



Merchants' Chamber of
Commerce & Industry



MCCI
Retail Forum 2019
“E-Retail Vs Brick & Mortar Retail : Convergence for a Better Living”



20 March, 2019
Crystal, Hotel Taj Bengal

“The ‘MCCI Retail Forum 2019’ was organised with prominent Policymakers and Industry Leaders with an aim to trigger meaningful deliberations on e-retail and brick and mortar retail. The current trends and outlook for the retail sector were also deliberated upon.”





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MCCI Retail Forum 2019

‘E-Retail Vs Brick & Mortar Retail: Convergence for a Better Living’

Wednesday, 20 March 2019 at 10.30 am at Taj Bengal, Kolkata

A Report



Lighting of the lamp (L to R) Gaurav Marya, Chairman and Founder, Franchise India Group, Viresh Oberoi, Founder & Former CEO, mjunction Services Limited, Manish Gourisaria, MCCI, Namit Bajoria, Chairman, Standing Committee on Retail Trade, MCCI, Sadhan Pande, Hon'ble Minister, Departments of Consumer Affairs and Self Help Group & Self Employment, Government of West Bengal, Vishal Jhajharia, President, MCCI, Bijou Kurien, renowned retail expert, Pulkit Baid, Co-Chairman, Standing Committee on Retail Trade, MCCI and Vipul Sabharwal, Managing Director, Luminous Power Technologies (P) Ltd.

Inaugural Session: ‘Indian Retail: Current Trends & Future Prospects’

Forum Focus:

■ Retail is emerging as one of the largest sectors in the Indian economy, which is the world's fifth largest global destination in retail space. Economic growth, changing demographic profile & large young adult consumer base, increasing disposable incomes, emerging consumer tastes & preferences are driving the growth of retail market in India.

■ Organised retail penetration in India is low around 7 p.c. as compared with other countries. In the US, it is as high as 85 p.c. This indicates strong growth potential for organised retail in India. In 2020, it is estimated that organised retail penetration share would reach 10 p.c.

■ The Retail sector is experiencing exponential growth in Tier 2 & Tier 3 cities. Massive urbanization, changing consumer preferences & lifestyle and significant growth in disposable income in Tier 2 & Tier 3 cities are among the major growth drivers of

Indian retail.

■ Owing to relaxed FDI norms, India has become a favourable market for fashion retailers and foreign retailers are continuously entering the Indian market. About 51 p.c. FDI is allowed in multi-brand retail and 100 p.c. FDI in single-brand retail under the automatic route.

The speakers at the Inaugural Session were

- Welcome Address by Shri Vishal Jhajharia, President, MCCI
- Shri Namit Bajoria, Chairman, Standing Committee on Retail Trade, MCCI
- Shri Vipul Sabharwal, Managing Director, Luminous Power Technologies (P) Ltd.
- Shri Bijou Kurien, renowned retail expert
- Shri Sadhan Pande, Hon’ble Minister, Departments of Consumer Affairs and Self Help Group & Self Employment, Government of West Bengal



Vishal Jhajharia, President, MCCI

► **Shri Vishal Jhajharia, President, MCCI** in his welcome address said that the Indian retail industry has emerged as one of the most dynamic and fast-paced industries due to a large consumer market and the entry of several new players. It accounts for over 10 p.c. of the country’s Gross Domestic Product (GDP) and being the second largest employer after agriculture in the country, for around 8 p.c. of India’s employment. India is the world’s 5th largest global destination in the retail space, and the country’s retail market is expected to increase by 60 p.c. to reach USD 1.1 trillion by 2020, on the back of factors like rising disposable incomes and lifestyle changes by middle class, growing exposure of international brands amongst Indian youth, and increased digital connectivity. India is expected to become the world’s

fastest growing e-commerce market, driven by robust investment in the sector and rapid increase in the number of internet users. Various agencies have high expectations about growth of Indian e-commerce markets. It is encouraging to note that Indian retail trading has received Foreign Direct Investment (FDI) equity inflows totalling USD 1.42 billion during April 2000–June 2018, according to the Department of Industrial Policy and Promotion (DIPP). With the rising need for consumer goods in different sectors including consumer electronics and home appliances, many companies have invested in the Indian retail space in the past few months, which goes on to show that India is steadily emerging as one of the global retail leaders. As per reports, Beccos, a South Korean designer brand is set to enter the Indian market with an investment of about Rs. 1.00 billion (USD 14.25 million) and open 50 stores by June 2019. Walmart Investments Cooperative U.A. has already invested Rs. 2.75 billion (USD 37.68 million) in Walmart India Pvt Ltd. These are positive developments which can create a job-led growth in the country and unleash huge economic opportunities through various backward & forward linkages.

