

Levers to build perception	In-store initiatives	External initiatives
• Direct comparison vs. competitor or national brand • Deep vs. wide discounts • Bundling	• Promo display locations • Daily deals • Price cut announcements • In-store signage	• Marketing initiatives (coupons, pamphlets...)

Source: BCG.
Note: IIP=Individual item pricing, OPP=opening price points, EPP= exit price points, KVI=Key value items.

Retailers should look at seven key levers to drive COGS improvement

Given lower profitability vs developed markets, it is imperative that retailers use a playbook based rigorous approach to drive COGS reduction and create a stronger negotiating rationale with suppliers.

We advocate retailers to pursue the following seven themes.

- Driving private brand profitability and share in line with the overall banner proposition.
- Indexing margins to share and space across categories, products & suppliers.
- Optimize portfolio for profitability in line with overall strategic role of the category.
- Win with a few suppliers—strategic partnerships with some suppliers for preferential treatment.
- Leveraging scale for increased efficiency, and price negotiations.
- Discovering a wider base of suppliers closer to source.
- Maintaining parity across markets and zones.

BCG playbook on COGS improvement

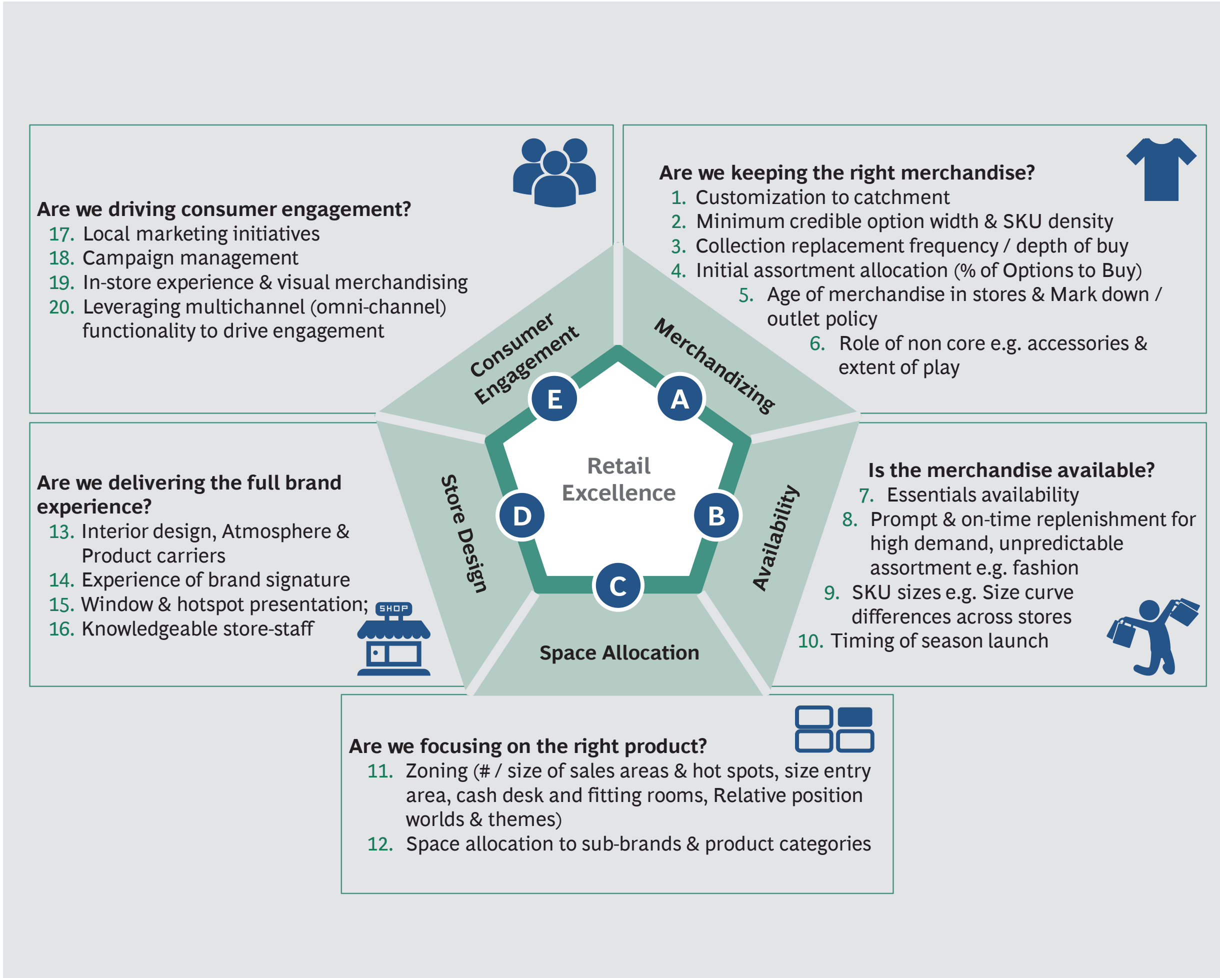
Lever	Actions
Private Brand Play	• Input costs, time, quantity and geography for sourcing • Working capital management
Cost and profit gaps	• Input costs, time, quantity and geography for sourcing • Working capital management
Assortment balancing	• Use PL to maintain profit umbrella / negotiating position • Rationalize supplier portfolio, SKUs to enhance profitability
Strategic partnership	• Strategic partnership with net margin leader • Improve speed to shelf
Scale	• Assess scale efficiencies • Negotiate holistically across categories
Supplier discovery	• Identify wider supplier base to get low cost / best sourcing
Parity	• Drive cost parity across different markets of buy • Increase sourcing from tax / logistics friendly options

