

RESEARCH



THINK INDIA. THINK 'CONNECTED' RETAIL.

2017





TABLE OF CONTENTS

OMNI-CHANNEL OPPORTUNITY	06
WAVES OF MODERN RETAIL IN INDIA	08
MARKET SIZING: MODERN RETAIL IN INDIA	14
FUTURE OF RETAIL IN INDIA	20
LESSONS FROM ACROSS THE GLOBE	26
CASE STUDY	34
BESTSELLER INDIA	36
GAP	40
SHOPPERS STOP	46
WOODLAND	52
HENNES & MAURITZ	58
PEPPERFRY	64



FOREWORD



SHISHIR BAIJAL
CHAIRMAN AND MANAGING DIRECTOR,
KNIGHT FRANK (INDIA) PVT. LTD.

“This report tracks the evolution of modern retail as companies explore the next frontier of omni-channel retail, in a bid to survive and conquer one of the largest consumption markets in the world”.

Modern retail in India is at an interesting juncture today. It is standing at the cusp of unlocking new frontiers, auguring a potential that is riding high on technology. With the advancement of technology and its increasing usage by consumers and retailers, shopping options in present times are not restricted to physical stores anymore. With surprising ease and within a span of few years, e-tailing has become a way of life. While a nation of 1.25 billion people portended a big consumption market, being one of the youngest countries in the world that is increasingly tech-savvy and open to experimentation worked well in favour of the e-tailing phenomenon.

However, we are living in an age where fast-paced evolution and innovation is the order of the day. Today, the debate regarding e-tailing versus brick-and-mortar is not even relevant anymore. We have stepped into the era where both e-tailing and brick-and-mortar have been integrated seamlessly to create a satisfying shopping experience – known as omni-channel retailing. This phenomenon has found roots in the connected consumer of today, with technology emerging as the binding element.

Currently, modern retail market size in the top six retail markets of the country amounts to INR 871 bn and this is projected to reach INR 1,718 bn by 2019. The penetration of modern retail will also witness a substantial rise, from the current 19% to 24% in the next three years, largely driven by the omni-channel way of retailing. In this context, our report Think India, Think 'Connected' Retail



KUMAR RAJAGOPALAN
CHIEF EXECUTIVE OFFICER
RETAILERS ASSOCIATION OF INDIA

has analysed the retail trajectory till present and peeked into the future, estimating the potential market size. In addition, it has delved deep into the omni-channel approaches adopted by companies, encompassing lessons from across the globe. We have also presented a few case studies in the report, that portray the brand strategies – their move towards omni-channel retailing, or not, as the case may be, taking into account the opportunities and challenges offered in this retail sphere.

We believe that the best is yet to come for the retail sector in India. From the retailers' perspective, the potential for modern retail can be unlocked sooner by adopting omni-channel strategies, where brands would deploy offline and online stores to service the consumer in exactly the way that he/she demands, thereby building a stronger platform for the sector to thrive.

Hope you find the report relevant. I look forward to hearing from you.

Best wishes,

Shishir Bajjal

Retailers in India understand the importance of having omni-channel capabilities in the modern world. The real question is about the path that would lead them to create a seamless omni-channel offering for consumers without burning precious cash.

The RAI Knight Frank report is an attempt to showcase the current scenario for omni-channel retail in India and chart the way forward. I am sure that retailers and various stakeholders to retail industry will find value in it.

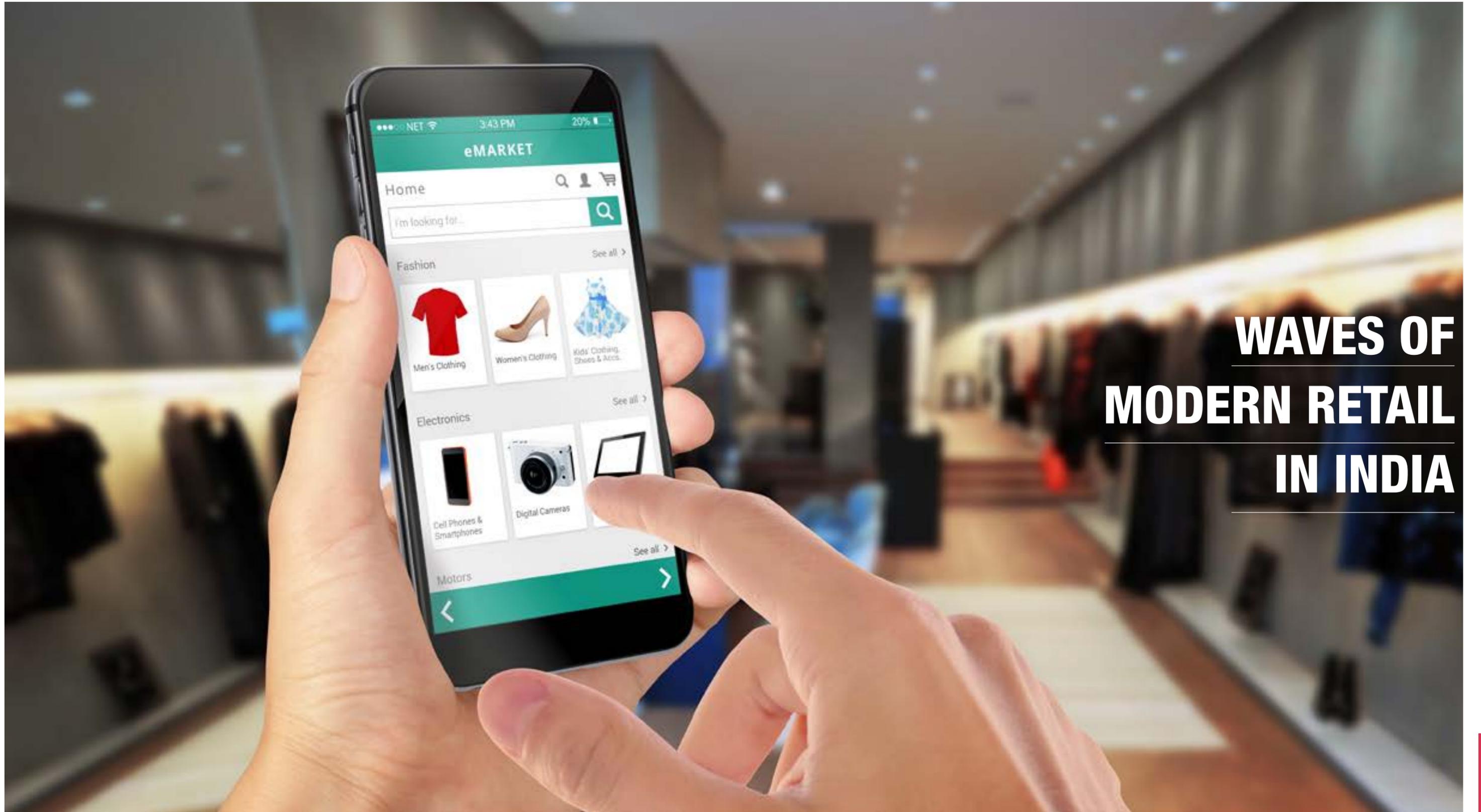
We, at Retailers Association of India, are thankful to our members for their time and views and Knight Frank team for their efforts and insights.

Kumar Rajagopalan



OMNI-CHANNEL OPPORTUNITY- CONNECTED CUSTOMERS

Retail in India is an incredible assortment of formats. Over the last decade, the concept of shopping has undergone a sea change in terms of format and consumer buying behaviour, ushering in a new era of modern retail across the country. Today, Indian retail is at an interesting juncture. Newer avenues of retailing have evolved, leading the retailers to rejoice in the possibility of cracking new frontiers. With the development, augmentation and modernisation of infrastructure taking place at most major Indian cities, the scope of retail has increased manifold.



WAVES OF MODERN RETAIL IN INDIA

1

FIRST WAVE (1990s):

ADVENT OF SHOPPING CENTRES

A sweeping look at the growth of India's modern retail sector leads us to observe a number of structural changes in the sector in the last two decades. It all began with a handful of shopping centres, lined with specialty retailers, mushrooming in the retail markets of the country's top cities during the mid-1990s. The 'shopping centre culture' gradually pervaded the population, especially in the metros and mini-metros, thus heralding the beginning of the modern retail movement in India.

Modern retail typically entails all stores in malls as well as stores in shopping streets that provide a purchase invoice, have air conditioning or or have recognised foreign/national brands. However, the impact of the global financial crisis on the Indian economy in 2008 and 2009 checked this pace, and eventually led to only a select number of successful malls to operate in the metros, giving rise to scepticism over the brick-and-mortar model of retailing.



India's modern retail growth story began with a handful of shopping centres, lined with specialty retailers, mushrooming in the retail markets of the country's top cities during the mid-1990s.

65% of the country's population is below the age of 35 years; therefore, the acceptance of e-tailing is expected to be higher among the younger generation that is more tech-savvy and open to experimentation.

presence of modern retail is e-tailing, or the sale of products and services through the Internet, telephone and television. This trend started in 2010 and has become prominent in the last four years. There are several catalysts playing concomitantly in favour of e-tail, the most significant being the strengthening ecosystem that makes buying online better every day. Information technology (IT) infrastructure has improved significantly over the last decade. Additionally, on the operational side, the e-tailers have taken landmark measures to enhance customer experience. Payments through online banking, credit and debit cards, as well as cash on delivery were the initial methods used for transactions. Newer modes of payment have now been introduced to make online purchases easier for prospective consumers. With the recent demonetisation drive, third-party wallet, a mechanism wherein money is stored in a prepaid wallet, has emerged as a preferred seamless instrument of payment. Customer experience has also become enhanced due to customer-friendly policies regarding the exchange of goods, quick delivery and others.

The other catalyst strengthening the e-tailing segment is the country's favourable demography. While 1.25 billion people always meant a big consumption market, being one of the youngest nations in the world bodes well for the e-tailing phenomenon. 65% of the country's population is below the age of 35 years; therefore, the acceptance of e-tailing is expected to be higher among the younger generation that is more tech-savvy and open to experimentation. Smartphone adoption is faster even in the large section of the population that is not computer literate, thus addressing the problem of computer illiteracy. Another advantage that e-tailers enjoy pertains

to the cost of real estate. Retail properties in the top cities are quite expensive and in Tier II and III cities setting up a retail shop does not always prove to be financially viable. In these situations e-tail is a great option for modern retail penetration. In fact, e-tail has helped the consumers of Tier II and III cities to become familiar with various products and brands thus enhancing their position in the overall retail learning curve.

The changing urban landscape has also worked in favour of e-tail. Top cities grapple with traffic issues, and e-tail provides the convenience of shopping from home or the office, thereby bypassing the need to confront heavy traffic and the entailed cost to buy a product. Further, checking store timings in advance is never a consideration for online shopping. While brick-and-mortar stores serve during fixed hours, e-tailers serve round-the-clock throughout the year, without any holidays or renovation shutdowns. Many e-tailers have initiated certain measures to attract the section of customers that remains cynical about the quality of products sold online. While brick-and-mortar stores offer a 'no questions asked exchange policy', some e-tailers went a step ahead, offering a 'no questions asked money back policy' in a bid to instill trust in online purchasing.

3

THIRD WAVE:

EMERGING OMNI-CHANNEL RETAIL

Finally, we come to the latest retail wave where the e-tailing versus brick-and-mortar debate



Today, several leading e-tailers have opened physical stores to showcase their products and service online customers. These stores will act as experience centres and will offer value-added services.

is not even relevant anymore; both have to be integrated seamlessly to create a satisfying shopping experience. This integration of experiencing the convenience of e-tail and brick-and-mortar is the third and the latest wave – known as omni-channel retailing.

Today, a number of leading e-tailers have opened physical stores to showcase their products and service online customers. These stores will act as experience centres and will offer value-added services, such as trials, instant returns and product demos. On the other hand, a number of traditional brick-and-mortar players have gone online, either with their own websites or by tying up with already existing e-tailers, such as Amazon, Snapdeal, Jabong or Myntra. The figure is set to increase further in the coming years, as more retailers understand the importance of offering multiple touch points to consumers. Several brands are bringing technology into their physical stores, with kiosks to highlight their products and provide customer support. Some of these stores also allow customers to check the availability of a product across all brand outlets and order home delivery.

Hence, an omni-channel strategy that is connected with consumers through various channels, such as physical stores, websites, mobile apps, social media, kiosks and many more, is striving to enable the consumer to shift between various media seamlessly during a consumer shopping journey. We believe that omni-channel retail is going to drive the growth of modern retail in India going forward.

