

THE INDIAN RETAIL *journey*

25 YEARS OF GUTS
AND GLORY

Remember the time when shopping was simple? Customers went to the market, made quick decisions as the choices were limited, and returned home content. Retailers understood their customer requirements, built personal relationships and fulfilled the demands of the local neighbourhood. Then the 90s happened...

By Sheetal Choksi and Sharmila Cirvante
With inputs from Parama Sen and Charu Lamba

It's been 25 glorious years since the advent of organised retail in India. 25 joyous, tumultuous, passion driven years. Years of trials and tribulations that have tested the mettle of the industry's unshakeable. Years which have witnessed innovations and survived changes and developments that have threatened the fundamentals of business. We have lamented local corner stores merging into gigantic department stores and malls. Foreign brands that were once a distant dream beckon us with flashy offers. Old traditional retailers, with legacies that date back to pre-independence days, still hold strong and in some cases, pioneer modern change. Even our language is peppered with new definitions and terminologies.

Along the way, there has been much to learn from. The last 5 years ushered in arguments on FDI in retail and its impact on traditional retailers, e-commerce and its impact on brick and mortar. Everything seemed life threatening and yet, everything beautifully co-exists.

To get a firsthand perspective on the history of Indian retail, we asked the industry stalwarts to share their experiences - what they would have done differently in hindsight, what led them to foray into the domains that they did, and some 'what if questions' the answers to which may have changed the course of some brands in the country.

We received 12 responses; here are their points of view on the 25-year retail journey as well as some insights on their journey, their learning, their decisions and their conflicts. Some retailers date back even earlier, to the pre-Independence era. We have followed this with a lens on the future and asked for their perspective of Indian Retail in the year 2020.

The Pre-Independence Era: Decades of traditional retail and the transition to modern

TTK Prestige Limited is one of the oldest businesses of India, established in the year 1928. Over the years, it has evolved into one of the most trusted brands. Chandru Kalro, Managing Director, TTK Prestige Limited, shares some insights into the company's journey dating back to pre-independence till date. What, according



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to him, was the strategy employed by TTK Prestige Smart Kitchens to buffer their success from the onslaught of organised retail (what he refers to as modern format). Here is his interesting story:

"TTK started as an indenting agency in 1928 and we were the gateway to most of the great brands that we see today in India. In that sense, we were one of the first organised distributors in India. The journey of retail as I know it, is outlined in the table given below."

A bigger change in the midst of big change

TTK Prestige had committed itself to a high growth trajectory basis a very simple philosophy that was the core of their business, i.e., 'innovate and communicate to the new customer who wants something better.' The brand had succeeded in redefining customer expectation and understanding of the meaning of 'value' by offering a better product at the right price, instead of just offering a low price.



Why Ajay Kaul, Director & CEO, Jubilant FoodWorks Limited, thinks pizza is a natural fit for the Indian ecosystem

Pizza as a dish resonates well with the Indian eating habits. Pizzas are round in shape, resembling a chapati, come loaded with vegetables and cheese - both essential nutrients of Indian meals, pizzas are shared and eaten without cutlery - like Indian breads are consumed. Hence, at the outset, pizzas are a natural fit for the Indian ecosystem.



Jamshed Daboo, Managing Director, Trent Hypermarkets Limited, believes that supermarkets will be more pre-dominant than hyper markets

I think world over and certainly in India, hypermarkets have their limitations and customers are looking at more convenient ways to shop. So the hyper format is actually coming down in terms of size and it is the supermarket format which is now getting presence as far as food retail is concerned. The other issue as far as hypermarkets are concerned is that the supply of space is not easy to get as more malls are not coming up. So it is a format which I think will grow but not at the same rates that we have seen earlier.

PRE -INDEPENDENCE	POST- INDEPENDENCE TO THE EARLY 90s	90s AND BEYOND
<ul style="list-style-type: none"> Underpenetrated categories Less affluence, fewer customers Less competition Narrow distribution 	<ul style="list-style-type: none"> Imports dried up Beginning of 'License Raj' Functionality was key, both in products and retail Scarcity all around Retail was the logical last mile; not necessarily friendly 	<ul style="list-style-type: none"> End of the 'Licence Raj,' reforms kicked in Growth in income Exposure to the West; media proliferation Upgradation was the new indulgence Fierce competition - both from domestic and foreign players Modern format entered; power shifted to the hands of the consumer



Kishore Biyani's (Founder & Group CEO, Future Group) learning over the years

Doing retail business for so long in India, my biggest learning is 'what not to do' rather than 'what to do' for our customers. The customers keep teaching us and we move on with these learning.



