

Market Watch
Prioritise Vaccination and Provide
Financial Support Measures to Workers
pg 12

Reimagining Retail
Conversational Commerce:
The Future of Indian Retail
pg 34

Research
Global Powers of Retailing
2021
pg 24

Retail Strategy
Omnichannel Commerce:
Reframing the Future
pg 36

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[COVER STORY]

SUPPLY-SIDE ECONOMICS OF DIGITAL RETAIL

[PAGE 14]



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After nine long months, India's retail sector is back to square one. Lockdowns are back and business and consumer sentiments are at record lows. People are once again being advised to 'stay home'; only shoppers focussed on essentials are venturing out. Indians are back to the work-from-home model and e-commerce is once again the favoured shopping channel.

On the other side, the bar on retail supply chain excellence is at an all-time high as companies race to service customers and keep cash registers ringing. In our cover story, a white paper from leading global professional services firm, Alvarez & Marsal (A&M) India and CII Institute of Logistics called 'Enabling the Next Wave of E-commerce in India Through Supply Chain Innovation' offers some ideas on what to expect. The paper notes how different e-commerce categories are expected to witness differential growth in the next five years with evolving operating models and the implications for logistics service providers.

E-commerce firms have to look at new and innovative ways to cater to demands of customers. There has been huge pressure on the supply chain management in this situation and it will be interesting to note how they rise up to this challenge. The May edition of IMAGES Retail, takes a look at of how retailers are working to live up to the expectations of consumers and how they have evolved their logistics architectures and supply lead times in the pandemic-era.

As always, we hope you find the issue informative and useful. Log on to our website <https://www.indiaretailing.com/> for daily news, features, analysis and expert opinions.



Amitabh Taneja

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contents

MAY 2021 | VOL. 20 NO. 5



8. National Newsmakers

Second Wave of COVID-19 Induces Economic Downturn, E-commerce Players Improve Online Capabilities

IMAGES Retail Bureau brings you a roundup of some of the prominent structural changes in the retail sector pan India

10. International Newsmakers

Online Brands & Retailers Report Upward Trend As Consumers Spend More Time Shopping Online

IMAGES Retail Bureau brings you a roundup of some of the prominent structural changes in the retail sector around the globe



12. Market Watch

Prioritise Vaccination and Provide Financial Support Measures to 'The Last Mile Workers': RAI

The businesses and the workforce in retail need to be cushioned by the government or the local authorities to ease off their hardships

20. Technology

Intelligent Automation to solve AR/ AP Challenges of Organised Retail Customers

Some of the possible solutions to optimise the above processes include AI, ML based document data extraction and reconciliation, EDI, BOTs/ adaptors to enable integration to ERPs etc

22. Viewpoint

E-commerce and Digital Platforms to Foster the Rapid Inclusion of MSMEs in Retail Market

The rising Internet usage and smartphone penetration is constantly allowing e-commerce to transform the business game in India



COVER STORY (PAGE 14)



SUPPLY-SIDE ECONOMICS OF DIGITAL RETAIL

There has been huge pressure on the supply chain management in this situation and it will be interesting to note how they rise up to this challenge. The challenges emanating from a mass business disruption lie not only in boosting supply chain efficiencies, but also in offering the right products relevant for consumer behavior during the period

24. Research

Global Powers of Retailing 2021

The retailers have not only been adversely affected by the suppressed economic activity, but are also contending with the decline in consumer mobility, and reduced spending on discretionary products.

30. Retail Solution

Second COVID Wave, Changed Consumer Behavior & the Effect on Indian Economy

The pandemic has led to the huge change in the purchasing behavior of consumers. People are now looking at things with a new lens like what and how to buy

32. Opinion

The Evolution of Retail Design

Shopping malls and the retail stores should highlight unique aspects of the brand on the premises thus giving the customer an exclusive in store experience



34. Reimagining Retail

Conversational Commerce: The Future of Indian Retail

The next phase of shopping and commerce will be where the consumer will be able to converse with the brand and the seller and discover the product and characteristics while also being entertained by the brand

36. Retail Strategy

Omnichannel Commerce: Reframing the Future

The current pandemic has shifted the battle of Omnichannel vs offline vs online to effective distribution and direct-to-consumer approach

Second Wave of COVID-19 Induces Economic Downturn, E-commerce Players Improve Online Capabilities



Retail initiatives such as launch of click and collect services, faster fulfillment options, enhanced inventory management, and better supply chain & logistics operations keep online players ahead from the rest; as India witnesses second wave of the pandemic...