CONSUMER JOURNEYS: 2009 TO 2017

Limited channels for shopping: Year 2009

APPAREL



Walk to the nearest high street or a shopping centre to shop

F&B



Walk to the closest F&B outlet and order food
Call up the restaurants and ask for home delivery

DAILY NEEDS



Walk to the neighbourhood market and shop for grocery
Call up a local grocer and ask for home delivery



OMNI-CHANNEL WORLD: 2017



SHOP FOR APPAREL

Walk to the nearest high street or shopping centre to shop

Check online, compare prices, get it delivered home, try on the clothes, return if necessary

Order from a phone app

Get personalised recommendations based on your profile and order history

Select options

Share it with friends, get likes and then decide if you want to continue with the purchase

Complete the order

Get it delivered home or pick it up from the store

When you arrive to pick up the purchase from the store, more options and accessories are offered to go with the purchase

Try the new options in a trial room or on the virtual screen

Compare the price for the items online

Make a purchase, if it is available on discount; order it online and get it delivered home



DAILY NEEDS

Walk to the neighbourhood market and shop for grocery

Call up a local grocer and ask for home delivery

Go online on websites and order

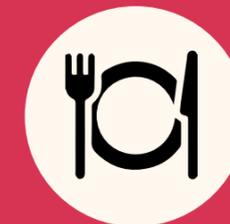
Log into the mobile app

Get recommendations based on your order history

Personalised deals based on your profile

Place an order in a single click

Get it home delivered as per your convenience or pick it up from the nearest store while driving back from work



F&B

Walk to the closest F&B outlet and order food

Call up the restaurants and ask for home delivery

Order from a phone app

Get recommendations based on previous orders

Connect on social media to get the ratings of the restaurants and order based on friends' recommendations



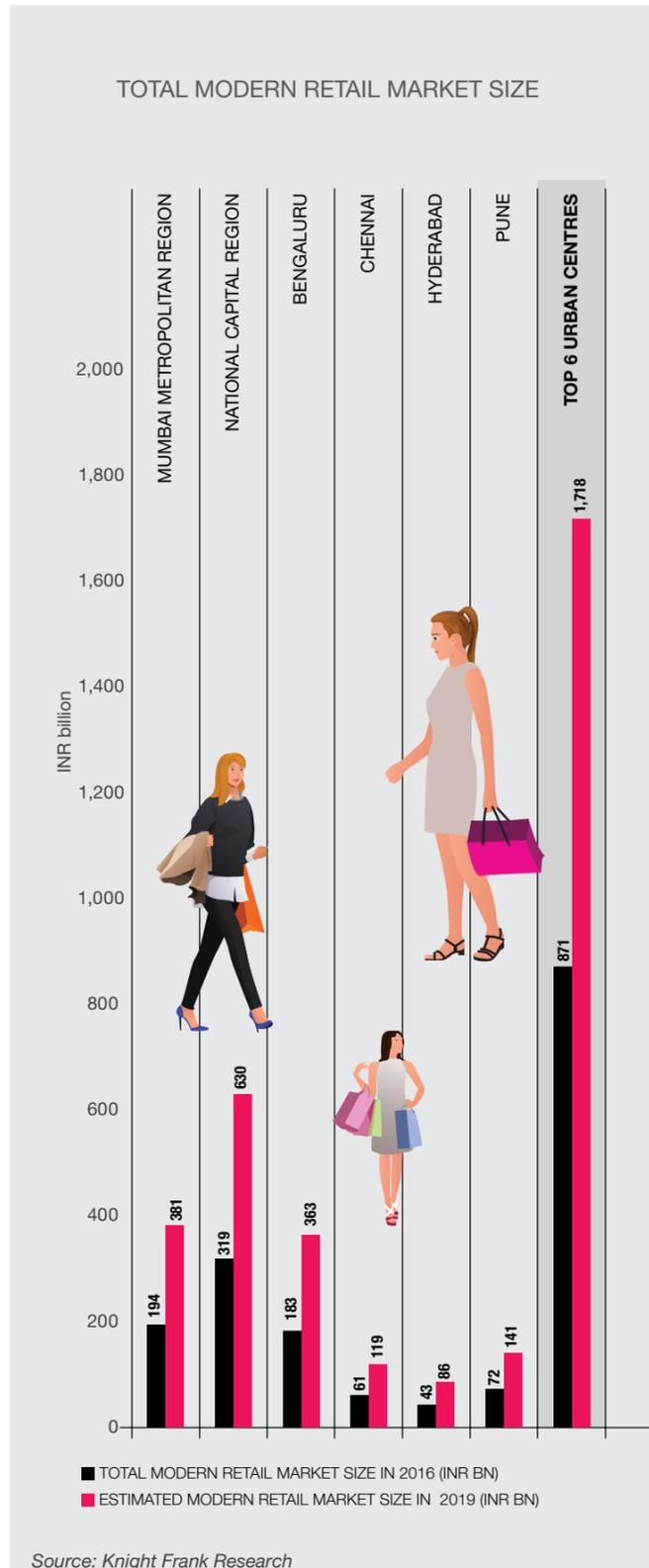
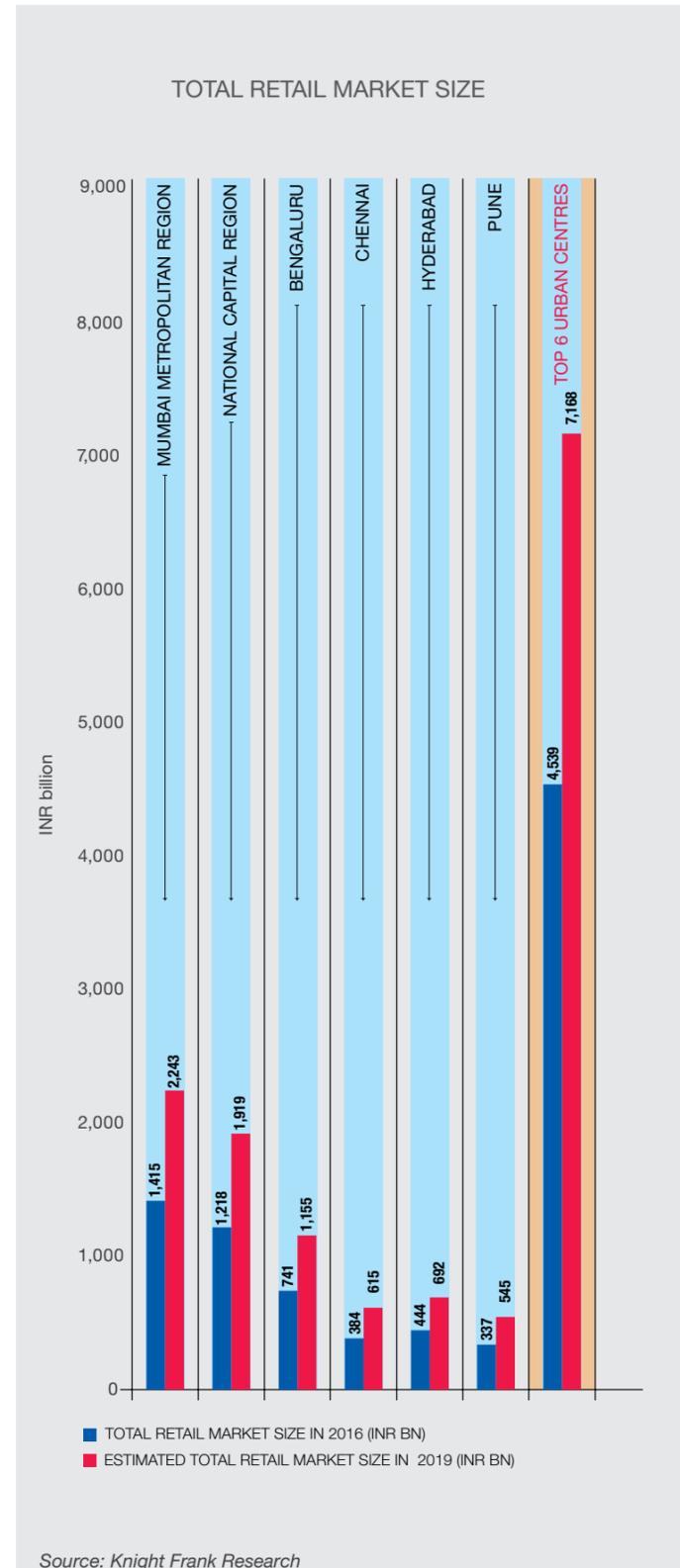
MARKET SIZING: MODERN RETAIL IN INDIA

Presently, the modern retail penetration in India is abysmally low compared to the developed and emerging economies. While the share of modern retail is 84%, 71%, and 53% in the US, Singapore and Malaysia, respectively, it is only 19% of the value of the total retail spending in the National Capital Region, Mumbai, Chennai, Bengaluru, Pune and Hyderabad cumulatively. Overall, the degree of penetration in the country would be even lower, since the presence of modern retail in smaller cities and rural areas is not significant. In the forthcoming years, the share of modern retail in these top six cities is expected to be a quarter of the total retail spending by 2019.

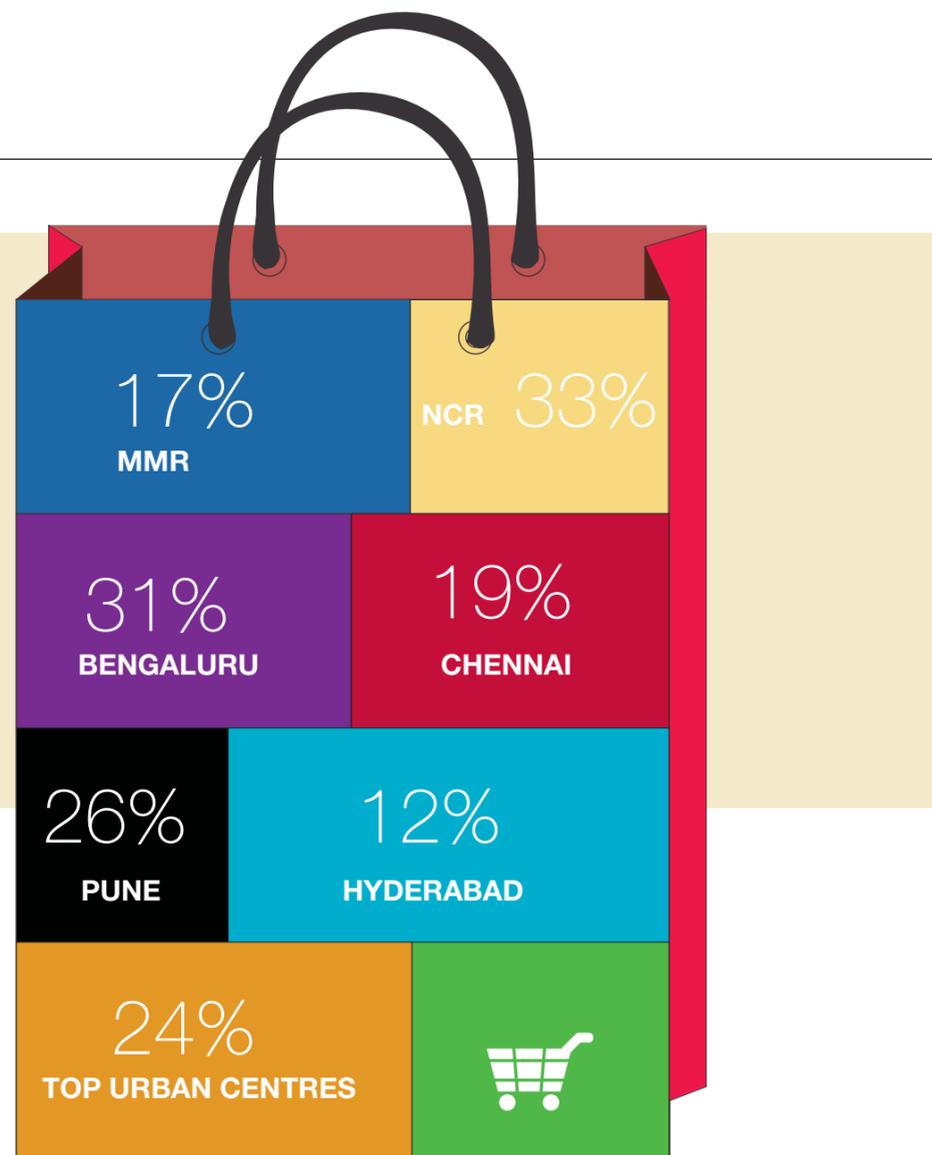
Although the share of modern retail penetration in the country is not flattering, there is still a lot to cheer as consumer spending patterns and increasing disposable income levels continue to evolve at a fast pace. There is ample dynamism at present, with a number of international brands entering the market. The existing brands are also working towards reinventing ways to keep up with the pace of growth in the sector. Nevertheless, there is a huge untapped potential for the growth of modern retail in the top six retail markets in India.