B. A. Kodandaraman's (Chairman & Managing Director, Viveks) 3-point summary of Indian Retail in 2020

1) **Brick and Mortar:** Experiential with newness around it, 2) **Online:** Speed with convenience and trust, 3) **Omni-channel:** A blend for few sectors such as fashion

The new consumer mindset was looking for new experiences. It needed a fresh, out-of-box retail presentation which traditional channels could not deliver. At the same time, the modern format considered the kitchen category to be of least importance and relegated it to a small corner.

This gave rise to a new concept, a new philosophy - Prestige Smart Kitchen. It offered a distinct promise and created a marked difference from the emerging modern/organised retail outlets by choosing:

1. Neighbourhood stores over high street.
2. Small format as opposed to large format for a 360° kitchen experience. Modern formats were unable to host this feature as they segregated electric and non-electric into different departments.
3. Unboxed product merchandising with sales consultants for a unique browsing and buying experience.

The sheer uniqueness of the concept won over customers who had never before had an engaging, interactive experience. The concept has since further evolved.

Post-Independence to the early 90s: The role of regional players

The advent of modern retail saw many players, even the large ones, struggling

for survival. Popular brands and companies either shut shop or lost their identities in the comfort of mergers. In these winds of uncertainty, a few regional players decided to dig their heels into the ground and roll up their sleeves.

We asked three popular regional players - Metro Shoes, Vijay Sales and Viveks - about the choices they made and the factors that motivated their decisions, which today make them stand strong even in the face of intense competition, both from global brands and equally resilient Indian counterparts.

Viveks and Vijay Sales, both electronics retailers, were leading the electronics and consumer durables categories in their respective regions. Interestingly, both liberalization and the advent of organised retail gave their growth trajectory the much required

impetus. Rather than being defensive or defeated, they welcomed competition from other large national players, both brick and mortar and online, conquered them, and today are of the firm belief that they have the prowess to take on whatever the future has to offer.

Metro Shoes: What motivated Rafique Malik, Managing Director and Chairman, Metro Shoes Limited, to become a national player in a highly fragmented market? What strengthened his belief in the brand? And what will be his journey, going ahead?

Here is what he has to say: "As retail is a consumer facing industry, it is very important to understand that change never stops. Metro was the first footwear company to establish itself as a brand in a highly unorganised market, and this has changed the perceptions and purchase patterns for fashion footwear in India today. The Indian consumer is highly brand conscious and service oriented. Consumer expectations are changing on a daily basis and to meet and exceed those expectations, a brand has to constantly challenge itself to grow and expand. With investment in technology, international sourcing and celebrity endorsement, Metro has, and will, continue to remain adaptive."

The main advantage in national expansion was the brand's ability to adapt to the range of regional tastes without compromising on the brand promise. This has enabled Metro Shoes to establish itself firmly in a rapidly transforming retail landscape that sees a number of Indian and international players jostling for space.



▲ Metro Shoes

New opportunities of partnering with popular global brands like Crocs and Steve Madden for their distribution, expansion and launches in India have allowed Metro to gain insight into the introduction of international brands in India.

New store formats like MSL (More Shoes for Less) have enabled Metro to address different consumer needs.

Metro has been gleaming success even in the online market by staying relevant to the new generation. The online store witnesses a growth of 200-250 per cent year on year.

Focussing on the key pillars and investing in data, technology and people have helped Metro shoes walk the talk through the decades.

The pre-90s era: the first winds of change

Vijay Sales: Nilesh Gupta, Managing Partner, Vijay Sales Electronics Private Limited, shares his journey during the pre-90s:

“Our industry has undergone many changes in the last two decades. Prior to the 90s, store sizes were typically really small, between 500 to 1000 sq. ft. due to the dearth of products. Then the early 90s introduced us to the India operations of LG, Samsung and Sony and with it, hi-tech products like large size refrigerators, washing machines, air conditioners, microwaves and large screen colour TVs began flooding the stores.”

Viveks: B. A. Kodandaraman, Chairman and Managing Director, Viveks, believes:

“For most products in the domain of consumer electronics and home appliances, the supply demand gaps loomed large with product shortages arising from limited domestic production and severe import restrictions. Competition was minimal and retailers were able to sell what they would buy. Manufacturers had the upper hand and virtually dictated terms. Rather than choosing to exploit the situation of shortages, Viveks chose to stay strongly consumer oriented, resorting to ethical pricing practices. This stood us in good stead in winning strong customer loyalty and patronage.”

Organised retail on the anvil (1990-2010): From an era of shortage to an era of plenty

Vijay Sales: “By now, Vijay Sales had fully fathomed the scale of the future trend and was opening large format stores, beginning with Goregaon West in 1998, followed by our flagship Borivali, Prabhadevi and Goregaon stores by 2002,” says Nilesh Gupta, Managing Partner, Vijay Sales Electronics Private Limited.