By IMAGES Retail Bureau

INDIA'S RETAIL OUTLOOK APPEARS SHAKY WITH COVID-19 SECOND WAVE, SAYS GLOBALDATA



Retail industry in India witnessed just 4.4 percent growth rate in 2020 compared to the 12.5 percent reported during 2018-19. Although recovery is expected in 2021, the outlook currently remains clouded as the second wave of COVID-19 continues to wreak havoc, says GlobalData, a leading data and analytics company.

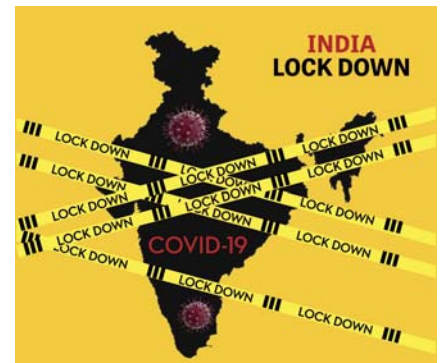
Ankita Roy, Retail Analyst at GlobalData, comments: "The COVID-19 induced economic downturn has resulted in job losses and pay cuts, which have exposed the Indian consumers to further financial uncertainties. This has led to the derailment of the retail industry."

Retailers, who learned lessons from the past, have taken adequate measures to protect their businesses from collapsing. This includes the launch of click and collect services, faster fulfillment options, enhanced inventory management, and better supply chain & logistics operations. Roy continues, "There is a dramatic shift towards online shopping

due to the COVID-19 pandemic. Hence retailers must continue to take advantage of this shift and expand to smaller cities to increase their consumer base by offering products at reasonable prices as the pandemic has put shoppers on a tight budget. As the e-commerce industry is not popular in India as other developed countries, retailers must increase the digital and technology investment to improve online capabilities and the ability to flex demand."

According to GlobalData, apparel retail sales were estimated to reach INR5,845.1bn in 2021, up by 23.1 percent from 2020 after registering a decline of 8.9 percent during 2019-20. However, full/partial lockdowns in some states, curbs on social gatherings and restrictions on movements have dampened the demand for apparel like any other non-essential products.

"Apparel retailers were optimistic about the increased demand from the wedding season in 2021 which unfortunately clashed with the second



wave of the pandemic. Weekend lockdowns in some states have also been a barrier to the recovery process, as most of the business happens over the weekends. "However, the vaccination drive for all adults, which started from 1 May 2021, is expected to boost consumer confidence, and provide relief to the retail industry in the latter half of 2021. Having said that, retailers should adopt safety protocols, advance their operations and be prepared for new challenges," concludes Roy.



Prioritise Vaccination and Provide Financial Support Measures to ‘The Last Mile Workers’: **RAI**

The retail industry in India has been in a perpetual paradox ever since the first set of restrictions began last year in March 2020. The businesses and the workforce in retail need to be cushioned by the Government or the local authorities to ease off their hardships

By IMAGES Retail Bureau

Retailers Association of India (RAI) lauds all efforts of the government and the local authorities across states to curb the devastating impact of the deadly pandemic that has gripped our country. The Indian Retail Industry has been constantly supporting the government and the local authorities in the fight against COVID-19. Many retailers have

come forth to serve ailing citizens and support them to the best of their capabilities.

The Indian Retail industry employs 46 million citizens of India and contributes to 10 percent of the nation's GDP. Citizens employed in the retail industry and the retail businesses are both in need of urgent support to ease out their lives and livelihoods.