Currently, the total retail market size in the top six retail markets of the country amounts to INR 4,539 bn and this is projected to reach INR 7,168 bn by 2019. Out of the total retail spending in the top six retail markets of the country, modern retail amounts to INR 871 bn and this is projected to reach INR 1,718 bn by 2019. The penetration of modern retail will also witness a substantial rise, from the current 19% to 24% in the next three years in the top six retail markets of the country, largely driven by the omni-channel way of retailing. MMR and Hyderabad have the lowest penetration of modern retail at 14% and 10%, respectively, despite having a sizeable consumer base.

Chart 1.
RETAIL MARKET SIZE



ESTIMATED PENETRATION OF MODERN RETAIL BY 2019



Against this backdrop, it is imperative to understand the potential for modern retail growth in the top three product categories, which are responsible for around 70% of the total retail expenditure. These product categories are apparel, food and beverages (F&B) and daily needs (hypermarkets and supermarkets).

Source: Knight Frank Research

PRODUCT CATEGORY LEVEL MODERN RETAIL POTENTIAL 2016 (INR BN) AND PENETRATION ACROSS TOP SIX URBAN CENTRES (%)



Source: Knight Frank Research

CHART 2. RETAIL MARKET SIZE OF THE TOP THREE PRODUCT CATEGORIES

Source: Knight Frank Research

Region	MMR	NCR	Bengaluru	Pune	Hyderabad	Chennai	TOP 6 URBAN CENTRES	Category
	170	146	89	46	53	40	545	APPAREL
	56	124	25	20	14	14	253	APPAREL
	114	22	64	26	39	26	292	APPAREL
	113	97	59	31	36	27	363	F&B
	33	57	13	15	5	7	130	F&B
	81	41	46	16	31	20	234	F&B
	708	609	371	192	222	169	2270	DAILY NEEDS
	22	13	43	12	6	4	100	DAILY NEEDS
	685	596	327	180	216	164	2170	DAILY NEEDS

■ RETAIL MARKET SIZE IN 2016 (INR BN) ■ MODERN RETAIL MARKET SIZE IN 2016 (INR BN) ■ POTENTIAL FOR MODERN RETAIL 2016 (INR BN)

Thus, it is apparent from the market size of the three top product categories that the scope for modern retail is significantly expansive. Daily needs as a category has the least penetration across all cities owing to the comprehensive presence of mom and pop stores in the neighbourhoods. As such, annual modern retail potential in this category stands at ₹2,170 bn.

From the retailers perspective, the potential for modern retail can be unlocked sooner by adopting omni-channel strategies, where brands would deploy offline and online stores to service the king—the consumer—in exactly the way that he demands.

THE CONNECTED CONSUMER

The omni-channel phenomenon has found roots in the connected consumer. The consumer today has high aspirations. Short of time, travelling extensively and juggling between work and home, the consumer is connected through smartphone, tablet and computer. Empowered with a smartphone, considers facebook, instagram, WhatsApp and other social media as companions – seeks advice and expresses opinion. This profile of an increasingly aware and ambitious consumer has created a strong need to address the cause.

Technology has emerged as the binding element for the cause of omni-channel retail. This has become possible on account of progress at multiple levels. At one level are the devices for the online shopping interface. The connected consumer has access to a plethora of devices like smartphone, tablet, computer, etc. It is not only the device cost that has come down, but the quality and availability has improved significantly with more number of global manufacturers vying to tap the Indian market. Improving availability coupled with easy financing schemes has accelerated the

INDIA AND TECHNOLOGY

- 1.3 billion Population
- 1,058 million Telecom subscribers (second largest in the world)
- 342 million Internet users (third largest in the world)
- Wireless tele-density, No. of telephones per 100 people
Urban: 159, Rural: 52
- 7 out of 8 users access Internet on mobile phones
Smartphone revolution

Source: GOI, worldometers, TRAI

smartphone adoption rate in the country. Consequently, we see seven out of eight users accessing Internet on mobile phones.

At the next level is the improved Internet connectivity that has not just enabled online shopping but increased the experiential value of the same. While online shopping made inroads in the country even a decade ago, it could not take-off then on account of internet connectivity issues of poor bandwidth compared to the developed markets. However, this time around, government efforts on spectrum availability and private sector investment have cleared this roadblock. As a result, we are now the world's third largest market in terms of the number of Internet subscribers. The cost of Internet connectivity has been reducing even as Internet speed and availability are improving at an exceedingly improving pace. While initially only private places encouraged Wi-Fi connectivity, which was offered free of cost to patrons, now public places as well take pride to offer the same to citizens. As a result, high-speed at no cost or substantially low cost is available at hotels, education institutes, airports, railway stations, et al.



TECHNOLOGY AT THE CENTRE STAGE OF OMNI-CHANNEL RETAIL

MARKET PLACE

- Shopping portals – Myntra, Jabong, Flipkart, Amazon, Tata CliQ, etc.
- Shopping festivals like Big Billion Day sale by Flipkart and the erstwhile Great Online Shopping Festival (GOSF) by Google India

DEVICE

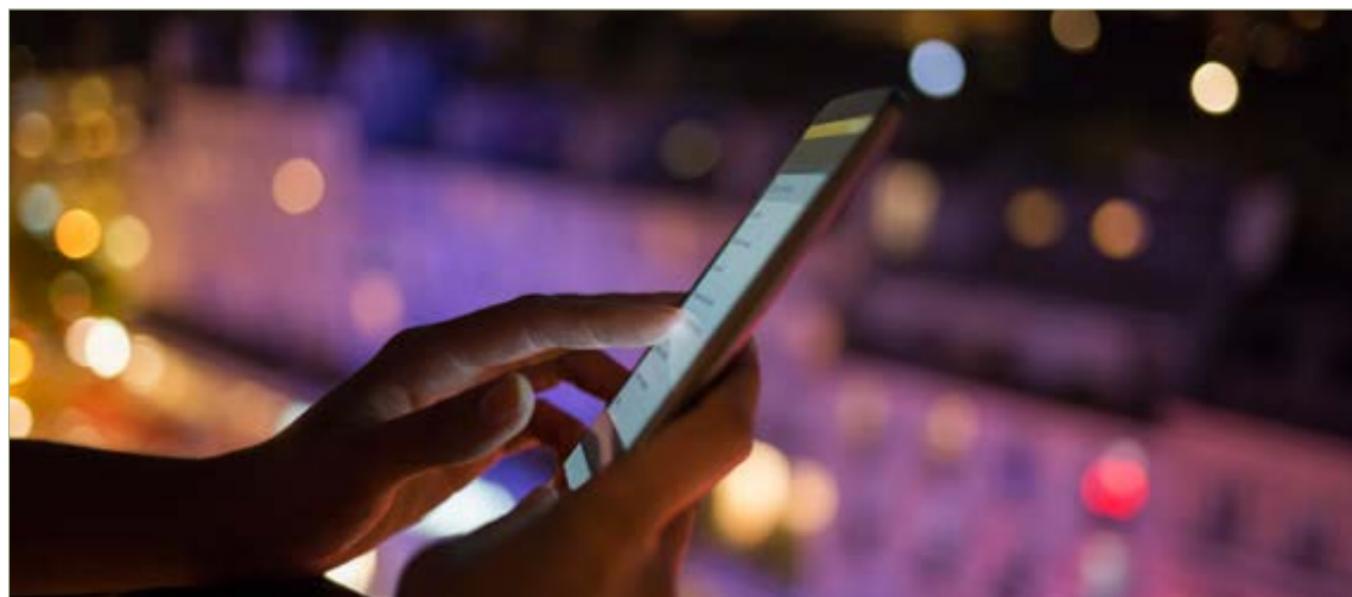
- Affordable cost and increasing availability of smartphones, tablets and computers

CONSUMER

- High adoption of smartphone despite low literacy rate

CONNECTIVITY

- Improving Internet speed at reducing cost, 3G and 4G adoption, Wi-Fi in public places



THE BRAND PERSPECTIVE

With two quintessential components of the omni-channel phenomenon, i.e. the consumer adoption and the technology progress taking the right shape, the retailer enthusiasm for championing the cause would go a long way. Accordingly, it has been seen that the brand response to participate and promote their omni-channel stand has been encouraging.

The brands have weighed on the cost and benefits to determine the right combination of online and offline retail in their bid to reach the consumer. Since, both of these modes have their unique characteristics, one would be ill-advised to proclaim that one of these channels is better than the other.

Online retailing through website or mobile application has helped retailers to expand their consumer catchment and grow faster, something that the brick-and-mortar store alone could not have been able to achieve. The convenience to the consumer in terms of 24x7 round-the-clock shopping at the comfort of the shopper's fingertips is unparalleled. Similarly, personalisation of product offerings based on the web profile of the individual customer is unthinkable in the offline channel.

In their bid to convince consumers about online shopping, retailers have offered features like unconditional returns and money back guarantee and cash on delivery option, which are either associated with the brick-and-mortar model or as a sweetener to tilt the deal in its favour. Some e-tailers from apparel and accessories also offer reality simulations by superimposing the product pictures onto customer photos to provide a virtual product trial. These efforts have yielded results with some categories witnessing faster adoption of the online channel.

To sustain the online retail momentum, steps have been taken on important aspects of the

BRIDGING THE ONLINE AND OFFLINE GAP



ONLINE ONLY TO OMNI-CHANNEL

FIRSTCRY

ONESTOP

ZIVAME



OFFLINE ONLY TO OMNI-CHANNEL

SHOPPERS STOP

PANTALOONS

EZONE



business. For instance, in line with the shrinking delivery timelines from a few days to same day delivery and now 2-4 hour delivery in some cases, the required supply chain development has been undertaken. On the business side, there are various online models. The most popular being the market place model, which is ruled by players like Flipkart, Amazon and Snapdeal. The inventory belongs to the brand and pricing control remains with either the market place or the brand. The consumer connect happens at the market place and hence the online partner is at the forefront. In another model, where the brand owns and operates its own online platform, the success completely hinges on the brand's connect with the consumer. Many brands are present on both market place as well as their own online platform. The choice of the models for online retailing would depend on the brand's attributes and focus.

THE WAY FORWARD

The retail sector, which traces its roots to the brick-and-mortar stores or the offline channel, is now witnessing expansion on account of the online market growth. While consumer adoption, technology progress and retailer push has been the key drivers, government initiatives would come as complementing steps to the growth of omni-channel retailing.

The most significant initiative was the demonetisation of high value currency notes announced last year. The demonetisation decision on one hand has impacted sales mainly in high value retail categories like jewellery and luxury goods. Considering the high contribution of cash transactions in the economy, the demonetisation decision of the government initially slumped the retail sales across the country with semi-urban centres

suffering the most because of lack of currency notes for over-the-counter as well as as well as online transactions. However, on the other hand, demonetisation has catapulted the digitalisation momentum in the Indian economy. After a spectacular growth of mobile wallets and card payments, the government has upped the ante through the United Payment Interface (UPI) that will address the inter-operability issues and improve the overall transaction experience. The impetus for digital payments will accelerate the technology adoption rate in the country. The investment in technology infrastructure will enhance the quality of consumer experience as well as security of online transactions that shall in effect attract more consumers to online retail.

The government has also taken an accommodative stance on foreign investments investments in the e-commerce segment. While there are some conditions that need to be fulfilled for FDI compliance, the message on the board is clear that the government will champion the efforts of digitalisation. The government has to facilitate growth by preparing clear policies for the retail sector and creating proper retail zones through a comprehensive planning process, thereby reducing infrastructure bottlenecks. Recent initiatives, such as the FDI retail policy and state-level retail policies, where the government is taking up the role of a

facilitator to create an environment conducive to the retail business, are steps in the right direction.

With strengthening of the online retail ecosystem coupled with government initiatives, we expect adoption of online retail to accelerate. However, as both online and offline channels contribute to different dimensions of the consumer experience and their value proposition to brands depend on the brand's attribute and focus, a right combination of omni-channel will be the way forward. As a result, we would see waves in both directions, i.e. movement from online only to omni-channel as well

as offline only to omni-channel. Innovation will be the key, as customer awareness leads to higher expectations, convenience being the requisite factor. The retailer strategy will have to take into account the opportunity for partnerships and recognise the need to work as an ecosystem. Collaborative working among the leading players will be the key to success. It could be in the form of partnerships, or mergers and acquisitions.

Brick-and-mortar spaces will have to reinvent, with a focus on consumer experience.