He adds, “In the year 2007, organised retailing descended upon us bringing major benefits. Now we could also retail digital products like mobiles, cameras, laptops and other high end products. These products necessitated advertising which served us a bigger slice of the pie. Hence the modern retailers pushed the industry to grow as even the retailers who were adverse to change had no option but to relook their store size and product mix.

In this context, going national earlier was not a choice. In the earlier years, the market lacked the potential to enable us to open stores in various cities. Markets were fragmented, brands were far and few, and turnovers comparatively smaller and not enough to sustain multi-city operations. At best, we could



What B. S. Nagesh, Founder, TRRAIN and Vice Chairman & Non-Executive Director, Shopper Stop Private Limited, would change if he were to create Shoppers Stop all over again with all the experience gained so far...

My definition of the target customer will be sharper and the merchandise categories and assortment sharper and more curated. I would go more premium. Services like grooming, food and restaurant would be integrated to the concept. Services will ensure frequency and higher stickiness due to regular visits.

My relationship with the customer will be through an Omni-channel thought process and an Omni-channel store will be open 18 hours a day on a click and collect basis, other than serving through the brick and mortar stores. I would set the business starting one region and go deeper into the region. The organisation structure will be a multiple project organisation supported by finance and technology. Most of the routine transactional functions will be outsourced and all specialised functions will be in-sourced. It will be a digitally connected organisation with strong processes and empowerment so that the response time never exceeds 8 hours. The average age of the organisation will be 3-5 years more than the average age of the target customers.



▲ viveks



Venky Rajgopal, Chairman and Managing Director, Indian Terrain Fashions Limited, on what being a former civil servant taught him...

I was a civil servant who, as a young man, learnt great things about people, teams and motivation. It was the foundation on which this dream of Indian Terrain was built. It was born because we saw the need for a genuine sportswear product, in the aspirations of the young Indian consumer, who was just arriving on the global stage. So while the other brands had been there from before, they had we felt, left the aspiration of their consumers less than fulfilled. There was a community of consumers there just waiting for Indian Terrain to happen. Indian Terrain, was rooted and born out of one singular belief, great quality, great style and we have persevered with that, despite the growth in volume and number.



“Technology will have a massive influence on the evolution of retail because it moves at a very quick pace and it tends to disrupt the distinct models much faster. There would be a lot of nimble, technology savvy retail players in the market.

- Gaurav Mahajan, President-Group Apparel, Raymond Limited

have started our multi-city operations 5 years before we actually started. But I'm not sure how much of a difference that would have made. Hence, I feel we started at the right cusp of the curve.”

Viveks: B. A. Kodandaraman, Chairman and Managing Director, Viveks, says, “Economic liberalisation opened the floodgates of opportunity with markets quickly moving from an era of shortage to an era of plenty. Many international brands set up shop in India and offered superior products with large variety. Viveks decided to build a large chain and started expanding, moving from 3 stores in 1994 to more than 30 stores within five years. Explosion in supplies naturally led to increasing competitive intensity as market started fragmenting with more and more retailers getting into business. Consumers, who had to compromise by buying what was available regardless of quality or service, now realised that they could call the shots. With huge choices before them, they became the drivers of market growth.

While most retailers focused solely on sales, we kept the customer at the core and extended our services to include installation and service of the products we sold with our own Viveks Service Centre. We invested in people, technology and relationships with brands and launched the country's first and largest multi-brand, multi-product retailer service centre with over 40 Brand Authorisations. This further strengthened our consumer connect and improved brand goodwill.”

The unanticipated impact of e-commerce: From pricing wars to experiential retail

Vijay Sales: Online retailing is here to stay and it is a part of the retail ecosystem. But even this will have its share of learning and changes in the way it is being implemented. There will be many shifts – from pricing to service such as moving from the deep discounting mode of selling to selling at optimum pricing. Online will find huge numbers in customers seeking convenience and also in places where product availability is an issue.

Viveks: Online retail has entered the fray in a big way, but we need to understand the consequences of low online pricing. We foresee a logical trend of retailers entering a multi-channel mode by moving into online business and addressing a wider audience, mostly regional and perhaps national in some cases.

From the birth of organised retail to 2016: A perspective across different categories

From general trade to modern trade and now virtual, the Indian retail sector has had its own growth pangs. Despite the emergence of various formats, and contrary to industry forecasts, they all seem to co-exist and not necessarily at the cost of each other.