Winning retailers execute relentlessly on five dimensions

BCG's experience reveals five key dimensions along which best in class retailers differentiate vs competition. In our experience, flawless execution on five dimensions can add upto 600 bps of EBITDA.

These include the following:

- ***Ensuring the right merchandize***: Customized assortment to catchment, credible width of assortment, role of non-core portfolio.
- ***Efficient supply chain***: Ensure in store availability for depth of assortment on time for season.
- ***Focus on the right products***: Optimal space allocation, virtual merchandising, right zoning of "hot spots".
- ***Delivering the banner experience***: In-store experience (store design, layout, staff etc.) in line with brand experience.
- ***Driving consumer engagement***: Localized activation & campaign management, omni-channel experience.



Enable the Transformation

Several opportunities for leveraging analytics for retailers

Vast amounts of new data is being created from internet and smart devices on a daily basis. Synthesis of this data can produce valuable intelligence that can help retailers make smarter decisions across various processes of the value chain.

The exhibit on the right shows how retailers can leverage analytics and BIG data across the value chain to create significant value.

As an illustration, for the customer analytics, retailers can:

- Creating segments beyond rudimentary characteristics to create differentiated shopper experience and drive behavior differentially.
- Target with specific content, channel and type of offer differentially.
- Carry out sentiment analysis from social media platforms e.g. Facebook.
- Assess customer value based on recency, frequency and monetary purchase value and arrive at customer life cycle value.
- Assess by segment drivers of customer loyalty and retention.

Analytical Scope across various elements of value chain

	Customer	Marketing	Logistics	Operations	Merchandising
1 **Predict** behavior/ events (ex-ante)	Segmentation and Profiling	Assortment Planning Product Affinity	Inventory Management	Profitability Analysis	Assortment Optimization
2 **Alert (now)**	Customer Lifetime Value	Promotion Effectiveness	Route Optimization	Sales Drivers	Market Basket Analysis
	Cross-sell/Up-sell	Price Elasticity and Optimization	Supplier Performance	Workforce Optimization	Cross Sell
3 **Audit** behavior/ events (ex-post)	Retention/Loyalty	Market Mix Modeling	Go-to-market advantage	Fraud Detection / Loss Prevention	Regular Price Optimization

Source: BCG Case Experience.

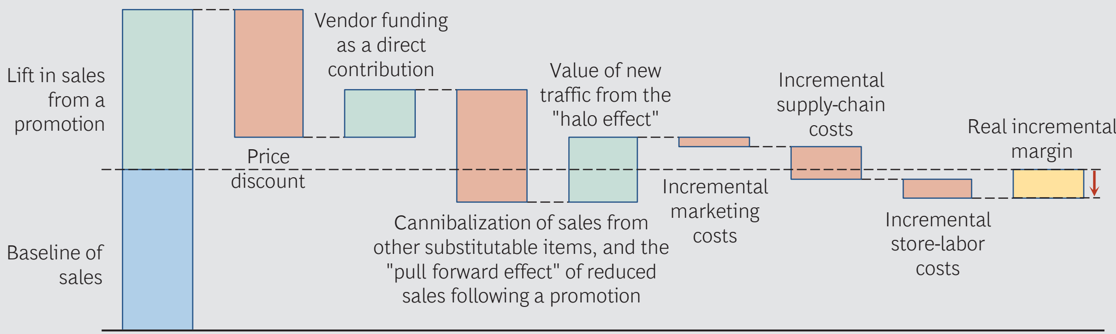
Retailers in early stages of maturity should prioritize opportunities with BIG data

Although some leading companies have become deft at data handling, most retailers haven't yet built analytical capabilities and internal processes. Merchants and marketers often recycle old tactics and fail to leverage contextual information around transactions that could potentially effect sales.