While a vast market and changing lifestyle aspirations have contributed to the growth of the retail industry in the country, it is a fact that the Govt. of India has also created several enabling policies that have further boosted the sector. The Government modified FDI rules for bringing in more transparency & efficiency for its burgeoning e-commerce sector that has attracted global players Walmart and Amazon. While India allows 100 p.c. FDI in the **marketplace model** of e-commerce, which it defines as a tech platform that connects buyers and sellers, it has not allowed FDI in **inventory-driven models** of e-commerce. The inventory model, which Walmart and Amazon use in the United States is where the goods and services are owned by an e-commerce firm that sells directly to retail customers. The restriction is aimed largely at protecting India’s vast unorganized retail sector that does not have the clout to purchase at scale and offer big discounts, and existing regulations state that e-commerce firms cannot exercise ownership over the goods sold on their online marketplace. The new rules state that the inventory of a seller or vendor will be seen as being controlled by a marketplace if the vendor purchases more than 25 p.c. of its inventory from the marketplace, or any of its group firms. These are policies which aim at improving the overall growth of



(L to R) Namit Bajoria, Chairman, Standing Committee on Retail Trade, MCCI, Sadhan Pande, Hon'ble Minister, Departments of Consumer Affairs and Self Help Group & Self Employment, Government of West Bengal, Vishal Jhaharia, President, MCCI, Bijou Kurien, renowned retail expert and Vipul Sabharwal, Managing Director, Luminous Power Technologies (P) Ltd.

the retail sector and are inclusive in nature.

The East & North-East of India can provide a huge impetus to the growth of the retail industry due to a number of comparative advantages. East India is actually in the cusp of being transformed from a traditional customer base into a brand conscious, product-savvy market. The region's young generation is shopping and demanding both fashion and quality along with value for money spent from retailers. Retailers – big and small, branded and unbranded, regional, national and even international – are today gearing up to meet these demands and this demand-supply dynamics is truly turning Eastern India's retail scenario into a very vibrant one. In East, the sector used to be highly fragmented and predominantly consisted of small independent, owner-managed shops. In the last decade or so, the region has slowly eased into the groove of modern trends. Rapid urbanization has boosted consumer demand in the fields of fashion, F&B, and luxury – which in turn has given an impetus to retail growth. According to industry experts, since the population density in West Bengal, Bihar, Jharkhand, Odisha and North East is quite high, retail spaces both in urban and rural centers are doing quite well. Also, shopping in most part of Eastern India is highly influenced by community and regional festivals, which leads to high consumption of products in fashion and food categories. Truly, the East can be the engine of growth for the Indian retail industry.

► **Shri Namit Bajoria, Chairman, Standing Committee on Retail Trade, MCCI** said that the Indian retail industry which stood at USD 672 billion in 2017 is expected to grow to USD 1.3 trillion by



Namit Bajoria, Chairman, Standing Committee on Retail Trade, MCCI

2020. E-retail is growing at a fast pace in India. The policies of the Government and rapid digitisation are helping e-retail to grow.

The **convergence** of brick and mortar retail and e-retail is happening and the gap is narrowing day by day. The positive point about brick and mortar stores is that they play a big role in customer **experience**. However, e-retail is rapidly growing on account of large population, growing urbanisation, rapid digitisation, secure transactions & payment, rising disposable income, changes in lifestyle and other favourable factors. Brick and mortar retail and e-retail enjoy a symbiotic relationship and not a parasitic relationship.

Among other issues, due to e-retail, sellers are offering discounts on consumer durable goods and even 'kirana' shops are re-inventing themselves to catch up with the competition. The success of malls will depend in future on their ability to provide a service to customers that will make them come back.

In general, the difference between e-retail and brick and mortar retail is getting blurred to some extent.

Government policies have played a big role in retail and it has tried to create a level playing field between e-retail and brick and mortar retail. The Government of India has recently announced several changes in FDI policy in the e-retail arena.



Vipul Sabharwal, Managing Director, Luminous Power Technologies (P) Ltd.

► **Shri Vipul Sabharwal, Managing Director, Luminous Power Technologies (P) Ltd.** said that e-retail is now a major force and it is rapidly growing driven by innovation. E-retail is growing at a faster pace in categories with passive channel exposure than categories with active channel exposure.

E-retail and brick and mortar retail will continue to co-exist & complement each other and the best way going forward for organizations will be to embrace change and innovate. The key to co-existence of e-retail and brick and mortar retail is innovation.

India has a population of 1,347 million of which 34 p.c. is in urban areas. The country has 462 million Internet users and the penetration is 34 p.c. India has 250 million active social media users and the penetration is 19 p.c. The country has 1,206 million mobile subscriptions and the penetration is 90 p.c.

E-retail is growing due to increasing Internet penetration and evolving consumer purchase behaviour. Ease of ordering & service consumption have led to an increase in consumer base of e-retail. Today, companies are getting rapid feedback from the market, so their ability to innovate is important.