The last 25 years of organised retail has been boosted by economic growth, higher purchasing power, changing aspirations, evolving consumption patterns, a willingness to spend and other factors. In this section, we



▲ Vijay Sales



▲ Dominos Pizza

cover the thoughts of some of the key retailers across categories from malls to restaurants and suits to watches.

From unfamiliar food to a favourite family treat

Ajay Kaul, Director & CEO, Jubilant FoodWorks Limited, remembers the journey of the Pizza from an unfamiliar foreign dish to becoming a favourite family treat.

"The Domino's Pizza journey in the country has been full of learning. When we entered the Indian market 2 decades back, the organised QSR industry wasn't of a significant size and many existing players were facing challenges to even break even. When we launched Domino's, there was no Pizza culture in the country and establishing the category itself, and bringing pizzas into the meal time consumption consideration set, was the primary task. We studied the Indian mindset thoroughly and customized our offerings in all aspects. A strategy, we continue to use till date.

To take the pizza experience to the masses, we introduced the Pizza Mania range that offered pizzas at as low as Rs.35. Till today; we focus on reducing the price barrier and democratizing the pizza experience. At the other end of the spectrum, we recently introduced the Chef's Inspiration range of Italian pizzas developed in collaboration with Michelin Star Chef Vikas Khanna. This was launched for the discerning, well-travelled consumers.

We even tweaked our brand communication to address Indian sensibilities. The Domino's 'Hungry Kya' campaign established Pizza as a meal time replacement and '30 minutes or free' established Domino's as a trusted brand with the Indian consumers. As a result, India has become the largest international market for Domino's Pizza, outside the U.S. We plan to set up 150 new stores every year and hope to open 1,500 to 2,000 stores by 2020."

Time as an accessory

Titan Company Limited is now the world's largest integrated own brand manufacturer of watches, with over 150 million pieces sold across 32 countries collectively.

Bhaskar Bhat, Managing Director, Titan Company Limited, takes us through the journey.

"It was not until the decade of liberalization that Titan made headway in cementing its operations in the country. This was a time typical of slow and steady progress as India had a limited or no open market.

When it opened up during the late 80s, the country witnessed a surge in the income level of the average Indian household. With money came the need for investments, as did the consumer culture of the country. Growth in purchasing power meant that consumers could now afford to spend their income on consumer durables. Over the years, Titan has utilized the open market to grow and evolve from a premier Indian watchmaker to a global lifestyle giant.

Increasing disposal income among the younger consumers and exposure to a larger plethora of brands has resulted in a sea change in consumer preferences. Consumers are no longer passive observers of market players but active partners who drive product promotion, thinking and even innovation.

With the growing role played by the consumers today, companies such as Titan cannot afford to lose sight of their varied needs and preferences. Keeping consumer needs first and foremost in the brand philosophy is central to our success in today's competitive and



"I feel in the earlier years, market did not have the potential where we could have opened stores in various cities. It was fragmented, brands were far & few and turnover was comparatively smaller, not enough to sustain multicity operations. At best we could have started our multicity operations 5 years before when we actually started.

- Nilesh Gupta, Managing Partner, Vijay Sales Electronics Private Limited



What Harshvardhan Neotia, CMD, Ambuja Neotia Group, learned as an unwilling participant in his mother's shopping trips...

Much of what we did in City Centre was derived from my experience of having been an unwilling chaperone to my mother on her numerous visits to New Market (a local, traditional market). I would notice how she would thrive on bargains, how she would relish diversity, how the shop keeper would promise to do more for her to make her feel special and what I would invariably notice was a familiarity between the shopper and the shopkeeper – not a cosmetic transaction but a personalised relationship.



▲ Prestige Showroom

crowded market. Titan's efforts towards ensuring this will continue to be our key strength in the years to come."

A mall with the courage to make shopping a byproduct

Building a community centre where shopping was a byproduct, in an age where most malls were aping the malls of the West, is a feat to accomplish. Harsh Neotia, CMD, Ambuja Neotia Group, discusses how a deep understanding of the consumer and market enabled them to break traditional thinking and create profitable city centres in Eastern India.

"As City Centre, Salt Lake completes a decade; my mind is flooded with a patchwork of memories. India had only a couple of malls when we began designing City Centre, Salt Lake in 2001. City Centre was conceptualised as a complete family shopping and entertainment destination, and perhaps succeeded because most visitors did not necessarily have a precise idea why they would be going there. The biggest motivation was the convenience of finding most things under one roof. On the other hand, for our retailers, City Centre, Salt Lake has created a tremendous sense of pride and ownership.

Traditionally, the international experience of malls was more like big boxes, fully air-conditioned in one large space. The Indian concept of a bazaar, on the other hand, is very



“As retail is a consumer facing industry, it is very important to understand that change never stops. Consumer expectations are changing every day and to meet and exceed those expectations, a brand has to constantly challenge itself to grow and expand.