LESSONS FROM ACROSS THE GLOBE

Globally companies have been working on omni-channel strategies to reach out to the consumer. Indian retailers can draw lessons from these global experiences. This omni-channel approach adopted by companies is being done through a host of platforms. These include online and physical stores, smartphones, tablets, social media, call centres and by email. In the global market place, retailers have been working on these strategies for more than 10 years now. The origins of the omni-channel strategies can be traced to 2003 when Best Buy tried to counter Walmart by coming up with a host of initiatives, at the core of which lay the consumer. Since then, many companies have come up with their own strategies to reach out to the consumer and also to grab the consumer's mind space.



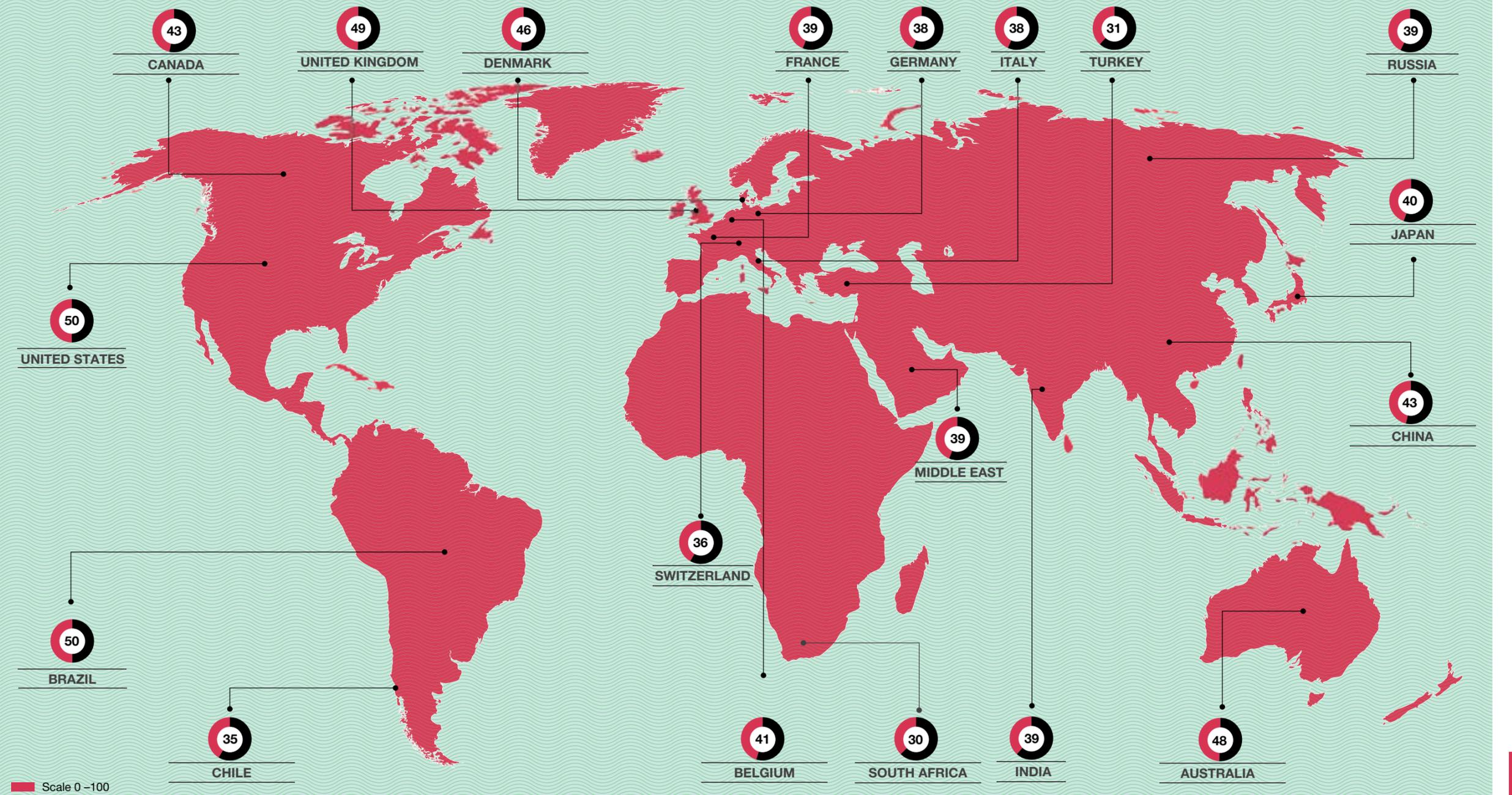
THE GLOBAL EXPERIENCE

As already stated, the omni-channel approach started much earlier on the global stage, compared to India. Thus, it would be worthwhile to get an idea to know how countries and product categories have fared with regard to the omni-channel approach adopted by retailers. PwC in its paper (<http://www.strategyand.pwc.com/reports/2015-global-omnichannel-retail-index>) ranked omni-channel retailing maturity, presence and the success of omni-channel retail in 19 countries/regions, as well as across nine retail segments. In order to rank countries/regions and retail segments, a retail index was developed. The key components of the retail index were consumer behaviour, degree of digitisation and the omni-channel potential. Based on these three parameters countries/regions and product categories were ranked on a scale of 0–100.

WHERE COUNTRIES/ REGIONS STAND

United States and United Kingdom, respectively, top the Global Omni Channel Retail Index. India ranks behind countries like Russia, China, Chile and Switzerland.

GLOBAL OMNI-CHANNEL RETAIL INDEX BY COUNTRY/REGION



Source: Strategy 2015, PwC



HOW PRODUCT CATEGORIES FARED

Companies across businesses have been adopting omni-channel strategies to engage the consumer. There are however, certain product categories where omni-channel strategies are more successful than others. As per the rankings, the consumer electronics and appliances product category is the most mature omni-channel segment and grocery is the least mature.

STRATEGY ADOPTED BY COMPANIES

Now that there is a clear understanding on where countries/regions and product categories stand with regards to the success of omni-channel strategies, we will highlight the omni-channel approach of two major companies – Nike and Macy's. Apart from these, there are many more companies across the globe that have embarked on their omni-channel journey. These companies span across businesses. Some of these companies are Disney, Bank of America, Virgin Atlantic, Oasis, REI, Starbucks and Chiptole.

THE NIKE STORY

Nike, a major player in the field of sportswear and sports goods, the company has one of the most well pronounced omni-channel initiatives. The approach of the company is based on select pillars.

- The experience of the consumer is almost similar, irrespective of where the consumer decides to get in touch with Nike. The company has taken great pains to ensure that the experience, look and feel for the consumer is similar at a Nike store and at the company's website. Most importantly, at both the platforms—online and the brick-and-mortar store—the company has taken great pains to make sure that the consumer feels happy. Once the consumer feels happy about the experience, more often than not, the consumer will end up making a buy decision.
- A consumer can buy a product at leisure and get the product at a place of his choice. This means a consumer can buy a product at a Nike store and get the same delivered at his office or at his house.
- Nike has trained its workforce so that they become true ambassadors of the company's omni-channel strategy. The finer details of this training can be gauged from the fact that personnel at Nike stores have been sensitised when to approach a customer for help and at the same time not being too aggressive with regards to the sales pitch that they give to the customer.
- The company has taken steps to make the consumer aware of the technical aspects of the product in the offline as well as online platform. In the online space, Nike has taken

GLOBAL OMNI-CHANNEL RETAIL INDEX BY CATEGORY

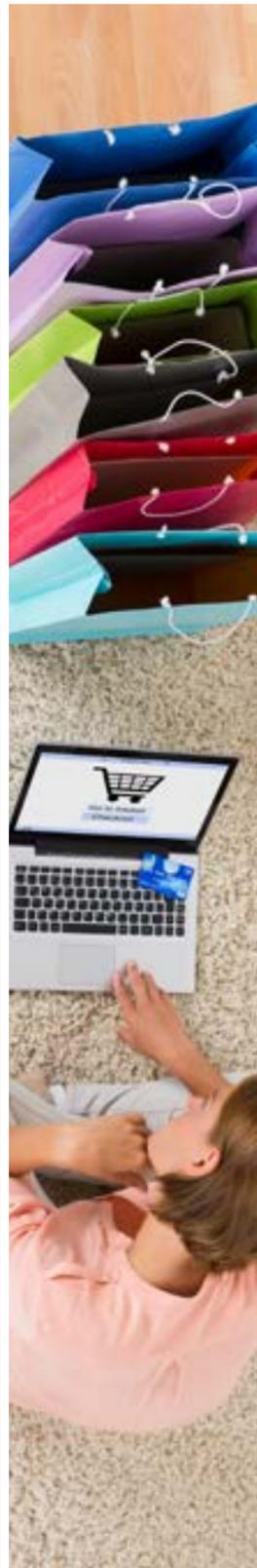
Scale 0 -100



Source: Strategy 2015, PwC

help of technology to educate the consumer about the technical aspects of a product.

- Nike has come up with consumer-friendly initiatives like the 30-day money-back guarantee programme. As per this policy, the company lets the consumer use a product, after it has been bought, for 30 days and is willing to take the product back and give a Nike credit to an unsatisfied consumer.



MACY'S STRATEGY

This US-headquartered retailer also came up with its omni-channel strategy to engage the consumer. So what are the things that Macy's did right?

- Macy's started its digital transformation in 2010 and since then it has been working on strategies to marry its online and offline channels to reach out to the customer.
- The company has used its digital platform to optimise its logistics and to make good use of its offline stores.
- To make the consumer confident of its omni-channel approach, Macy's started initiatives like the 'buy online, pick up in store' programme. This helped bring customers into the company's stores.
- To ensure that Macy's staff are ambassadors of its omni-channel approach, the company has placed trained manpower at all levels.
- The company has taken the help of newer technologies to sharpen further its omni-channel strategies. Taking the help of Radio-frequency identification (RFID) to strengthen its omni-channel initiatives is a step in this direction. RFID is a new tracking technology that involves small tags that emit distinct signals. Retail business owners can use remote scanners to read RFID tags placed

on individual products, enabling them to record a variety of information, including quantities of various stock items and their precise locations. The company will use Tyco Retail Solutions inventory viability platform to access its entire inventory. This way the company is able to use its brick-and-mortar stores to support online orders.

THE CHALLENGES

There is no denying the fact that adopting an omni-channel strategy is the way forward to engage with the consumer. However, companies that have adopted omni channels have been facing a new set of challenges. Deloitte in its paper 'Omni-channel retail: A Deloitte Point of View' (<https://www2.deloitte.com/content/dam/Deloitte/se/Documents/technology/Omni-channel-2015.pdf>) highlights some of the key challenges faced by companies that have adopted omni-channel strategies.

KEY CHALLENGES



ENSURING SUCCESS OF MARKETING STRATEGIES

- ❖ Identifying the need of the consumer and channeling marketing efforts in that direction
- ❖ Cost-effective online marketing strategy
- ❖ How to measure return on investment
- ❖ Identify which channel to push more, thereby ensuring success of marketing efforts



NEW VIRTUAL PAYMENT SOLUTIONS

- ❖ Having payment solutions that are cost

effective for the retailer

- ❖ Need for a safe, easy, simple and convenient payment system
- ❖ Need for retailers to have in-house payment solutions



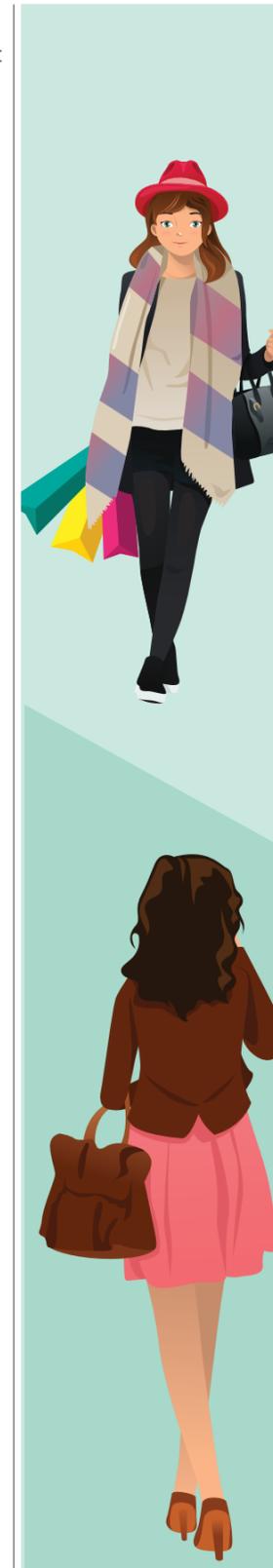
CUSTOMER IS KING

- ❖ Retailers need to be fleet footed to react to customer preferences
- ❖ Customers look for quality of service, availability of the product and faster deliveries
- ❖ Retailers have taken the help of new supply-chain strategies to meet customer demands
- ❖ Companies need to come up with their own supply-chain strategies

Source: *Omni-channel retail: A Deloitte Point of View, 2015*
Deloitte

LESSONS LEARNT FROM THE GLOBAL MARKET PLACE

It is a given fact that going forward, as lifestyles become fast-paced and attempts by companies to gain the consumers' attention intensify, the need to reach out to the customer through a host of channels will only increase. The success of any omni-channel strategy of a company will lie in how successfully a company manages to marry all these channels into a force, without being too interfering, that the consumer finds it hard to avoid. Technology will be at the core of binding all channels into a strong force. Apart from having systems and processes in place that drive the omni-channel strategy of a company, the importance of ensuring that the manpower is well trained to execute the plan cannot be ruled out. Since omni-channel retail is an evolving concept, companies adopting



omni-channel strategies need to invest in people who are hardworking and smart so that they are adept at executing the plans for the company and also astute at spotting opportunities for the company. Companies operating in the global marketplace have reached a level wherein they are facing newer challenges in implementing their respective omni-channel strategies. They have already crossed the first hurdle of having multiple channels to engage the consumer. Now they are facing issues in getting the optimum use of those channels. As earlier stated, it is an evolving approach and as consumers and companies mature more, new platforms will be developed that could be integrated with the ones that already exist.