The top 50 million e-retail consumers in India are English speaking, 70 p.c. of whom are male with an average age of 25 years living in Metros or Tier 1 Cities. They use Internet for research and

information, trust e-payment options and understand financial products. The next 100 million e-retail consumers are Vernacular speaking, 50 p.c. of whom are female with an average age of 28 years living in Tier 2 and Tier 3 towns. They prefer voice over internet searches, prefer cash on delivery and need education on financial products.

When consumers were asked to mention the most important attributes for purchasing an electronic home appliance product in a STORE or ONLINE, they mentioned the following in diminishing order of importance: (1) price (2) product quality and information (3) users' opinion and (4) product availability.

The following was mentioned with regard to customer experience and sale of products:

Active & High Experience: Eg. – Consumer durables, autos

Active & Low Experience: Eg. – Direct selling of Avon products

Passive & High Experience: Eg. – Brand promoter shops and shop bays

Passive & Low Experience: Eg. – Low priced items sold in 'kirana' stores

E-retail is fast evolving for products in the passive channel with for example, Flipkart and Pepperfry selling electronic gadgets and furniture, respectively. E-retail needs to catch up with brick and mortar retail in active channel.

To sum up, there is constant change in the ecosystem. E-retail is growing by riding on the back of innovation.



Bijou Kurien, renowned retail expert

► **Shri Bijou Kurien, renowned retail expert** spoke on 'Evolution of Retail and Its Convergence'. People went shopping even in ancient times such as the Roman period. Shopping 500 years ago is exemplified by the

Grand Bazar in Istanbul. Shopping about 100 years ago in department stores is demonstrated by Macy's in Boston. Later came category specific stores such as Home Depot followed by wholesale stores such as Metro. Discount stores and then brand led stores such as Titan and American Eagle followed. Mail order catalogues came into existence 120 years ago. Hyper markets such as Walmart were set up around 1950.

Retail in India is still dominated by traditional retailers. The informal and marginalised sector such as 'kirana' stores are characterised by the following attributes: Driven by need and hunger, Aspiration to grow, Flexible and adaptable, Deep understanding of environment, season and customer, High value addition, Efficient cash cycle and High RoI. While small store owners may not be educated, the principle of business remains the same.

The different forms of shopping that we frequently engage in include

- Shopping at stores/on roads
- Shopping online
- Multi-level marketing/Home shopping
- Direct marketing/Catalogue shopping
- Event shopping/pop up stores
- Tele-shopping
- Shopping fairs

Malls have given a new experience but their format has largely remained the same. Today, Flipkart, Amazon and other online retailers use technology to achieve the same end result. To sum up, the essence of Retail has remained the same. The mode of selling has changed over time.

A quick snapshot of the retail environment in India reveals the following

- A large market of USD 750 billion; growing at 7-8 p.c. annually
- Dominated by independent retailers numbering 13 million contributing to 90 p.c. of retail sales
- Modern retail growing at 20 p.c. per annum and contributing 8-9 p.c.
- E-retail growing fastest at 50 p.c. per annum but approximately 3 p.c. in contribution
- Urban : Rural contribution is 48 : 52
- Per capita retail consumption is USD 600 (India) vs. USD 3,500 (China) vs. USD 15,000 (US)
- Per capita retail space is 2.5 sq ft (India) vs. 7 sq

ft (China) vs. 23 sq ft (US)

To sum up, Indian retail market is still dominated by traditional retail stores. They are gradually giving way to modern retail.

The following points are noteworthy with regard to connectivity and payments

- India has about 1.2 billion phone connections, about 500 million Internet users and about 400 million Smartphone users
- Mobiles create synergy between payments, loyalty and marketing & advertising
- India has 80 million online shoppers

The digital framework of India implies

- New business models for commerce – from brick and mortar to e-retail, from search to sale to delivery
- New ways of disseminating news – from curated to general
- New ways of advertising – Facebook, SEO, Instagram, etc.
- New ways of influencing – from fake news to bloggers
- New ways of entertaining – Amazon Fire, Jio TV
- New ways of eating – Swiggy, Zomato
- New ways of interacting with the Govt. – property tax, title search, IT, Railways
- New way of life for farmers – health, agriculture, prices, weather

Shoppers shop online due to the following reasons

- Lower prices/better deals than in brick and mortar stores
- Convenience of shopping – 24/7 & on-device
- Wider variety than in a brick and mortar store
- Easier to obtain product information/compare products
- Read reviews

Challenges for brick and mortar retailers include

- Phenomenon of '**showrooming**' whereby the buyer does window shopping at brick and mortar stores and later buys online
- High rental costs for space
- Myriad regulations
- Low margins – especially in food & grocery
- Increasingly aware customer
- High staff attrition & limited customer information

Challenges for online retailers include

- All e-retailers are **unprofitable**. The platforms

on the Internet are discounting to reduce excess inventory and so, they are making losses. Amazon does not make any profit from its e-retailing business but it makes a profit on its cloud business which subsidises other businesses. Amazon has a customer acquisition policy

- ‘Spray & Pray’ approach not viable. The e-retailer spends a lot of money on advertising and then hopes that the customer will visit his Internet site.
- Private capital getting scarce
- Delivery challenges – problem with last mile
- Excessive customer policies
- Resurgence of brick & mortar retailers

The **omnichannel** approach is now in vogue and it is characterised by customer centricity, increased cross selling and more repeat sales across all channels. Brick and mortar retailers are acquiring online capabilities and vice versa.