- Rafique Malik, Chairman & Managing Director, Metro Shoes Limited

different. Here, most individual shops are air-conditioned but the corridors are open spaces with several courtyards. The conventional mall theory believes that creating too much opportunity for people to hang out would enhance unremunerative foot falls. We disagreed and insisted that Indians generally combined shopping with 'adda', leisure and outing. The shopper needs to first and foremost be relaxed while shopping. This was the basis of why we evolved City Centre, Salt Lake from a market into

a community centre, where shopping would be an engrossing byproduct.

This journey into the world of malls has been exciting and a process of learning. I have understood that malls are more a hospitality enterprise than a realty venture."

The last 25 years have presented an undulating retail landscape. Indian retail has been barraged with new formats, erratic consumer behaviour, the rapid emergence and decline of home grown and international brands, a change in mall culture, the success of high streets, the temerity of traditional retailers and the aftershocks of e-commerce.

The market is rife with data and statistics pertaining to the size of the retail industry, the share of e-commerce vs brick and mortar and other speculations concerning the future of retail. Will small stores fade into oblivion? Will Omni-channel work its miracles? Will online lose its sheen and reroute consumers back to offline channels, helping malls and shopping centres regain their lost prestige? There is too much hearsay, debate and dissonance.

Retail 2020: survival of the smartest

In such an unpredictable scenario, asking the industry stalwarts to future gaze 5 years ahead would be presumptuous. We, therefore, asked them to share their vision of Retail 2020. Before we delve into their minds for their predictions, let us survey some industry data to set the context for discussion.

Growth is inevitable

Whatever the data source, the narrative stays true to the growth factor, be it e-tail or brick and mortar. This seems to be largely influenced by rising incomes, urbanisation and attitudinal shifts amongst consumers.

As we have been reading time and again, India's retail market is expected to nearly double to US\$ 1.3 trillion by 2020 from US\$ 600 billion in 2015. While the overall retail market is expected to grow at 12 per cent per annum, modern trade would expand twice as fast at 20 per cent per annum and traditional trade at 10 per cent (Source: ibef.org).

E-tailing is attracting much attention and is touted as the biggest revolution in retail. While there is much variance in the estimates of the e-commerce market, there is a consistent belief that it is here to stay, to grow, and to change the consumers' shopping behaviour far more dramatically than before.

A bubble that won't burst

The second narrative focuses on the dominant roles e-commerce and online shopping are playing in the lives of consumers. Whatever the guesstimates, reality is that it is here to stay! Compared to China and the U.S., India is adding three new internet users every second and is the second largest market ranked by user numbers. In our cover story of the May 2016 issue, 'Emerging Shopping Destinations: How Retailers Keep Ahead of the Curve', we stated that e-commerce is a progressive step to the rapidly evolving retail business and yet attracts opposing viewpoints. The benefits of e-commerce are there for everyone to see: convenience of shopping and deep discounts.

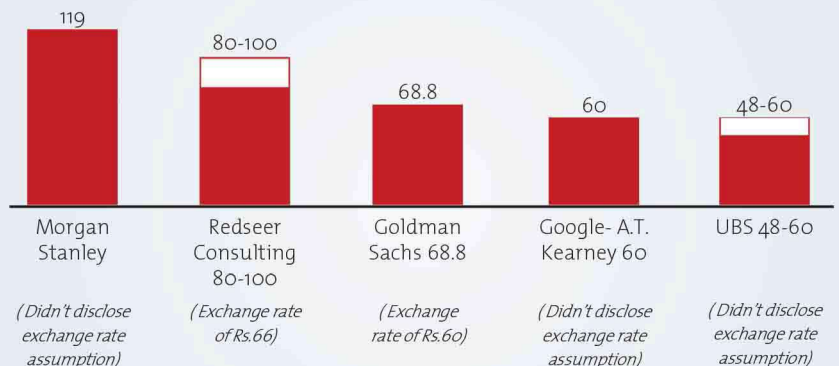
Looking into the crystal ball

2020 is just 3 years and 3 months away. Do the industry leaders envision ground-shaking changes in Indian retail? What other shocking revelations can we hope to expect, given that the scenario is in a constant state of flux every month, every year?

WIDE VARIANCE

A look at the estimates by brokerages and consultancy firms of India's e-commerce market size reveals a wide gap in expectations

Estimates of market size of online retail by 2020



* Online retail here refers to gross sales of electronics, fashion books, furniture and home products, health and personal care products and groceries at e-commerce firms. Gross sales doesn't account for discounts, products return and order cancellations.