CASE STUDY



CATEGORY 1:

Brands which started with physical stores and have either already adopted or aspiring to be omni-channel in the near future

Bestseller, GAP, Shoppers Stop and Woodland

CATEGORY 2:

Brands with physical stores and online presence with no defined Omni-channel strategy

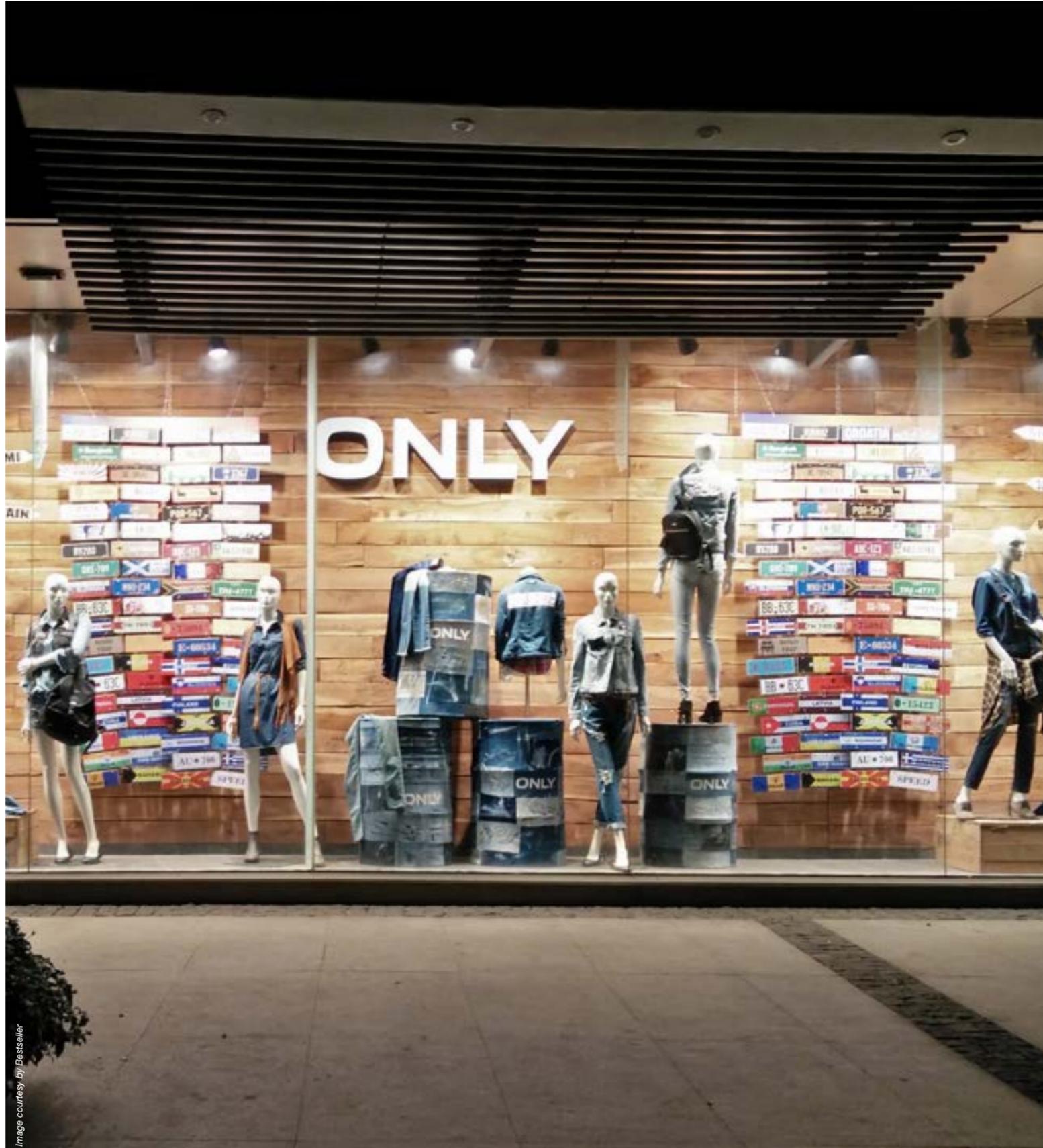
H&M

CATEGORY 3:

Brands adopting only online platform for selling

Pepperfry





BESTSELLER INDIA

CATEGORY 1

“

Online retailing is here to stay. Globally, we have invested heavily into our online business and we see it as a big opportunity to help us reach out to a greater number of customers. However, going forward, just the online channel will not be enough and growth in business can only be achieved through a well-designed omni-channel strategy.

”



VINEET GAUTAM
COUNTRY MANAGER, BESTSELLER INDIA -
JACK & JONES, VERO MODA, ONLY & SELECTED HOMME.

BESTSELLER is a European, fashion company, with a global range of more than 15 individual fashion brands. BESTSELLER provides fashion clothing and accessories for women, men, teenagers and children. In India, BESTSELLER products are marketed and sold under brands such as JACK & JONES, VERO MODA, ONLY and SELECTED HOMME. Their brands are fast fashion and always in tune with the global trends. The company has positioned itself in the aspirational, premium category. At the time of their entry in the Indian market, there were no fashion brands in the apparel category. There were a number of international brands, which were selling apparel; BESTSELLER was amongst the first few to bring in the concept of fashion in India.

EVOLVING STRATEGIES TO CONNECT WITH MORE CUSTOMERS

The majority of BESTSELLER stores are located in malls, they also have a presence in high-street retail, especially since their flagship stores are in the big-box format. The size of the stores for individual brands range from 1,800-2,000 sq ft, which allows the customer to experience the brand. As they are an internationally renowned fashion brand and a leader in setting global fashion trends, the number of options on display are always quite high. Additionally, they keep adding new styles every week to the store. The brand started with brick-and-mortar stores in malls and over time the availability of space in the malls became a challenge. Moreover, to increase their customer reach, they started collaborating with multiple brand outlets (MBOs), large format stores (LFS) and also local/regional stores, which gave them a far greater reach, e.g. Kapsons and JadeBlue. BESTSELLER has witnessed a substantial growth in the number of shop-in-shop stores in the past few years; they now have nearly 553 such stores with their partners across 75 cities in the country. The company's aspirations kept growing with the success they achieved over the years and gradually this format was also not enough to support the growth objectives. They felt a need to enter Tier III and Tier IV cities, where it was not possible to have a 1,800 sq ft store. for each brand; thus a new format 'The Danish Rack' was invented. This allowed BESTSELLER to open multi-brand outlets with a franchising model that has all three brands – JACK & JONES, VERO MODA, ONLY and SELECTED HOMME. The company soon expanded in cities like Siliguri, Nasik, Haldwani, Allahbad and Jodhpur with a similar model.

The next wave of growth came with the online entry; BESTSELLER India sells its products on its

INDIA GROWTH

2008

**YEAR OF ENTRY
FIRST STORE:
JACK & JONES,
OBEROI MALL,
MUMBAI**

2012

**76 EXCLUSIVE
BRAND OUTLETS
VERO MODA,
ONLY, JACK &
JONES COMBINED**

2017

**195 EXCLUSIVE
BRAND OUTLETS
VERO MODA, ONLY,
JACK & JONES
COMBINED**

STRATEGY GOING FORWARD



Bigger brick-and-mortar stores provide better customer experience



Live inventory with partners



Better technological integration of inventory across all platforms



Entering new cities and increasing the number of stores

own website and has also partnered with other e-commerce shopping portals like Myntra, Jabong, Amazon, PayTM, Ajo, Snapdeal, Tata CLiQ, Koovs and Flipkart. This online presence has helped them reach nearly 20,000 pin codes, which is a big opportunity for BESTSELLER. The growth in e-tail is an important part of the company's strategy for the future, yet, it is only going to work in conjunction with the omni-channel approach.

OMNI-CHANNEL STRATEGY

The customer is at the centre stage for every omni-channel strategy and it is no different for BESTSELLER. In fact, the most important driver of all their strategies is customer outreach. There is a perceptible shift in consumer behaviour – with an increasing Gen Y population and the advent of Internet-powered devices – shoppers today want to engage with the brand at any point of time through multiple media. BESTSELLER's omni-channel strategy is designed to cater to the needs of today's consumer. Their focus is to give consumers the comfort they need to shop anywhere and everywhere with minimum efforts. The partnership with Tata CLiQ is one of their strategic alliances in the omni-channel approach, their inventory is live on the Tata CLiQ website, and the customers have an option of either getting the products delivered within six hours to their home or order online and collect the product from the store. The focus is to be as close to the consumers as possible; they are also collaborating with Myntra to make their inventory live on their website.

CHALLENGES

In the short term, demonetisation is a challenge for the company, as consumer spending on apparel is discretionary and not a necessity. Although the impact is reducing with each passing month, this is expected to limit the

Key characteristics of their omni-channel strategy:

- *Consistent pricing across all channels: Online and In-store*
- *Managing real-time stock information*
- *Direct shoppers to alternative buying options*
- *Integrating inventory and order management across all channels*

growth in revenues for the next one year. The average ticket size has reduced, also the number of big-ticket transactions have come down.

In the medium to long term, e-commerce is expected to stabilise, which will pose a challenge for the overall revenue growth. Limited availability of quality retail spaces is going to be another deterrent for the future. All good malls have limited vacancy and there is no visibility of new malls in the near future, especially in the Tier I cities. A well-thought discounting policy, which is uniform across all platforms, is very crucial for the success of the brands in the omni-channel world. Furthermore, implementation of the Goods and Services Tax (GST) is expected to have an inflationary impact on apparel pricing, assuming textiles come under the merit list of GST. Once GST comes into play and depending on the tax slabs of 12 and 18% on textile, the prices for finished products may get impacted.



Image courtesy by Bestseller



Image courtesy by GAP

GAP

“

India is an up-and-coming market with a very cosmopolitan population, which appreciates products that are innovative with on-trend styling. Gap's denim fits and innovations with attractive price points are its strong selling points. We have established Gap well in India, opening 11 exclusive stores across six cities in under 18 months. As of October 2016, Gap is also available to shop online at gap.nnnow.com. We see a positive and strong potential in omni-channel retailing in India, for Gap.

”



OLIVER KAYE
CEO - GAP DIVISION, ARVIND LIFESTYLE BRANDS LIMITED

ABOUT GAP

In the eventful summer of 1969, when man took his first walk on the moon, Doris and Don Fisher opened the first Gap store in San Francisco, California, with the aim to create a store experience that was easy for the customer and offered a wide selection of fits and styles.

Over the last 48 years, the company has grown from a single store to a global fashion business with five clearly defined brands — Gap, Banana Republic, Old Navy, Athleta and Intermix. Today, the brand's clothes are available globally in 90 countries, through 3,300 company-operated stores, in almost 400 franchise stores, and several e-commerce sites. The company employs more than 135,000 people globally and continues to grow exponentially.