Brick and mortar retailers need to do the following to compete with e-retailers

- Build a competitive & differentiated assortment of products – in-store & online
- Build a good understanding of shoppers – their own & competitor’s
- Embrace and adopt new technologies – from supplier to store to customer. Focus on value & convenience
- Closely track what on-line retailers are doing – product, pricing, offer, delivery & payment services. Do it better & faster
- Leverage their advantages – proximity, inspiration, instant gratification, advice, experience brands, trial, entertainment
- Build their organization around the customer. Create the alignment

Some points to contemplate over include the following

- World retail market estimated at USD 24 trillion
- World e-commerce market estimated at USD 2.8 trillion
- India retail market estimated at USD 750 billion
- India e-commerce market estimated at USD 25 billion
- Per capita retail consumption in India is about 1/6th of China (USD 600 vs. USD 3,500)
- Chinese e-commerce market is estimated at USD 850 billion. China has the largest e-retail market in the world.

The future will be marked by the following trends

- Both channels will survive
- The world will see more omnichannel retailers
- The smarter retailer will triumph
- The customer will gain



Sadhan Pande, Hon'ble Minister, Departments of Consumer Affairs and Self Help Group & Self Employment, Government of West Bengal

► **Shri Sadhan Pande, Hon'ble Minister, Departments of Consumer Affairs and Self Help Group & Self Employment, Government of West Bengal** said that two thirds of India's 130 crore people live in villages. 75 p.c. of India's population is below the age of 40 years. For inclusive growth, the rural masses should have access to the same products, services and luxuries available to the urban population.

With the advent of TV, village youth have come to know of products enjoyed by the urban population. Since villagers want all facilities enjoyed by the urban population, rural demand has risen. As there is a change in attitude among rural people, retailers have started to set up shops in rural areas and the retail market is growing. If the village economy improves, then the retail industry will keep growing.

Branded products are selling at a lower price online than in stores. So, buyers are visiting shops to see products & window shop and then they are buying online. Consequently, shops have become showpieces of what to buy online with maximum discount.

The Government has to draw a line and determine the best price for a product to be charged by a shop. After that, the product should not be allowed to be sold online at a lower cost. At present, shops are losing business due to online discounts. This matter

will come up after the Elections. Another issue is that some defective items may be sold online. Buyers are at times not getting the products they ordered.

Direct Selling companies do not advertise and they pass on their savings to the customer. So, their prices are lower.

In most States, the Consumer Affairs Department and Food Department are joint in nature. The Hon'ble Chief Minister of West Bengal had set up separate Departments which was later validated by the Central Ministry. West Bengal was the first state to have a dedicated Consumer Affairs Department.

The new Consumer Act was passed last November. It has not been passed by the Rajya Sabha and so it is not a bill as yet.

Currently, most products are imported by West Bengal from other States. The best products should be made in West Bengal, so that the money stays in the State. The current Government of West Bengal has engaged in capital expenditure which is beneficial to the retail industry.

Companies will be penalised by the Department of Consumer Affairs for false advertisements. Firms should exercise restraint so that the Department does not have to visit them.



(L to R) Pulkit Bald, Co-Chairman, Standing Committee on Retail Trade, MCCI, Gaurav Marya, Chairman and Founder, Franchise India Group, Viresh Oberoi, Founder & Former CEO, mjunction Services Limited, Atanu Ghosh, Founder and CEO, Salt & Soap and Founder & CEO, Bluebeaks, Aji Isaac Mathew, CEO and Co-Founder, Indusnet Techshu Digital Pvt. Ltd. and R. Ajay, Chief – Strategic Planning, Business Development & New Stores Ventures, Future Lifestyle Fashion Limited

Session II: ‘E-retail versus Brick & Mortar Retail: Convergence for a Better Living’

Session Focus:

- Online retail is expected to be the next generation format. Key drivers of online retail are a young population, easier access to credit and payment options, increasing internet penetration & speed, 24-hour accessibility and convenient transactions.
- Owing to increasing growth in the e-commerce industry, online retail is estimated to reach USD 60 billion by 2020. It is expected to grow at a CAGR of

over 30 p.c. from 2016 to 2021. Cash-on-delivery is the most preferred payment option in India.