** Goldman's estimate is for the year ending March 2009. All the estimates are for the year ending December 2020.

Source: Mint research

Of the 12 retail stalwarts who responded, these 6 key themes emerged.

1. Disruption fuels new ideas

The last few decades have witnessed disruption in retail practises and consumer behaviour, which has kept the industry guessing. Nothing much has progressed; the next wave of

SIGNIFICANT SCOPE FOR EXPANSION IN ORGANISED RETAIL

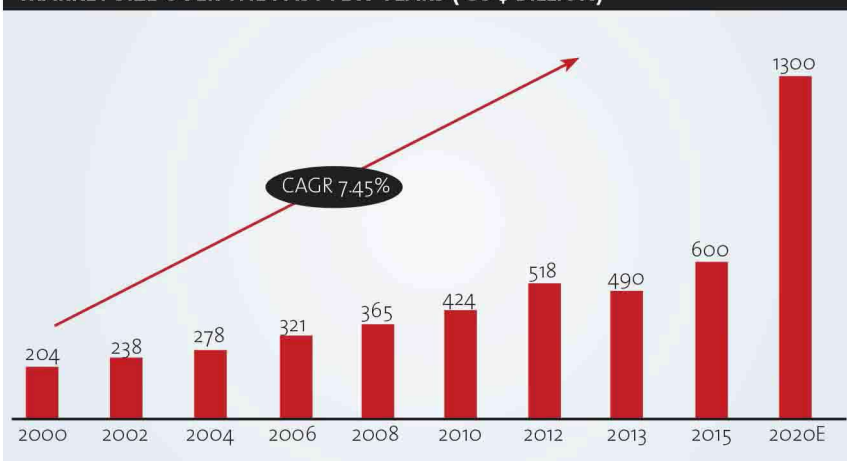


Source: BCG, KPMG-indiaretailing.com, Deloitte Report, Winning in India's Retail Sector, TechSci Research, Notes: 'Mom-and-pop' stores are small stores that are typically owned and run by members of a family, E- Estimate

change is still a question mark. Retail will still have to brace itself against impending disruption from all fronts, technology being the biggest enabler of the same. Disruption is what will keep both online and brick and mortar retailers, however big or small, on their toes in the years to come.

According to Gaurav Mahajan, President-Group Apparel, Raymond Limited, "The last few years have seen tremendous disruption, not necessarily in terms of volume of business but in terms of the nature of retail business, because of digital and online. I think

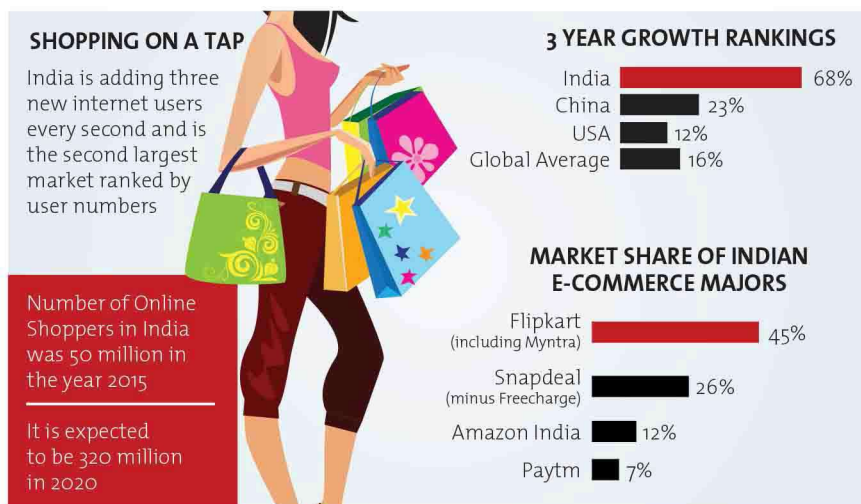
MARKET SIZE OVER THE PAST FEW YEARS (US \$ BILLION)



Source: BCG Retail 2020, Ernst & Young, Deloitte, indiaretailing.com, Economist Intelligence Unit, Euro Monitor, TechSci Research, Notes: CAGR - Compound Annual Growth Rate, E- Estimated



▲ City Centre, Salt Lake



Source: economictimesindia.com

it has been excellent because we are aligning the way we do retailing to the way consumers today live, and the consumers live seamlessly between the physical and the digital worlds.”

2. Technology will enable differentiation

In the cover story of our June issue, ‘Where Tech will take Retail: Retail Technology Leaders Envision the Future’, we had delved into the changing role of technology in the retail space. We had observed that technology, till about a decade ago, was considered unobtrusive, a ‘back office thing’ without a name or an identity. Today, it has emerged from the shadows and stands at the forefront,

orchestrating everything from innovation to analytics, and is being touted as the key enabler for differentiation. Every one of the 12 retail leaders we spoke to stressed upon the importance of technology and its critical role in retail.