Speaking about the state of the Indian

Retail Industry, **Kumar Rajagopalan, CEO, Retailers Association of India (RAI)**, said, “The retail industry in India has been in a perpetual paradox ever since the first set of restrictions began last year in March 2020. The businesses and the workforce in retail need to be cushioned by the government or the local authorities to ease off their hardships. The Retailers Association of India believes that the two most important and immediate



Supply-side Economics of Digital Retail

As a result of lockdown, more and more consumers are gravitating towards e-commerce platforms to meet daily and essential needs. There has been huge pressure on the supply chain management in this situation and it will be interesting to note how they rise up to this challenge. The challenges emanating from a mass business disruption lie not only in boosting supply chain efficiencies, but also in offering the right products relevant for consumer behaviour during the period...

By Sandeep Kumar

Three months ago, no Indian retailer could have predicted an unprecedented — and far deadlier — return of the Covid-19 pandemic battering the country. But as things stand, lockdowns are back and business and consumer sentiments are at record lows as we write this. On the other side, the bar on retail supply chain excellence is at an all-time high as companies race to service customers and keep cash registers ringing.

That being said, the current restrictions are more practical in comparison to the ones imposed in 2020. Although essential products and services have been given first priority, other consumption verticals are also functional, albeit with some limitations. Digital channels are surging once again as at-home consumption rises and online transactions replace physical shopping.

Efficient fulfillment of orders is largely dependent on retail logistics and end-to-end supply chain management — from order procurement to the customer's door.

Some of the pressures on even the most agile of e-commerce companies are becoming evident; delivery lead time has been more than 7-10 days for most orders. There has also been a huge drop in the level of 'stocking and trading' due to supply chain disruptions. Consumers are thronging stores and e-commerce sites to panic buy and stock food and FMCG essentials. On the other hand, there is a fall of workforce at manufacturing plants and farms due to local lockdowns, leading to a significant disruption of the supply chain.





Intelligent Automation to solve AR/AP Challenges of Organised Retail Customers

Given the surge of demand from these channels, streamlining O2C processes in organised retail is important for both the sellers (accounts receivable) and buyers (accounts payable). This need is pronounced across industries such as FMCG, consumer durables, pharma, textile, auto among others. Companies are therefore looking to intelligently automate their AR management, Cash Application, Reconciliation and Vendor payment processes.

By Narayan 'Naru' Ramamoorthy, Chief Revenue Officer, Global PayEX

India, counted as the 5th largest retail hub globally, is witnessing an exponential growth in organised retail trade buoyed by changing consumer behavior, high adoption of online commerce and rapid urbanisation. While traditional retail is still a larger pie compared to organised retail, the latter is going up in the revenue mix for companies across different sectors in India.

For example, in the FMGC sector, modern trade has grown from 25 percent to 30 percent approximately in the last year alone.

Even as organised retail has brought the advantage of accessibility and scalability to corporates sellers by leveraging the power of digital marketplace to reach end-consumers, it has also manifested operational complexities, a lot of which is thanks to the traditional and manual of order to cash (O2C) cycle processes. This is a big issue when the corporates' customers are large retail chains, e-commerce companies, Government institutions, other OEMs etc.



Can you imagine the time and effort spent by a FMCG brand just to track all of the multi-product orders from a popular e-commerce platform and corresponding account receivables? Now imagine the challenge of doing this across many ecommerce platforms and large retail chains! The work is tedious, error prone and cumbersome. Any inefficiency impacts working capital, customer relationships, and core financial metrics. Resultant write-offs, delayed/unapplied cash etc. have deeper implications on the financial health of the company.

Given the surge of demand from these channels, streamlining O2C processes in organised retail is important for both the sellers (accounts receivable) and buyers (accounts payable). This need is pronounced across industries such as FMCG, consumer

E-commerce and Digital Platforms to Foster the **Rapid Inclusion of MSMEs in Retail Market**



The rising Internet usage and smartphone penetration is constantly allowing e-commerce to transform the business game in India. Among e-commerce mediums, a website is considered to be the main platform that can ensure competitive advantages, and is one of the factors that can determine e-commerce success...