- Despite the ease, convenience and vast inventory available via online shopping, consumers are still drawn to physical store locations to tangibly touch items, make purchases and process returns or exchanges.
- Rather than pitting the two channels against each other, retailers can secure a much larger wallet share by giving consumers the best of both worlds through the adoption and use of new technologies

The participants at the panel discussion were

- Moderator: Shri Viresh Oberoi, Founder & Former CEO, mjunction Services Limited
- Shri Gaurav Marya, Chairman and Founder, Franchise India Group
- Shri Atanu Ghosh, Founder and CEO, Salt & Soap and Founder & CEO, Bluebeaks
- Shri R. Ajay, Chief – Strategic Planning, Business Development & New Stores Ventures, Future Lifestyle Fashion Limited
- Shri Aji Isaac Mathew, CEO and Co-Founder, Indusnet Techshu Digital Pvt. Ltd.
- Vote of Thanks by Shri Pulkit Baid, Co-Chairman, Standing Committee on Retail Trade, MCCI



Viresh Oberoi, Founder & Former CEO,
mjunction Services Limited

► **Shri Viresh Oberoi, Founder & Former CEO, mjunction Services Limited** suggested that the panel may discuss issues such as

- Deep pockets needed for B2C e-commerce.
- If a seller fails in one product in e-retail, he can learn from the experience and start new products.
- How to increase availability of right product at right price at right place?
- How important is it to have a robust back end to support the front end?
- The omnichannel approach whereby the seller achieves convergence.
- How does a retailer increase freshness and depth of products without increasing inventory?

For **deals**, the customer should purchase from an e-retail site. For **experience**, the customer must go to a brick and mortar store.

It is true that when you buy a product online, the authenticity of the product is not obvious. However,

if a retailer fools a customer, then the buyer will never come back to that e-retail platform.



Gaurav Marya, Chairman and Founder,
Franchise India Group

► **Shri Gaurav Marya, Chairman and Founder, Franchise India Group** said that previously the debate was over organised versus unorganised retail. Now, the discussion is about online versus offline retail. In the end, good operators will survive while bad operators will fail. The topic at this Forum is an old subject.

The consumption patterns are changing. Both online and offline retailers should study consumption patterns.

The future of retail will be different. Earlier, Shri Marya used to go to the US to study trends. Now, he frequently visits China to study trends. Smart Retail has arrived along with Smart Inventory. Smart Operations mean that the seller has less staffing at stores. In fact, some stores in London have self check out facility. The concept of Smart Location is emerging.

E-retail is suitable for some **boxed products** which are feature centric. However, products that require frequent delivery or are characterised by value addition will remain in brick and mortar stores.

There are four trends in retail that are becoming visible. The first trend is **delivery** with even McDonalds delivering. The second trend is **economies of scale**. It should be remembered that traditional sellers find it difficult to generate adequate margins. The third trend is that consumers like **brands**. Lastly, consumers want **value added services**.

Technology cannot be avoided. It is required by both online and offline retail. Technology is used for marketing, engagement and delivery.

Among other issues, both online and offline retailing should include entrepreneurship. How

entrepreneurship is used for last mile fulfilment will be critical. There is a shop for every 80 Indians. Manyavar and Jockey are examples of two successful companies.



Atanu Ghosh, Founder and CEO, Salt & Soap
and Founder & CEO, Bluebeaks

► **Shri Atanu Ghosh, Founder and CEO, Salt & Soap and Founder & CEO, Bluebeaks** said that on a global basis, 10 p.c. of retailing is online while it is about 20 p.c. in China. In India, 5 p.c. of retailing is done online. So, there is a huge opportunity for e-retail to grow in India. Since, 10 p.c. may not be considered to be a high figure, e-retail may not be mainstream as yet. However, the challenge lies in the details of e-retail.

There is **no convergence**, if the seller's product is likely to be disrupted by digitisation. If the product faces disruption, then there will only be e-retail. For example, there is only e-retail in music and no brick and mortar retail. Travel agencies have lost ground to e-commerce. After several high profile company closures, book stores are trying to re-invent themselves with coffee shops and other amenities.

Products that may be bought **without assistance** and which are sold on the basis of **specifications** may be suitable for e-retail. This includes laptops and mobile phones. On the other hand, buyers buy fruits and apparel by using their sensory perceptions and so these products may be suitable for brick and mortar retail.

There are three facets to e-retail, namely ordering online, paying online and then possession. However, there is a lot of complexity beyond these three steps.

Both online and offline retail must cater to the customer's journey from discovery to research and then advocacy. Today, many consumers are discovering products offline and then purchasing

items online. E-retail companies must evaluate if they can service everything online, so that the entire chain of events from product discovery to product advocacy takes place online.

Amazon describes itself as more of a technology company than a retail company. It has many more channels of revenue than what it would have as a retailer. At Amazon, one business provides data to another business and one business subsidises another business. Amazon has mobilised different legs of the platform and earns revenue from consumers, businesses, etc.

With regard to what will happen with 3D printing, it will be additive manufacturing. The advantage will be that manufacturing will get decentralised and consumers can make small items at home.



R. Ajay, Chief – Strategic Planning, Business Development & New Stores Ventures, Future Lifestyle Fashion Limited

► **Shri R. Ajay, Chief – Strategic Planning, Business Development & New Stores Ventures, Future Lifestyle Fashion Limited** said that with whatever one does in retail, the actions must be centred around the customer. In other words, it is important to be obsessed about the customer.