Rafique Malik, Managing Director and Chairman, Metro Shoes Limited, believes technology is all-encompassing and encapsulates the same. “Technology will play a vital role in shaping the retail industry in the next few years. Its influence will range across all facets of the industry. Production will be influenced through technologies like 3D printing and hyper local manufacturing, though these effects may take even longer

to become truly commercial. Supply chain efficiencies are being seen even now with the ability to automatically replenish store inventory. This will reduce the cost of holding inventory and hence, working capital. The store experiences will change with experiential retail becoming more a focus. Data analytics will enable us to personalize a customer’s experience either online or offline.

With a quicker flow of information, international trends will be adopted faster, or for that matter, influenced. At any rate, a retail company has to brace itself for an ever increasing pace of change and be prepared to adapt in an increasingly changeable environment”.

Chandru Kalro, Managing Director, TTK Prestige Limited believes, “Efficiencies all across will have to improve. Current cost benchmarks have to go down and technology will be a great help and can provide disruptive opportunities”.

3. Different retail formats will perforce co-exist

While retail may have changed, adopted, adapted many forms in its journey of modernization, most industry leaders believe that the traditional retailer still plays an important role in consumers’ lives. There is a strong conviction that all formats will co-exist, albeit with some changes to match the changing dynamics of both the market requirements and changing consumer behaviour.

According to B. S. Nagesh, Founder, TRRAIN and Vice Chairman & Non-Executive Director, Shopper Stop Private Limited the industry will necessitate three kinds of retailers.

> **Traditional Trade:** Large numbers of outlets serving niche products or general merchandise and food and FMCG products for the local community.

> **Modernising Trade:** Smaller Retailers who have adopted high level of technology through collaboration and are connected through intermediaries on technology platforms to reach consumers directly.

> **Modern Trade:** Almost 100,000 + retailers who will leverage technology together with one or two stores or local chains, of which about 10 very large retailers straddling both the online and offline spaces will be multi-million dollar enterprises.

Jamshed Daboo, Managing Director, Trent Hypermarket Limited, predicts that the hypermarket store formats will become smaller. It will revise strategy to become a multi-format and will continue to have relevance though it may lose its predominance.

Chandru Kalro, Managing Director, TTK Prestige Limited, anticipates traditional retail in many categories will find it difficult to survive and therefore, like everywhere in the world, independents will diminish.

Harsh Neotia, CMD, Ambuja Neotia Group, expects an average decrease in the overall retail square footage of between one-third and one-half in the next 5-10 years, as the shift to e-commerce will result in less frequent visits to malls. Yet, given the fact that shopping is not a solitary exercise, he believes that shopping malls will evolve as 'community centres' where consumers will come together to bond over food, entertainment and shopping, if need be.

He further states, "The significance of entertainment is paramount in the human psyche. Therefore notwithstanding technology-driven retail networks and increased number of digital savvy customers, entertainment shall continue to remain a source of attraction maximizing footfalls. This is primarily because e-commerce cannot delight shoppers with spa and gym-like experiences, and prudent mall owners are trying to make good on the notion of retail therapy by giving shoppers a platform to not just shop but also indulge in their hobbies. Cookery, painting and sports-based events are just a few examples of it." He strongly believes that malls which lack this will struggle for survival.

B. S. Nagesh, Founder, TRRAIN and Vice Chairman & Non-Executive Director, Shopper Stop Private Limited, concurs, "Almost all the big brands of the world would have entered and this will lead to

a shortage of physical space, which will necessitate the reinvention of malls and shopping centres as social destinations."

4. Phygital will be the way forward

According to 'Digital Retail in 2020: Rewriting the Rules', a Google-A.T. Kearney Study, May 2016, the number of online shoppers is expected to grow more than 3X to 175 million, and the online channel will contribute to 25 per cent of organised retail sales by 2020.

With the study as a backdrop, Bhaskar Bhat, Managing Director, Titan Company Limited, opines, "Through the course of the passing decade, e-commerce has left an imprint by drastically re-shaping India's retail space. Today, customers are not loyal to any channel – online or offline. Phygital, which is all about blending the physical and digital to create an ecosystem between the brand and consumer across the two worlds, is the biggest reality that must be embraced by established and new businesses. We are likely to begin seeing real-world success stories of Phygital in the next few years."