By Mudit Pareek, CTO, Saraf Furniture

E-commerce has emerged as one of the best examples of technology utilisation that has transformed the traditional technique of business into the digital space. The transformation of technology has led to the increase of internet users significantly. E-commerce or electronic commerce is a process of trading goods and services through digital devices and internet networks. The shift in digital space is also

rapidly influencing the current condition and trend in several aspects, including academic, medical, banking, government, and business. The rising Internet usage and smartphone penetration is constantly allowing e-commerce to transform the business game in India. Among e-commerce mediums, a website is considered to be the main platform that can ensure competitive advantages, and is one of the factors that can determine e-commerce success.

Since 2014, the Government of India has announced various initiatives like Digital India, Make in India, Start-up India, Skill India, Innovation Fund, and more to accelerate the growth of E-commerce trade in the nation. It is also expected that the heavy investment by the government in rolling out the fiber network for 5G will greatly enhance the E-commerce business in India.

We, as one of the rapidly developing nations, acknowledge the booming

Global Powers of Retailing 2021

For many retailers, the pandemic has been a perfect storm. Not only have many of them been adversely affected by the suppressed economic activity, they have also had to contend with a decline in consumer mobility, an increase in online activity, and reduced spending on discretionary products...

By IMAGES Retail Bureau

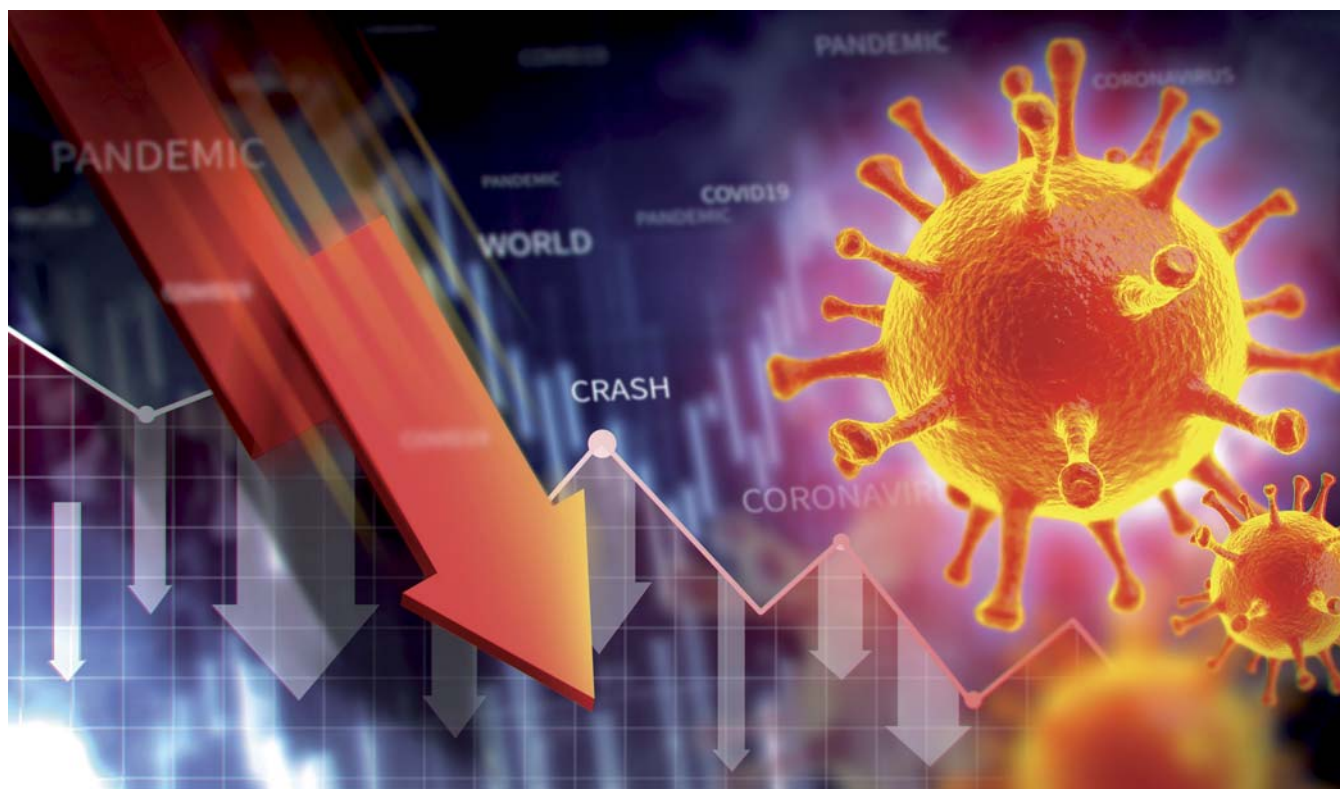
The 24th edition of 'Global Powers of Retailing' by Deloitte identifies the 250 largest retailers around the world based on publicly available data for FY2019 (fiscal years ended through 30 June 2020), and analyzes their performance across geographies and product sectors. It also provides a global economic outlook, looks at the 50 fastest-growing retailers, and highlights new entrants to the Top 250.