There are four 'w' in e-retail. The first 'w' is why. In other words, why should the buyer buy online or offline?

The second 'w' stands for who. In other words, who is the online and offline customer? People are **both** online and offline customers. Consumers are obsessed with deals and discounts when they go online. The customer is experience driven and ceases to be deal driven in brick and mortar stores.

The third 'w' stands for what. In other words, what are the products that are bought online and what items are bought offline? Mobiles, books and certain electronic items are primarily bought online.

Furthermore, sellers can no longer take the buyer for granted. The concept of **hyper-convenience** whereby the customer immediately wants everything is coming into vogue.

The fourth ‘w’ stands for where or location. Offline retailers are facing **high rental costs** as a percent of sales. Brick and mortar retailers can service customer needs even in Tier 3 towns. It is difficult for brick and mortar retailers to provide the right experience to customers in Tier 4 and Tier 5 towns and online retailers have a great opportunity in small towns.

The more there is to experience in a product, the more likely is the customer to go to a brick and mortar store. The stores of the future are now High Definition stores. Retailing has become somewhat like making a movie. Unless there is drama regarding a product, the seller cannot get a customer to buy his product.



Aji Isaac Mathew, CEO and Co-Founder,
Indusnet Techshu Digital Pvt. Ltd.

► **Shri Aji Isaac Mathew, CEO and Co-Founder, Indusnet Techshu Digital Pvt. Ltd.** said that the Digital medium is powerful and India has about 460 million Internet users. Sellers need to change their mindset about the Digital medium and they should not consider it to be suitable only for giants like Flipkart and Amazon. In other words, sellers should not fear the Digital medium and they should understand that it is meant for everyone.

Amazon is neither a retail company nor a technology company. Instead, it is a ‘customer obsessed’ company. It keeps innovating and taking care of its customers. Over time, good operators will survive. A company that sticks with its fundamentals will do well.

Previously, innovation came from the head of the company. Today, in the knowledge era, the

biggest asset of a company are its employees. It is important for CEOs to own the heart and soul of their employees as anyone in the company can innovate. Peter Drucker correctly said that ‘culture eats strategy for breakfast’.

In some cases, research will be offline and selling will be online and vice versa. Digitisation is here to stay. It has become easy to digitise and the cost of digitisation has come down. The person who manages digitisation should have importance in the company hierarchy.

The Forum ended with the summing up and hearty Vote of Thanks by Shri Pulkit Baid, Co-Chairman, Standing Committee on Retail Trade, MCCI.

Key Take Aways:

- Retail accounts for over 10 p.c. of the country's Gross Domestic Product (GDP) and being the second largest employer after agriculture in the country, for around 8 p.c. of India's employment. India is the world's 5th largest global destination in the retail space, and the country's retail market is expected to increase by 60 p.c. to reach USD 1.1 trillion by 2020.
- It is encouraging to note that Indian retail trading has received Foreign Direct Investment (FDI) equity inflows totalling USD 1.42 billion during April 2000–June 2018, according to the Department of Industrial Policy and Promotion (DIPP).
- While India allows 100 p.c. FDI in the marketplace model of e-commerce, which it defines as a tech platform that connects buyers and sellers, it has not allowed FDI in inventory-driven models of e-commerce. The inventory model, which Walmart and Amazon use in the United States is where the goods and services are owned by an e-commerce firm that sells directly to retail customers. The restriction is aimed largely at protecting India's vast unorganized retail sector that does not have the clout to purchase at scale and offer big discounts, and existing regulations state that e-commerce firms cannot exercise ownership over the goods sold on their online marketplace.
- The convergence of brick and mortar retail and e-retail is happening and the gap is narrowing day by day. The positive point about brick and mortar stores is that they play a big role in customer experience. However, e-retail is rapidly growing on account of large population, rapid digitisation, secure transactions & payment and other favourable factors.

Brick and mortar retail and e-retail enjoy a symbiotic relationship and not a parasitic relationship. In general, the difference between e-retail and brick and mortar retail is getting blurred to some extent.

■ E-retail and brick and mortar retail will continue to co-exist & complement each other and the best way going forward for organizations will be to embrace change and innovate. The key to co-existence of e-retail and brick and mortar retail is innovation.

■ E-retail is growing due to increasing Internet penetration and evolving consumer purchase behaviour. Ease of ordering and service consumption have led to an increase in consumer base of e-retail. Today, companies are getting rapid feedback from the market, so their ability to innovate is important.

■ When consumers were asked to mention the most important attributes for purchasing an electronic home appliance product in a STORE or ONLINE, they mentioned the following in diminishing order of importance: (1) price (2) product quality and information (3) users' opinion and (4) product availability.