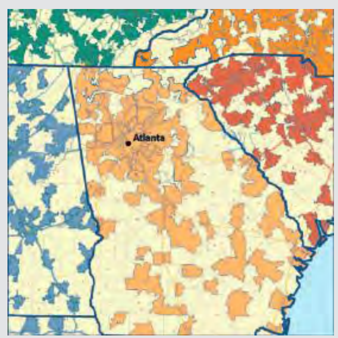
We believe for retailers who are in the early stages of the maturity curve there are three large opportunities:

- ***Enhancing effectiveness of promotions***: 30 -50% promotions have no positive effect on sales/margins. Retailers need to build the right baseline, tease out cannibalization and 'halo' effect to gauge true impact.
- ***Surgical pricing***: Moving from geography based pricing to pricing zones based on customer segments.
- ***Understanding value of networks and partnerships***: Retailers often don't view their network as an asset. BIG data allows retailers to map their network to the core target segment of suppliers and partner effectively to get a disproportionate share.

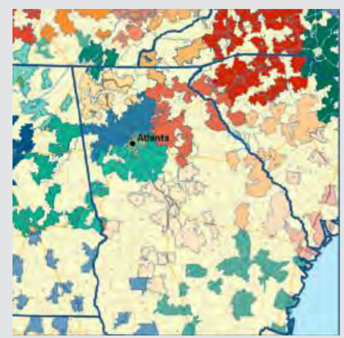
Illustration: Enhancing promotion effectiveness



Before the geoanalytics approach, pricing zones largely mirrored state boundaries



Analyzing customers shopping behavior led to better pricing across a region



Retailers need to build analytics capabilities around six dimensions

To realize the potential from analytics, companies need to systematically build capabilities:

- ***Platform***: Use a standardized, scalable data platform, that allows internal and external applications to access the data securely, cheaply and effectively.
- ***Organization***: Ensure access to high quality skills, embed a rapid learn test approach.
- ***Opportunity identification***: Identify innovative opportunities to use data through new insights, process improvements, new operating models.
- ***Ecosystem***: Lead or take part in a ecosystems made up of suppliers/ peers, to share scale and capabilities.
- ***Culture***: Create an open culture and structure with clear rules and incentives.
- ***Trust:*** Maintain trust of customers, data providers and regulators to ensure that captured data can be used to enable the opportunities.

Capability building required across six key dimensions

Platform	• Build a scalable, low cost and flexible IT structure • Integrate data across multiple sources to create an integrated view
Organization	• Build talent pool of high quality analytical skills • Nurture data culture with leaders committing to agreed sources of truth. • Embed rapid test and learn approach
Opportunity Identification	• Use new and existing data sources to generate new revenue streams, business units or businesses based on the data • Use internal/external data across enterprise for real time decisions
Ecosystem	• Develop ecosystem partners with clear view of power and profit pools • Understand key roles, identify suitable partners and negotiate commercial terms
Culture	• Agree rules, incentives and IP to align efforts in ecosystem • Build digital infrastructure to enable data sharing • Develop KPIs and monitor performance closely and regularly
Trust	• Ensure data accuracy and security: invest in necessary technology • Give users/partners control and confidence on data usage • Demonstrate compelling value exchange: Explain how and why data is collected and how customers benefit

Need to address shortage of talent pool across levels

Growth in business has created greater and superior opportunities for available talent pool however retailers are finding it increasingly difficult to find and retain right resources.

This may be attributed to intense competition, misalignment of skills, limited investment in personal growth and development of employees and legacy systems. Employees today are ambitious and aspire to work for companies which provide them the highest level of financial, psychological and intellectual satisfaction.

It is in the interest of organizations to redefine the proposition & capability build program for their employees to develop the right talent pool to meet their growth aspirations.

Source: RBI, BCG analyses.