Global Economic Outlook

In the early months of 2021, the world was faced with both promise and peril. On the positive side, the distribution of vaccines for COVID-19 was under way, offering the promise that, sometime later in the year, the negative impact of the virus could abate significantly. On the negative side, the virus continued to threaten economic stability, especially in those parts of the world where it was still prevalent and threatened to be a problem elsewhere if new and virulent strains of the virus were spread widely. Even in places where the outbreak was limited, there was a negative economic impact from social distancing measures to avoid a further outbreak. The challenge for policymakers was to control the current outbreak, protect those who have been disrupted by it, and speed up the distribution of approved vaccines. The speed and success of these three imperatives will determine the path of the global economy in the year ahead.

For many (but not all) retailers, the pandemic has been a perfect storm. Not only have many of them been adversely affected by the suppressed economic activity, they have also had to contend with a decline in consumer mobility, an increase in online activity, and reduced spending on discretionary products, such as clothing. On the other hand, grocery retailers have benefitted from the closure





Second COVID Wave, Changed Consumer Behavior & the Effect on Indian Economy

The pandemic has led to the huge change in the purchasing behavior of consumers. People are now looking at things with a new lens like what and how to buy. The health and worries of people has made them switch to buying more hygienic and health care products.

By Lokendra Ranawat, CEO & Co-Founder, WoodenStreet

Since April 2021, India has been witnessing a surge in Covid-19, and the country is seeing over huge number of fresh cases on a daily basis. The COVID-19 hit India at a time when we were already under a lot of economic stress and our growth was stunted. This was due to a dip in the domestic market demands. Unorganized retailers, small industries and companies that were just starting out are the worst struck by the pandemic. Late in March 2021, the second wave of the virus spread like wildfire in the nation. India, which is the second-worst COVID-19 hit country, currently has over 18+ million cases. While, if we talk about the number of COVID patients admitted in the hospital, it has substantially increased from the past year. However, the death rate is lower than the previous time so far.

Changed Consumer Behavior

With a rough estimate of \$854 billion, retailing in India makes up for over 10 percent of the country's GDP. It is one of the biggest industries of the company and provides employment to more than 45 million people. Out of this, 90 percent of the employees are blue-collared workers. 50 percent of the total retail is owed to fashion and electronics while the rest is covered by other essentials such as food.

This pandemic has changed the world as it was earlier. From the thinking pattern of people to shopping for goods, everything is much changed. We are working differently, buying things differently, communicating differently and all these just for the sake of good. Several young companies in the retail industry have borne a lot of financial losses, many of them have shut down while others are experiencing an all-time low in generating revenue.



The Evolution of Retail Design

Malls and stores should highlight unique aspects of the brand on the premises thus giving the customer an exclusive in store experience. The retail layout should provide customers with a logical path through and around the store to enhance their browsing experience...

By Sachin Dhanawade, Chief Operating Officer,
Retail & Real Estate, Grauer & Weil (India) Limited

In today's world where visual appeal holds a great importance; effective retail design can have a tangible and far-reaching impact on a business. It can not only make a difference to footfall and sales but also ensure that a brand is correctly positioned and presented.

Retail design should encompass all aspects of the retail outlet and showcase the physical touch point between the brand and the customer. This holds an even more important place in current digital times where almost everything can be acquired online. Hence good retail design and environment helps offer a richer experience to combat a complete digital transformation.

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Lulu Mall, Thiruvananthapuram