■ Shoppers shop online due to the following reasons

- Lower prices / better deals than in brick and mortar stores
- Convenience of shopping – 24/7 & on-device
- Wider variety than in a brick and mortar store
- Easier to obtain product information/compare products
- Read reviews

■ The essence of Retail has remained the same. The mode of selling has changed over time.

■ Challenges for brick and mortar retailers include

- Phenomenon of 'showrooming'
- High rental costs
- Myriad regulations
- Low margins – especially in food & grocery
- Increasingly aware customer
- High staff attrition & limited customer information

■ Challenges for online retailers include

- All e-retailers are unprofitable

● 'Spray & Pray' approach not viable

● Private capital getting scarce

● Delivery challenges – problem with last mile

● Excessive customer policies

● Resurgence of brick & mortar retailers

■ The omnichannel approach is now in vogue and it is characterised by customer centricity, increased cross selling and more repeat sales across all channels. Brick and mortar retailers are acquiring online capabilities and vice versa.

■ Brick and mortar retailers need to do the following to compete with e-retailers

- Build a competitive & differentiated assortment of products – in-store & online
- Build a good understanding of shoppers – their own & competitor's
- Embrace and adopt new technologies – from supplier to store to customer.
- Focus on value & convenience
- Closely track what on-line retailers are doing – product, pricing, offer, delivery & payment services. Do it better & faster
- Leverage their advantages – proximity, inspiration, instant gratification, advice, experience brands, trial, entertainment
- Build their organization around the customer. Create the alignment

■ Branded products are selling at a lower price online than in stores. So, buyers are visiting shops to see products & window shop and then they are buying online. Consequently, shops have become showpieces of what to buy online with maximum discount.

■ The Government has to draw a line and determine the best price for a product to be charged by a shop. After that, the product should not be allowed to be sold online at a lower cost. At present, shops are losing business due to online discounts. This matter will come up after the Elections.

■ For deals, the customer should purchase from an e-retail site. For experience, the customer must go to a brick and mortar store. The more there is to experience in a product, the more likely is the customer to go to a brick and mortar store.

■ E-retail is suitable for some boxed products which are feature centric. However, products that require frequent delivery or are characterised by value addition will remain in brick and mortar stores.

■ There are four trends in retail that are becoming visible. The first trend is delivery with even McDonalds delivering. The second trend is economies of scale. It should be remembered that traditional sellers find it difficult to generate adequate margins. The third trend is that consumers like brands. Lastly, consumers want value added services.

■ On a global basis, 10 p.c. of retailing is online while it is about 20 p.c. in China. In India, 5 p.c. of retailing is done online. So, there is a huge opportunity for e-retail to grow in India. Since, 10 p.c. may not be considered to be a high figure, e-retail may not be mainstream as yet. However, the challenge lies in the details of e-retail.

■ There is no convergence, if the seller's product is likely to be disrupted by digitisation. If the product faces disruption, then there will only be e-retail.

For example, there is only e-retail in music and no brick and mortar retail. Travel agencies have lost ground to e-commerce. After several high profile company closures, book stores are trying to re-invent themselves with coffee shops and other amenities.

■ Products that may be bought without assistance and which are sold on the basis of specifications may be suitable for e-retail. This includes laptops and mobile phones. On the other hand, buyers buy fruits and apparel by using their sensory perceptions and so these products may be suitable for brick and mortar retail.

■ Today, in the knowledge era, the biggest asset of a company are its employees. It is important for CEOs to own the heart and soul of their employees as anyone in the company can innovate. Peter Drucker correctly said that ‘culture eats strategy for breakfast’.

■ In some cases, research will be offline and selling will be online and vice versa. Digitisation is here to stay. It has become easy to digitise and the cost of digitisation has come down.



Report written and compiled by Shri Rajiv Mukerji, Deputy Secretary, MCCI

e-retail severely affecting 'brick and mortar retail', says Bengal minister

KOLKATA, 20 MARCH

The growing pace and gradual market dominance of e-retail is severely affecting "brick and mortar retail", said Sadhan Pandey, state minister for consumer affairs, self help group and self employment, while addressing this issue at a seminar organised by Merchant's Chamber of Commerce and Industry (MCCI), today.

The minister said that in order to ensure benefit of consumers, the consumer movement should be strong. "I'm very sorry to say that the Modi Government has not really supported the consumer movement," he added. The minister also mentioned the Consumer Protection Bill that was passed in the Lok Sabha in December last year. "I have issues with some of these suggestions, which I will oppose with the help of some Rajya Sabha members," Mr Pandey said.

With the introduction of e-commerce, a lot of people have moved to online shopping.

"They are going to the shops only to check out the products, and then buying them online. Thus the sales in the retail stores are dropping significantly; this is an all-India problem," said the minister who pointed out

"After the elections, we will meet the consumer department in Delhi and discuss this issue and try to come up with a method to solve it."

Mr Pandey also talked about the development of retail business in the rural areas, and stressed on the sale of indigenous products.