2010s

- 2010 - Gap opens doors in China, Australia and Italy
- 2013 - Intermix acquired
- 2014 - Gap Inc raises the minimum hourly wage for US employees
- 2015 - Gap opens its first store in New Delhi, India



2000s

- 2004 - Gap Inc releases first annual Corporate Social Responsibility report
- 2006 - Gap launches PRODUCT (RED) campaign for World AIDS Day
- 2008 - Athleta acquired



1990s

- 1993 - Gap enters France, opens a 'store' in Galeries Lafayette department store in Paris
- 1994 - Old Navy is born; first store opens in Colma, California
- 1995 - The first Gap store in Asia opens within the Hankyu department store, in Tamagawa, Japan.
- 1997 - Gap goes digital, debuts online shopping



1980s

- 1983 - Banana Republic acquired
- 1986 - First GapKids store opens in San Mateo, California
- 1987 - Gap opens store in London, its first outside the US
- 1988 - Gap introduces its now iconic blue square logo



1970s

- 1973 - Gap debuts iconic 'fall into the Gap' jingle
- 1976 - Gap Inc goes public, offering 1.2 million shares of stock
- 1977 - Gap Inc establishes non-profitable charitable arm, Gap Foundation



1969

The first Gap store opens at 1950 Ocean Avenue in San Francisco, California, selling Levi Strauss merchandise, as well as records and tapes. The music sales were discontinued after six months.

USD 15,797 million
2015 net sales

Casual fashion icon
Clothing and accessories rooted in confident and updated casual style

GAP India story

Gap formally entered India in May 2015 when they opened their first flagship store at New Delhi's Select Citywalk Mall. It signed a franchise agreement with Arvind Lifestyle Brands Ltd, a unit of Arvind Limited - India's largest integrated textile and apparel company, to enter India. While the agreement between the two companies took place in 2015, Arvind has had a long and successful association with Gap as their vendor partner, the former being a supplier of denim to Gap. Globally, Gap is known for its denims and 25% of the apparel in Gap stores in India consists of denims.

India, for long, had been on the radar of Gap as a strong contender for potential business. It offered to Gap an emerging, vibrant market and foretold of an important phase in its global expansion strategy. As the world's second most populous country with more than 1.2 billion people, India represented an important platform

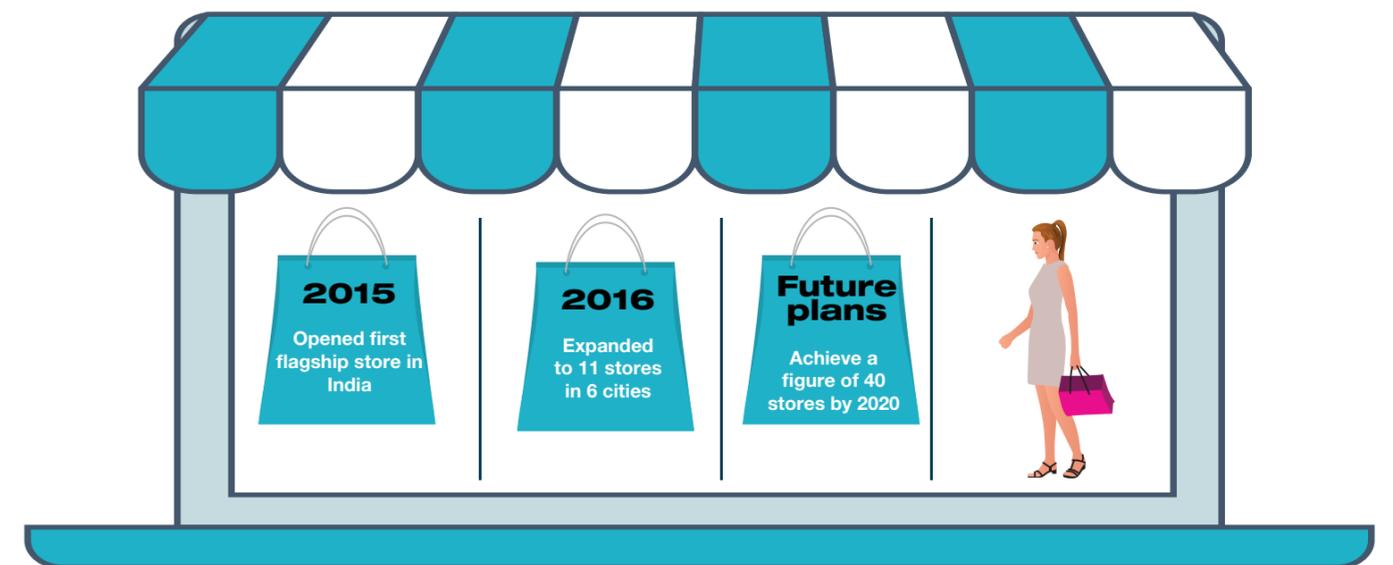
MAY 2015

Gap formally entered India, opened flagship store in New Delhi

to bring American casual style to consumers. Besides the favourable GDP growth rate, there was an increasing band of young buyers with the propensity to spend in the price bracket offered by Gap. India was also leapfrogging into the technology bandwagon, being ranked the world's third largest market in terms of the number of internet subscribers.

While the retail markets in most western countries had become somewhat saturated for Gap, including the home turf of US, India presented a vast scope of growth and expansion. Not surprisingly, it was announced on Gap's entry in 2015 that Arvind envisaged a potential revenue opportunity of INR 10 billion by 2020.

The brand today has 11 stores that have come up within a span of 18 months – two each in New Delhi, Mumbai and Bengaluru, and one each in Gurgaon, Noida, Pune, Chennai and Indore. The average size of stores here are in the



range of 8,000–10,000 sq ft. Going forward, there are plans of launching stores in other cities such as Kolkata, Hyderabad, Chandigarh, Lucknow, Ludhiana and Kochi. Although currently Gap stores are present only in malls, owing largely to the convenience of being located in a mall with high footfalls, they are open to being located on high streets as well, if the proposition seemed attractive.

RETAIL STRATEGY – OMNI-CHANNEL IS THE WAY FORWARD

With the constant evolution of the retail landscape, Gap India believes that the future shopping experience is set to include wider use of personalisation, channel-crossing loyalty programmes, and mobile technology. It, therefore, relies on an omni-channel roadmap and focuses on owning the shopping experience of the future. The company emphasizes a seamless inventory model, which enables a single view of stock wherever it is in the store and warehouse estate, as well as a more responsive supply chain.

In August 2016, Arvind went online with its e-commerce portal www.nnnow.com, with a number of select brands. The same year, in October 2016, Arvind put up Gap India's products on the platform, thereby aligning the brand with its omni-channel retailing strategy.

Owing to its omni-channel approach, its customer base has been growing and a rising number of its online sales is accounted for by buyers from Tier II cities. The fact that it has a logistics model separate from other online portals, which can be attributed to its omni-channel strategy, ensures a faster delivery of the product.

Real estate demand of

**8,000 –
10,000**

sq ft per store

For instance, when a buyer places an order through gap.nnnow.com, the product is picked up directly from the closest store or warehouse that houses it, instead of the conventional practice of picking up the product from the central warehouse and then directing it to the customer's address. This allows for lesser time consumption and lesser waiting period for the customer.

The Omni-channel model adopted by Gap has essentially led to a smooth, unbroken consumer experience through all the available channels in order reach the consumer. For example, a buyer in Bengaluru wants to purchase an apparel of a particular size but the size is not available at the Gap store located in Whitefield. The buyer then can order for that size either straight from the store or from its online portal and it would be delivered to him/her. If the particular size is available at the store located at Yeshwanthpur, around 25 km away from Whitefield, it would be sent from that store to the buyer's address in less than 24 hours.



Image courtesy by GAP



Image courtesy by Shoppers stop

SHOPPERS STOP

“

Today's time-poor customers are demanding a seamless navigation across channels. We are working proactively towards delivering an omni-channel experience to the customers. A level playing field that can be created by the government through FDI policy can go a long way to drive the growth of Indian retail.

”



GOVIND SHRIKHANDE
CUSTOMER CARE ASSOCIATE AND MANAGING DIRECTOR

Shoppers Stop is one of India's largest retail chains of large format department stores. It is a one-stop shop across multiple categories including apparel, cosmetics, fragrances, artificial and fine jewellery, footwear, personal accessories such as watches, sunglasses, handbags, wallets and belts, kidswear, toys, home decor and much more. Shoppers Stop began its operations in 1991 and the first store was converted from a theatre; in the first year 5,000 sq ft of retail area was developed, which grew up to 52,000 sq ft over the next five years. Since its inception, Shoppers Stop revolutionised the shopping experience for the customer, offering an array of brands under one roof. Over the years, Shoppers Stop has made many breakthroughs in the Indian retail industry, enabling it to become one of the most customer-centric, respected and profitable retailers in the country. A number of new brands have been launched in Shoppers Stop,

e.g. Gili, Indian Terrain, US Polo, Gini and Jony. Shoppers Stop offers its customers an experience of more than 400 international and national brands across categories. Today, Shoppers Stop has 81 stores spread across 37 cities in India. Where physical stores are not present, Shoppers Stop caters to millions of customers across the length and breadth of the country through its newly revamped online store. Moreover, with the recent launch of the Shoppers Stop mobile app, on iOS and Android, the company continues to innovate by creating a convenient and more personalised way to shop. It is the only Indian member of the International Group of Department Stores (IGDS) along with 29 other experienced retailers from all over the world.

SETTING UP THE BASE FOR OMNI-CHANNEL

Shoppers Stop has been always ahead of its time and has been a pioneer in many different ways, be it launching a customer loyalty programme, calling their associates as customer care associates, or their professional approach to retailing or starting the preview of sales. They were one of the first few retailers to adopt Enterprise Resource Planning (ERP) in the year 1999. It was a huge investment and led to some losses; however, the company had a vision for growth and it decided to take the hit keeping the future growth in mind. Shoppers Stop has witnessed a big growth in terms of the number of stores during the last two decades and has expanded across India. Typically, the store sizes in a Tier I city ranges between 50,000–55,000 sq ft and in a Tier II city it ranges between 30,000–40,000 sq ft. Managing such large stores with multiple brands was only possible with a well-thought distribution strategy and warehouse management system in place. Four distribution centres in Bangalore, Mumbai, Delhi and Kolkata cater to all the stores across



South, West, North, and East zone, respectively, within 24 hours. With increasing sales, all they had to do was increase the capacity of these distribution centres. Furthermore, they have been one of the few retailers who took up online retailing even before it became a revolution. They launched their dot com website in early 2000; however, it was much ahead of its time. The telecom infrastructure did not support online retailing, nor the customer reach was possible and buyers did not have the devices to shop online. The late 2000s gave the customers an opportunity to shop online; as the devices were easily available, new touch screen mobile phones changed the navigation completely. Customer preferences have also changed in the last few years, shopping has become more of a planned event, which previously used to be an impulsive decision. Additionally, growing city boundaries and increasing traffic bottlenecks are a big challenge for brick-and-mortar stores, whereas online shopping is time saving. Considering the shift in retailing, Shoppers Stop also re-launched their online shopping portal in 2015 and currently 1% of their revenue is contributed by online sales and is expected to reach 10% in the next three years. All these initiatives taken by the company not only helped them to achieve their business milestones but also formed the foundation for the next wave of retailing.

OMNI-CHANNEL A NATURAL PROGRESSION

Shoppers Stop with their well-thought strategic initiatives had the base ready for incorporating omni-channel retailing. In 2015, Shoppers Stop made a strategic shift in this direction with its omni-channel foray that aims to redefine the customer shopping experience. Shoppers Stop intends to provide a seamless and unified shopping experience across its multiple channels, i.e. physical stores, web, social, TV and



Image courtesy by Shoppers stop

Considering the shift in retailing, Shoppers Stop also re-launched their online shopping portal in 2015 and currently 1% of their revenue is contributed by online sales and is expected to reach 10% in the next three years.

SETTING UP THE BASE FOR OMNI CHANNEL



LOYALTY PROGRAMME

Shoppers Stop launched a first-of-its-kind loyalty programme – ‘First Citizen’

Today, the First Citizen loyalty program is one of the most successful programmes with over 4.4 million customers driving 72% of sales.



CUSTOMER FOCUS

First ones to call every associate a customer care associate in the retail industry.



PROFESSIONAL APPROACH

One of the few professionally managed retailers. Typically, most of the retail companies across the world are run by entrepreneurs. Shoppers Stop is one of the rare companies that is run by professional managers.

The management and ownership is completely different, promoters are either the investors or chairman.

marketplaces. Their plan is to go completely live and fully omni channel by the end of 2017. They will be one of the first Indian retailers to adopt the omni-channel approach, which is still at a very nascent stage in India. Currently, it's a work in progress with a number of strategies to achieve the kind of integration required for an omni-channel experience, two of the most important steps in this direction are explained below:

UNIFORMITY ACROSS ALL CHANNELS

It is important to provide the customer with the same kind of brand assortment, quality of brands and price points.