Gaurav Mahajan, President-Group Apparel, Raymond Limited, seconds the opinion and believes that a hybrid format will be the way forward. He elaborates, "By 2020, I anticipate that a lot of pure play offline retailers would have figured out how to operate successfully and meaningfully in the online world. Similarly, many of the large online players, even the smaller ones for that matter, would have also figured out how to have a forte in the offline space. So, I think these hybrid



“With the opening up of the market during the late 80s, the country witnessed a surge in the level of income of the average Indian household. The growth in the purchasing power of the average Indian consumer meant that they could now afford to spend their income on consumer durables. Over the years, Titan has utilized the open market to grow and evolve from a premier Indian watchmaker to a global lifestyle giant.

- Bhaskar Bhat, Managing Director, Titan Company Limited

retail formats will be in sync with the way consumers are living today, which is seamlessly between physical and digital, and would have merged much stronger."

5. Change, adapt or die

Retail has come forth as one of the most dynamic and fast-paced industries of India. Smaller towns are catching up in aspiration and consumption with metros. Younger consumers are identifying their own needs and requirements which are different from those of the earlier generations. Consumers are being exposed to the world and this is changing their expectations from brands. India is evolving and with it, so is the consumer.

Two of the oldest retailers in the country share insights on how they have constantly evolved with the times and how this has helped them over the years.



▲ World Of Titan



Why Chandru Kalro, Managing Director, TTK Prestige Limited, thinks that customer is the most important...

Organised retail has given rise to impersonal but great browsing experience at the retail point. The power of choice was quite evident to the customer. In a sense India grew because of a paradigm shift that was facilitated in the customers mind by modern retail.

B. A. Kodandaraman, Chairman and Managing Director, Viveks, believes that businesses will have to be conducted in newer ways. "Business evolves most of the time with disruption. Just as Ola and Uber are now shaping both the transportation and policy around it, Air Asia and Vistara helped shape the aviation policy. Similarly, the online market place entry into India is helping shape both the online and offline retail".

Chandru Kalro, Managing Director, TTK Prestige Limited, echoes the viewpoint. He adds, "Modern formats will have to evolve to stand for something specific, not everything to everyone."

6. Analytics is as critical as consumers

Today, the power of choice has shifted to the hands of the consumer and

therefore, only those retailers who centre their offerings on their consumer needs will survive and thrive. For their strategies to be successful, consumer analytics, engagement and focus will play a critical role.

Chandru Kalro, Managing Director, TTK Prestige Limited, says, "Going forward, customer engagement will be the key. Analytics will be instrumental in managing the customer and keeping their loyalty across the purchase process".

Bhaskar Bhat, Managing Director, Titan Company Limited, stresses on how focussing on consumers' needs first has been central to Titan's success in a crowded and competitive market. He explains, "Increasing disposal income among the younger consumers and exposure to a larger plethora of brands has resulted in a sea change in consumer preferences. Consumers are no longer passive observers of market players but active partners who drive product promotion, thinking and even innovation."

Rafique Malik, Managing Director and Chairman, Metro shoes Limited, confirms this. He says, "Consumer expectations are changing every day and to meet and exceed those expectations, a brand has to constantly challenge itself to grow and expand."

Kishore Biyani, Founder and Group CEO, Future Group, emphasises building a single view of the customer in order to differentiate. "We believe the customer is moving very fast towards a seamless life between real

and virtual world. In the next few years, the ones who can give customers a retail experience that offers them choice and convenience will win them. The industry needs to understand this and prepare for the change."

A new way to approach growth

Predictions are that e-commerce will give a lot of traditional retailers a run for their money. E-commerce is seen to thrive on the four pillars of Convenience, Cash on Delivery, Competitive Pricing and Customer Satisfaction. Yet, both traditional and brick and mortar retailers have continued to hold their ground. Retailers who have been ahead of consumer shifts rather than playing catch up, are the ones who have been able to make a big difference in the industry, and this trend will continue even for the future.

Disruption will come in various forms – geopolitical dynamics, currently growing but subsequently shrinking household sizes, climate change, simplification and downsizing of materialistic aspirations, 3-D printing, autonomous cars and things that we have not even anticipated.

Some questions that leaders will need to answer to stay on top of what's coming are:

1. What makes us distinctive from the others?
2. How do we engage with consumers in a meaningful manner?
3. Are we nimble enough to respond quickly to change?
4. What technology will help us differentiate?
5. What innovations will be relevant to us and the consumer?

As we have read, even the soundest of strategies can be toppled by a single product, innovation, a new technology or an erratic consumer behavior. While keeping an eye on the long term growth strategy, it is equally important for companies and brands to be agile and responsive to sudden market vagaries. There has been enough disruption and there will be more. The future of retail is going to be a far more exciting journey. 



▲ Raymond Shop