"So many businessmen, who have invested so much in setting up shops and malls, will gradually run into losses if consumers move towards online retail at this rate. We cannot allow that to happen," he said.

TIMES BUSINESS

THE TIMES OF INDIA, KOLKATA
THURSDAY, MARCH 21, 2019

Retail, e-tail to co-exist: Bajoria

TIMES NEWS NETWORK

Kolkata: Traditional brick-and-mortar retail and e-retail will go hand in hand in the coming days, feels Merchant's Chamber of Commerce (MCCI) retail trade sub-committee chairman and Kutchina director Namit Bajoria.

Addressing MCCI Retail Forum 2019, Bajoria said, there will be a convergence of both the processes (online & offline retail) and customers will gain in the end.

"There is a growth potential for organised retail in India. Changes in consumer demands and behaviour have led to changes in strategy for traditional as well as online retailers. Just like offline stores are expanding to offer their products in the online space, the online retailers, too, are opening offline stores," he added.

Bajoria stressed the need for innovation in retail by saying that innovation is required in both the forms of retail businesses to sustain the consumer demand.

Retail expert and former head of Reliance



(L-R) MCCI retail trade sub-committee chairman Namit Bajoria, state consumer affairs minister Sadhan Pandey and MCCI president Vishal Jhajhar at the Retail Forum 2019 in city

Retail Bijou Kurien said new business models and new ways of dissemination of information would evolve with new ways of advertising and new ways of life for farmers.

Viresh Oberoi, the former CEO of mjunction, spoke about how to reduce the inventories and increase the freshness of the products, differentiate the business models, where brick-and-mortar is at the front end.

भारतमित्र

कोलकाता, गुरुवार, 21 मार्च 2019

श्चिम बंगाल में प्रथम उपभोक्ता

मामले का विभाग है : साधन पांडे



कोलकाता । उपभोक्ता ने के मंत्री साधन पांडे ने कहा श्चिम बंगाल पहला राज्य है उपभोक्ता मामले का विभाग है । एमसीसीआई की ओर से आयोजित परिचर्चा में उ कि ग्रामीण इलाके में उ इजाफा हुआ है । रिटेल ग्रामीण इलाके में जाकर सामान करीबना चाहिये । उपभोक्ताओं को लाभ मिल भारत यंग कन्द्री है । यहां

प्रतिशत युवा हैं । दूसरी ओर भारत 6 हजार वर्ष पुराना देश है बाजार से युवा पीढ़ी उत्पाद खरीद पसंद करते हैं क र्णित ऑफर मिल गाइन बाजार ख

दैनिक विश्वमित्र

कोलकाता, बृहस्पतिवार, 21 मार्च, 2019

सन्मार्ग

कोलकाता, गुरुवार, 21.03.2019

मॉल में बंगाल में निर्मित सामानों को भी बेचा ज

सन्मार्ग संवाददाता, कोलकाता: वर्तमान में मॉल, शॉपिंग स्टोर, शोरूम व अन्य मंच पर ब्रांडेड वस्तुओं को बढ़ावा मिल रहा है लेकिन स्थानीय निर्मित उत्पाद की तरफ ध्यान नहीं जा रहा है । हमें स्थानीय निर्मित उत्पादों को भी इस मंच पर ज्यादा से ज्यादा लाने की आवश्यकता है । स्थानीय उत्पाद की खरीदारी से स्थानीय रुपया बाहर नहीं जाएगा । यह बात राज्य के उपभोक्ता मामले, स्वयं सहायता समूह और स्व-रोजगार मंत्री साधन पांडे ने मर्चेंट चैंबर ऑफ कॉमर्स (एमसीसीआई) द्वारा आयोजित एमसीसीआई रिटेल फोरम 2019



एमसीसीआई के अध्यक्ष विशाल झाझरिया ने कहा कि टियर टू और थ्री शहर में रिटेल क्षेत्र काफी तेजी से विस्तार कर रहा है ।

जनसंख्या घनत्व के हिसाब से बंगाल, बिहार, झारखंड, ओडिशा और नार्थ ईस्ट में ज्यादा है और यहां ज्यादा कारोबार शहर और ग्रामीण

के निदेशक न कहा कि देश चीन, जापान और प्रदर्शन कर रहा इसकी वजह ए संबंधी समस्त होना है ।

लुमिनस पाव के प्रबंध निदेश ने कहा कि ई- से बड़ी वृद्धि बिजी कुरियन 80 मिलियन 20 प्रतिशत की

सलाम इंडिया



कोलकाता, 21 मार्च 2019, गुरुवार

एमसीसीआई की ओर से आयोजित रिटेल फोरम 2019 के मौके



Merchants' Chamber of Commerce & Industry

15-B, Hemanta Basu Sarani, Kolkata - 700 001

Phone : +91 33 2248 6329 / 1502 / 3123, +91 33 2262 5070-74

Fax : +91 33 2248 8657 | E-mail : mcciorg@mcciorg.com

Website : www.mcciorg.com

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