Selling similar number of stock keeping units (SKUs) online as is available in the stores. They do not create a separate line to be sold online. The concept of 'curated assortment' applies to their online stock as well.

INTEGRATING CUSTOMERS, ORDERS AND INVENTORY MANAGEMENT

Keeping only one view of customers, orders and inventory

Each of these can be achieved by different technologies. They have invested heavily to procure the right software to implement the omni-channel strategy. For e.g. the SAS model for customer support, JDA-WMS for inventory management, and OMS for orders.

Work on integrating each one of these is in progress.

STRATEGY GOING FORWARD



PHYSICAL STORES

Adding about four stores per year



ONLINE

2020 - 10% revenue from online sales



OMNI CHANNEL

Better technological integration of inventory across all platforms to be completely omni channel by the end of 2017

including laptops, mobiles, iPads and tablets. Another initiative towards incorporating digital technology within the brick-and-mortar store was the Magic Mirror. It was a first-of-its-kind in a department store in India; it enabled customers to swipe through various products without having physically to 'try on' the desired products. To enhance its customer outreach, Shoppers Stop has also entered into strategic alliances with a number of online market places like Snapdeal, Amazon, Jabong and Flipkart. Another initiative in the omni-channel direction is capturing the customer preferences based on the past shopping history. They also offer multiple payment options, e.g. using the freecharge wallet in all its stores. Their intention is to offer the same experience to the customer be it online or in the store.

CHALLENGES

Since they are a multi-brand retailer, their challenges for integration are much more. A number of brands present in their stores are also available online or on other marketplace websites heavy discounting on these websites is one of the biggest challenges. However, they foresee a change in the buyer's perspective in the coming years, where more and more consumers will focus on quality and convenience rather than discounts. Another challenge is the limited availability of quality retail spaces for future growth of brick-and-mortar stores. According to Shoppers Stop, there is scope for expansion in Tier I cities; however, a lack of options is restricting the expansion, especially in cities like Mumbai and Bengaluru. Lastly the FDI regulation in multi brand retail must adopt a level playing field to support the local players.



Image courtesy by Shoppers stop

Other than procuring the right kind of technology to integrate customer management, order management and inventory management, they also redesigned and launched a new website, which is compatible across all devices



WOODLAND

'EXPLORE MORE'

“

Building a sustainable relationship with customers is a key opportunity for businesses to achieve an omni-channel strategy. Seamless access across web, mobile and store channels and the ability to convert this into richer engagement is critical. Adopting the right technology platforms can help transform the business model, and establish a centralised system that enables consistent service delivery across channels. By improving the forecast of demand and inventory processes, significantly decreasing customer lead-time through high investments in online fulfilment centres and converging physical and e-commerce channels, Woodland is aiming to build a future-proof supply chain. The target is to have a higher availability, lower inventory and higher service level than its competitors.

”



HARKIRAT SINGH
MANAGING DIRECTOR – WOODLAND INDIA

About Woodland

Woodland began its operations in the 1960s and was started in Quebec, Canada for making winter boots. In the late 1980s, on account of bankruptcy, Woodland changed hands from Marcel Garneau's Quebec-based importing company, to the Indian exporter – Aero Group. The Indian company was already exporting manufactured products, like shoe uppers and leather boots, to Canada and the former Soviet Union; this acquisition turned Aero Group from a supplier to an owner with access to three brands: White Fox for fur-lined shoes, Boutique for fashionable footwear, and Woodland for those who love the outdoors.

Since India was still in the pre-liberalisation period, the Group preferred to tread in familiar territory and continued to export products to European countries, like Russia, who took a liking for the brand's sturdy boots meant for extreme cold weather. Currently, Woodland retail is present in over 40 countries and the company has also set up offices and warehouses in countries like Hong Kong, Moscow and Dubai to cater to the requirements of different geographies.

INDIA STORY

'MAKING THE RIGHT MOVES'

Woodland is an aspirational brand and it has seen the Indian retail scenario change over the last twenty-five years. It was in 1991 that India opened its economy to the world and Woodland saw a huge opportunity to market its products in India. They entered India in 1992, post a research conducted on consumer behaviour that helped the company offer a special line of shoes designed specifically for India. Though it had to alter its design to match the Indian climate, it held onto its basic attributes of 'tough' and 'wearable'. The brand positioned itself as a rugged, outdoor leather shoe brand, the kind usually preferred by adventurers. As the target was youth, who were 17-25-years-old, they connected instantly with this new category of specialised 'outdoor adventure sports' shoes.

Since retail in the country was at a very nascent stage and largely dominated by unorganised and high-street retail, the company collaborated with some established retail footwear brands like Bata and Carona to sell their product, but the partnership did not go well. This pushed Woodland to open its own single-branded retail outlets in India in 1996. The brand immediately clicked with the youth and slowly a separate product line was designed especially for India.

Today, India is one of the key markets for the adventure brand and it is present across 600

Global presence in **40** countries with **15** stores
and **500** multi-retail stores

In India present in **600**

company stores **5,000** multi-retail stores

Turnover of **USD 177**

million in 2015-2016

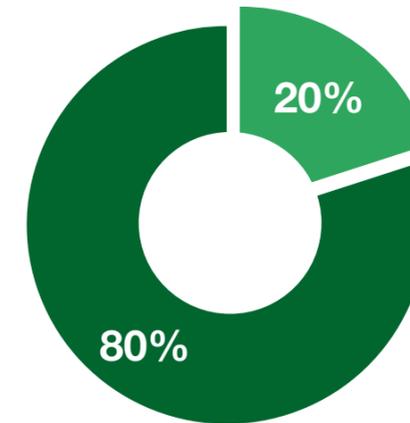
1992
Designed a separate line for India
Partnered with brands like Bata and Carona

1996
Opened first single-brand store in India
Targeted youth 17-25 years

2017
600 stores in India and 5,000 multi-retail stores

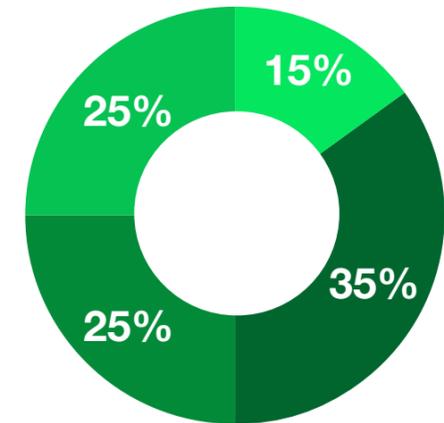
Future Plans
To add 50-60 stores every year

SHARE IN SALES



Domestic Export

REVENUE SHARE IN INDIA



South West East North



Image courtesy by Woodland

company stores and over 5,000 multi-retail stores, like Shoppers Stop, Lifestyle, Reliance Trends, etc. The domestic market contributes 80% towards Woodland's business, while exports contribute 20%. As it is one of the first companies to start the single-brand store in India, Woodland does not believe in franchising. The exclusive stores act as a foundation for the brand and help it to control its position and quality through an expansive display of its product line.

KEY STRATEGY

'BE PRESENT WHERE THE CUSTOMER IS'

There has been a sea change in how the customer connects with the product since the advent of the brand in India, and the company has adapted itself to meet the needs of the customer. The brand believes in the best possible customer outreach and wants to be present where the customer is. Currently, Woodland has 600 company-owned stores in India and has plans of a yearly expansion of around 50-60 stores. The brand is also slowly increasing its store sizes to accommodate the changed product line. Though footwear remains the flagship segment of Woodland, the share of apparels and accessories is growing and today accounts for 40% of the overall sales.

Typically, a Woodland store can range between 2,000-3,000 sq ft. The brand not only has a robust presence in big cities but also plans to invest in stores in Tier III and IV cities in India. The increase in disposable incomes and the awareness about Woodland through various online platforms have paved the way for its entry into Tier III and IV cities and currently 30% of its revenue share comes from non-metros cities.

'CHANGE WITH THE CUSTOMER'

Woodland believes that constant innovation

REVENUE SHARE OF PRODUCT CATEGORIES



40%

Apparel and Accessories



60%

Footwear

and aligning itself to the customers' needs is what has kept them going strong. Since the major target segment of the brand is the youth, there is an increase in demand for adventure products in India. Keeping these things in mind, the company has expanded its product line and has now started to sell premium adventure and outdoor equipment for sports such as hiking, biking, trekking, climbing, fishing, camping and paragliding. This advanced product range is particularly designed for people who love expeditions, outdoor sports and adventure.

MOVING FORWARD – MULTI-CHANNEL TO OMNI-CHANNEL

It is this philosophy of 'be present where the customer is' that has made Woodland's brand recall very strong and has translated in its strategic decision making process. Woodland took to the online platform in 2013-2014 and developed its own retail website to capture the changing retail market. Today, the brand sells its products through various formats like malls, high streets, and Woodland's retail website and also through aggregators like Amazon, Myntra and Jabong.

This multi-channel presence has not only made shopping hassle free but has also made the product more accessible to the people. As it is not possible to have a store in all locations, being accessible to its customers online from any part of the country has worked in favour of the adventure brand. Currently, the online platform contributes 10% of the sales and its attractiveness amongst customers is growing constantly.

For instance, it might not be possible to stock warm jackets and winter boots in the southern cities of India, but being able to order the product online through any of Woodland's formats makes it easily available to the customers. On the other hand, having an online

presence also saves the company from the woes of skyrocketing rents, compliance issues and stock maintenance in stores. The middleman also is eliminated in an online platform and it gives the brand an opportunity to interact directly with the customer through various social media platforms.



Image courtesy by Woodland

Currently, the online platform contributes

10%

of the sales and its attractiveness amongst customers is growing constantly.

Real estate demand of

2,000 - 3,000

sq ft per store

However, as technology advances, just being present in different formats are not enough. Woodland has realised that a multi-channel approach might increase its customer outreach but it does not guarantee conversions if the customer does not have an integrated shopping experience. The brand is currently working on its technology, so that all platforms and devices that the customer uses to interact with the company are accounted for. This knowledge will thus be used to help Woodland give a seamless integrated shopping experience to its customers.

CHALLENGES AND THE WAY FORWARD

Woodland is constantly altering its omni-channel approach to adapt to the market and since it is a relatively new business model, it has its initial hiccups. Technology plays a very important role in the smooth functioning of this model. Given that the concept is so dynamic and nascent, constant upgradation and integration of retail formats with the supply chain – warehousing, vendors, and distributors – with technology is very vital for its success.

Woodland is working on upgrading its technology and is trying to bring its existing divisions like export, key store, and distribution on the same platform for a seamless shopping experience. Woodland as a brand believes that the omni-channel model of retailing is here to stay and that the way forward to maximise their revenue share and customer outreach is through the omni-channel approach.

The company also plans to raise its export volumes by 30% in the coming years to consolidate its sales post the demonetisation in India. As currently, only 20% of Woodland's business comes from exports, the company is consciously trying to increase the current 80:20 ratio to a 50:50 business.



Image courtesy by H&M

HENNES & MAURITZ

'Fashion and quality at the best price in a sustainable way'

“

With H&M offering online shopping in 35 markets out of the 64 markets that we are present in, online platform is a natural expansion of our business. We see a great potential for future growth in India in the online space but prefer to focus on retail stores for the moment.

”



JANNE EINOLA
COUNTRY MANAGER, H&M INDIA RETAIL PVT LTD

ABOUT H&M

The fashion brand Hennes & Mauritz, or H&M, is a part of the H&M group that started with a single womenswear store in Västerås, Sweden, in 1947. The company was established by Erling Persson, who only sold women's clothing, thus he named his store Hennes, Swedish for 'hers'. The idea was to create a fashion line for women that was fresh, changed frequently and was also affordable. In 1968, Erling Persson acquired the store and catalog of a Stockholm store that sold hunting equipment by the name of Mauritz Widforss.

This acquisition also included men's clothing in the inventory and so, Persson expanded into menswear. Accordingly, he renamed the store Hennes & Mauritz, which was later abbreviated to H&M. The group has come a long way since its inception; today, it has more than 4,379 stores in 64 markets with six, clearly defined fashion brands like H&M, COS, Monki, & Other Stories, Weekday and Cheap Monday. The company employs more than 148,000 people globally and works on a wholly owned subsidiary model. H&M is the first company to introduce a clothing collecting initiative worldwide with the purpose of recycling clothes to help reduce the amount of natural resources needed to produce new garments. Under this drive, the customers can handover their used garments in stores and get rewarded with a coupon.

Real estate demand of
20,000
sq ft onward



2010 onwards



1980-1999



1974



1973



1968-1969



1947



H&M GROWTH STORY

Expansion continues into North America, Asia, the Middle East, Africa, South America, and Australia

2015 H&M enters India with their flagship store in Select Citywalk, Saket, Delhi

First store opens outside Europe. The flagship store opens on Fifth Avenue in New York.