Retailers would need to build a new set of capabilities in the new world

Whilst retailers would witness strong growth over the next few years, the shape of this growth would be very different. In the emerging reality, retailers would need to build a new set of capabilities to win. We would like to call out four such capabilities:

- ***Omni-channel***: Ability to meet the consumer needs across the purchase pathway. Consumers would increasingly demand curated/personalized offering, any time and across channels in a seamless manner.
- ***Analytics/ Big Data***: Build BIG data capabilities to leverage the terabytes of data for superior decision making in the context consumers make choices.
- ***Agile IT platforms***: Create low cost, scalable IT platforms with a learn, test develop approach.
- ***Supply chain***: Create omni-channel fragmented supply chains capable of handling unpredictable bi-directional flows.

	Basic	Advanced
1 Omni-channel (includes digital marketing)	✓ Basic e-commerce capabilities ✓ Immersive websites and mobile app with rich, immersive content ✓ Track basic KPIs across consumer pathway ✓ Updated catalogue online	✓ Curated, personalized content and assortment ✓ Target microsegments ✓ In-store experience with social sharing, virtual wall, endless aisles etc ✓ Multiple delivery and pick up models
2 Big Data and analytics	✓ Secure, accurate data captured with process to ensure data hygiene ✓ Legacy based models for driving efficiencies in the business ✓ Customer analytics team works in silos	✓ Analytics used to create new revenue streams, business models ✓ Data sources integrated to create one view of the customer/supplier ✓ Specialized, high quality analytical talent pool ✓ Rapid, test and learn approach as a part of the culture ✓ Scalable, Eco-system partnerships
4 Agile IT	✓ Core ERP and stand alone applications—mix of legacy platforms and "bolt ons" of new applications	✓ Low cost, scalable IT with agile platform ✓ Incubator approach to use IT for disruption ✓ Real time update of transactions across channels
6 Supply chain	✓ Accurate real-time inventory in DC ✓ Efficient product check and repackaging in store and DC	✓ Integrated inventory in stores, DC, stores, online and supplier ✓ De-averaged flow paths—basis SKU, customer type and economics. ✓ Handling capabilities for inner packaging in Warehouse

Adapt smart simplicity principles to manage complexity in organization structures

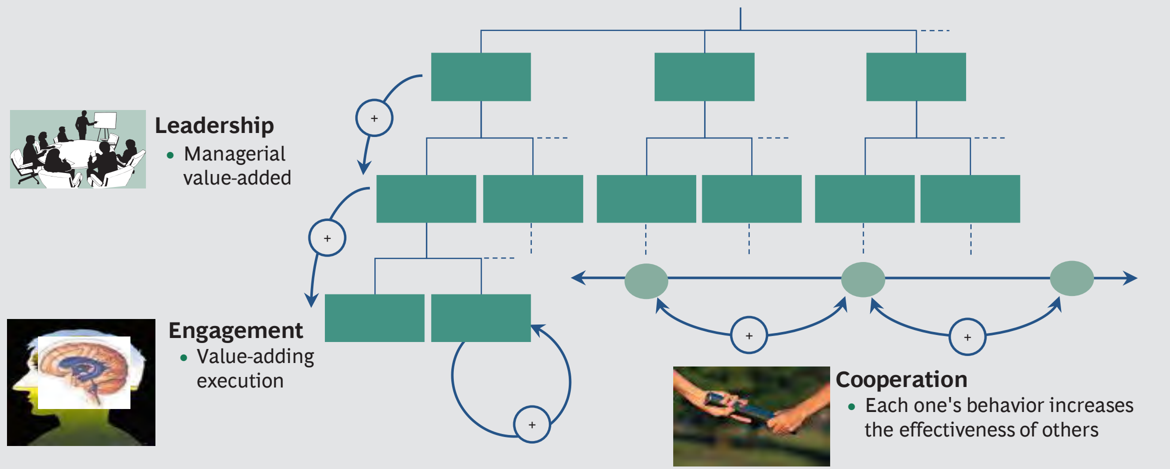
Most retailers have made changes in their organization in a piecemeal manner to respond to a change in the environment e.g. addition of new centres of excellence or adding an omni-channel team now. They have solved for complexity by adding more complexity. It is not uncommon for companies to believe that the solution to the problem lies in adding more KPIs, more governance and more coordinators—resulting in what we call as complicatedness.

Three symptoms indicate increasing complicatedness:

- Slow decision making
- Proliferation of coordination meetings and roles
- Silo working or repetitive work being done

To address this, retailers should adapt what we call Smart Simplicity which involves three steps:

- ***Less Structure**:* Focus on value-adding roles and removing layers
- ***Less Bureaucracy**:* Eliminate waste in processes while ensuring suitable systems support
- ***More Capabilities**:* Create new capabilities at individual, team and organizational levels



1 Organization design

A. Structure—line and support
B. Delayering
C. Individual and shared accountabilities
D. Decision rights
E. Forums and overlays

All five interventions in parallel to make the organization model effective

2 Process excellence

A. Critical business processes and interfaces
B. Critical support processes and interfaces
C. Corporate policies and practices

Change embedded and institutionalized in key business processes and policies

3 Critical enablers

A. Leadership
B. Engagement
C. Collaboration
D. Critical capabilities

Equal emphasis on 'soft-side' of change to enable behavior change

Source: BCG analysis.

CEO Speak: What would shape retail industry in the next decade?

BS Nagesh
Founder
TRRAIN
Non Executive Vice chairman
Shoppers' Stop

Collaboration between online players and brick and mortar players especially the smaller unorganized family run shops. These shops are getting their next generations into the business and therefore for them to adopt omnichannel as a technology will be easier and faster

Shailesh Chaturvedi
Managing Director
Tommy Hilfiger India

While ecommerce may be a ready answer, premiumization and upgradation of consumption may also be a very strong force going forward. With growth of Indian economy, discretionary spends will rise faster and premium product will gain share, as seen in other emerging markets of Russia and China. Indian consumers will become more sophisticated, discerning & demanding and will be ready to pay bit more for their choices.

Shashwat Goenka
Sector Head—Spencer's Retail Ltd.
RP Sanjiv Goenka Group

With the expected exponential increase in digitally savvy consumers over the next decade, technology will play a key role in the development of the Indian retail sector. Retailers will have to adopt technology in both back-end and front-end, to bring the digitally savvy consumer into the mainstream retail fold.

Pushpa Bector
Executive VP and Head
DLF Mall of India

Experiential way of retailing shall be the trend forward. Stores will invest in technology to make it an experiential zone. It could be in ways of
1. *Embracing omni channel retailing—endless aisles (online & offline sales converging)*
2. *Digital media—single platform to present fashion across continent*
3. *Digitized trial rooms—with digitized color changes, body mapping & styling*
4. *Merchandise influenced by technology—such as Uniqlo's heat tech*

For Further Reading

The Boston Consulting Group publishes reports, articles and books on related topics that may be of interest to senior executives. Recent examples include those listed here.

Street-Level Segmentation in India: Winning Big by Targeting Small
A focus by The Boston Consulting Group, December 2015

The Return of Growth—The 2015 Consumer Value Creators Series
A report by The Boston Consulting Group, December 2015

Rocket: Eight Lessons to Secure Infinite Growth
A book by Michael J. Silverstein, Dylan Bolden, Rune Jacobsen, and Rohan Sajdeh, 2015

How Retailers Can Improve Promotion Effectiveness: A Four-Part Approach to Generating Growth
A focus by The Boston Consulting Group, July 2015

Winning at omnichannel Pricing—Maximizing Growth While Protecting Margins
A focus by The Boston Consulting Group in association with Boomerang Commerce, May 2015

Retail 2020: Retrospect, Reinvent, Rewrite—Leadership Perspective on Trends in Indian Retail
A report by The Boston Consulting Group in association with The Retailers Association of India (RAI), February 2015

Four Digital Enablers: Bringing technology into the retail store
A focus by The Boston Consulting Group, February 2015

The Retail Revival Series—Succeeding with a Store-led strategy
A focus by The Boston Consulting Group, September 2014

In omnichannel Retail It's Still About Detail
An article by The Boston Consulting Group, August 2014

Changing Your Orbit: The Handbook for Transformation in FMCG and Retail Businesses
A report by The Boston Consulting Group, June 2014

The Evolving Convenience-Store Consumer—Drivers of brand differentiation and Customer Choice
A report by The Boston Consulting Group, February 2014

Staying Ahead of the Customer: Retail Transformation and Reinvention
A focus by The Boston Consulting Group, September 2013

Winning with Uncertainty
A report by The Boston Consulting Group in association with Confederation of Indian Industry (CII), June 2013

From Buzz to Bucks: Capitalizing on India's "Digitally Influenced" Consumers
A focus by The Boston Consulting Group, April 2013

The $10 Trillion Prize: Captivating the Newly Affluent in China and India
A book by Michael J. Silverstein, Abheek Singhi, Carol Liao and David Michael, 2012

Note to the Reader

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