2007 sees stores opening in Shanghai and Hong Kong

H&M enters Germany and Netherlands

H&M goes online. The first online market is Sweden.

Opens first store in Paris

Hennes & Mauritz gets listed on the Stockholm Stock Exchange

Rebranded with the abbreviation 'H&M'

Launch of new cosmetic range

Enters mens clothing by acquiring fishing equipment retailer Mauritz Widforss

Renamed as Hennes & Mauritz

Expands to 42 stores

Brand goes international - first Norway, followed by Denmark, UK and Switzerland

Opens first store for women clothing in Sweden under the name Hennes, Swedish for 'Hers'

INDIA STORY – WHAT TOOK H&M SO LONG TO ENTER INDIA

H&M formally entered India in October 2015 when they opened their first flagship store at Delhi's Select Citywalk Mall but the company has had an association with the Indian market even before that. Since H&M does not own any factories, it works with around 800 independent suppliers primarily in Asia and Europe. Approximately 60% of the production takes place in Asia and India is one of their most important markets. H&M is present in India since 1993 and today works with over 100 suppliers.

Though H&M considered India as a very significant market, doors opened for them only in 2012. This was the year when the Government of India approved the reforms for companies entering through the single-brand retail route to have full ownership of their operations in India, unlike the initial clause of limiting foreign ownership to 51%. This meant that H&M could have full control on its merchandising, branding, promotions, pricing, etc. – this was in sync with its global expansion strategy.

The popularity of the retailer can be gauged from the fact that in its maiden year of operation

USD 108
mn

to be invested in India
in the coming years

USD 24
billion

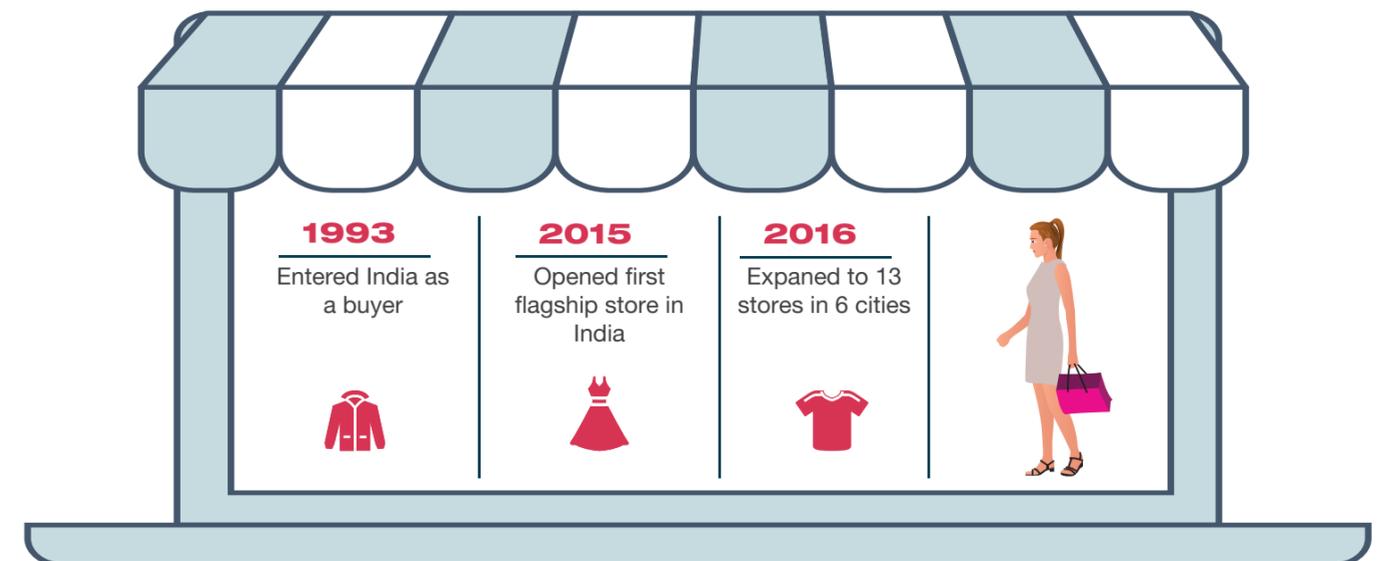
2015 group sales

and with only four operational stores, the global fashion giant announced sales of USD 28.5 million during year 2015 to March 2016 – a record unheard of in the retail apparel space.

ONLINE STRATEGY – ITS 'BRICK' FOR THE SWEDISH GIANT

H&M sees online shopping as a natural expansion of their business and the brand has gone online in 35 of its 64 markets. Getting online through its own website has helped H&M get more customers and it has become one of the most visited fashion websites in the world.

However, entering India through the FDI route initially did not allow H&M to do sales online, but now since the FDI rules have relaxed, the brand has come up with their own retail portal in India as well. Though one might have to wait a little while till H&M's online platform goes live for shopping, since the present-day strategy of the retailer is to focus on expansion of its brick-and-mortar formats in India. The hugely popular brand today has stores in all metros like Delhi, Mumbai, Mohali, Bangalore, Chennai and Pune and envisages huge business opportunity in Tier II and Tier III markets in India.



H&M'S GEOGRAPHICAL SPREAD

AFRICA

- Egypt
- Morocco
- South Africa

ASIA

- China
- Hong Kong SAR
- India
- Indonesia
- Japan
- Macau
- Malaysia
- Philippines
- Singapore
- South Korea
- Taiwan
- Thailand

EUROPE

- Austria
- Belgium
- Bulgaria
- Croatia
- Cyprus
- Czech Republic
- Denmark
- Estonia
- Finland

- France
- Germany
- Greece
- Hungary
- Ireland
- Italy

- Latvia
- Austria
- Belgium
- Bulgaria
- Croatia
- Cyprus
- Czech Republic
- Denmark
- Estonia
- Finland
- France
- Germany
- Greece

- Hungary
- Ireland
- Italy
- Latvia
- Lithuania
- Luxembourg
- Netherlands
- Norway
- Poland
- Portugal

- Romania

- Russia
- Serbia
- Slovakia
- Slovenia
- Spain
- Sweden
- Switzerland
- Turkey
- United Kingdom

MIDDLE EAST

- Bahrain
- Israel
- Jordan
- Kuwait
- Lebanon
- Oman
- Qatar
- Saudi Arabia
- United Arab Emirates

NORTH AND SOUTH AMERICA

- Canada
- Chile
- Mexico
- Peru
- United States

OCEANIA

- Australia
- New Zealand



STORE



ONLINE & STORE

High-street

Fashion Brand

Quick manufacturing at affordable price

4,380
stores

64
markets



Image courtesy by H&M



Image courtesy by Pepperfry

PEPPERFRY

“

From the get go, we are very clear on this proposition of great variety and great price. Since inception, Pepperfry has built a market leadership as the largest furniture marketplace by offering great value, a large variety of curated merchandise with over one lakh items from over 10,000 merchants. I want a piece of furniture in every home in the country.

”



ASHISH SHAH
COO & FOUNDER

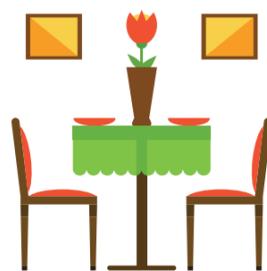
ABOUT PEPPERFRY

Founded by Ambareesh Murty and Ashish Shah, Pepperfry is India's leading marketplace for furniture and home products today. It is a managed marketplace that has tied up with over a thousand merchant partners who cater to consumers in the home and furniture categories. It is also among the select club of retailers that have consciously chosen to stay away from an omni-channel retailing strategy and stick to their core competence of online retailing where it has a 50% market share. Their customer contact, however, goes beyond the online platform by augmenting the buying experience via introducing customer experiential stores that are envisaged purely as customer engagement and activation points.

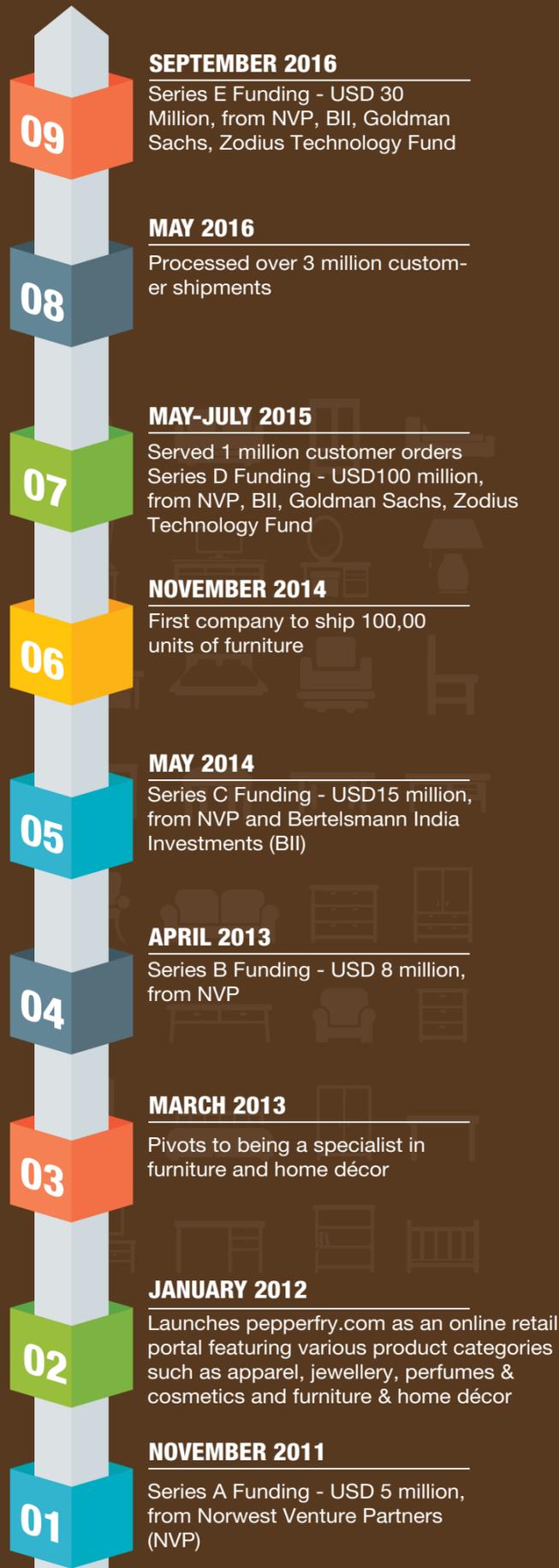
Pepperfry started operations in January 2012 as an online retail portal e-tailing various product categories such as apparel, jewellery, perfumes and cosmetics and furniture and home décor. However, it took just a little over a year of operations to realise the enormous promise that the furniture business held. This product category contributed to approximately 80% of the company's top line then and had no competition in the online space at that time besides Urban Ladder. Realising the sizeable opportunity and the significantly higher margins in the furniture business, Pepperfry shelved other product lines and positioned itself as an online marketplace specialising in furniture and home products in March 2013.

A large variety of good value products and wide geographical reach within the country have driven its online business that has enabled it to secure over 3.5 mn registered users of its website and successfully deliver over 3 mn customer shipments. With its gross merchandise value (GMV) tripling YoY, it has crossed a significant milestone of INR 1,000 cr in October 2016, while its closest competitors are yet to cross half as much.

Pepperfry works with 10,000 suppliers, 3,000 artisans and over 3,000 active suppliers, from whom it sources its products



STORY SO FAR



KEY STRATEGIES

'Content, Consult, Commerce'

The Pepperfry strategy is built along the three pillars of 'Content, Consulting and Commerce' that are typically the three phases that the quintessential buyer goes through during the process of shopping for furniture. The first step involves researching what options are available in the market for the item he is looking for. This is the 'content' phase that Pepperfry aids the customer by providing a class-leading online catalogue of over 1.2 lakh products across categories like furniture, décor, lamps, bed and bath, furnishings, kitchen, dining, bar, housekeeping, hardware and electronics, garden and kids.

Once the customer has a reasonable idea of what he is interested in, he consults professionals such as interior designers and architects or trusted acquaintances to help him narrow down his choices and decide what to finally buy. This is the most difficult part of the buying process as it more often than not involves a significant cost of consulting a professional and finally closing down on a deal. While Pepperfry's exhaustive and highly user-friendly online interface plays a significant part in consulting the customer, the lack of a human element had always limited the consulting process. The online interface characteristically restricts an element of customer engagement that can only be bridged by a brick-and-mortar establishment. This had been addressed to a great extent by the launching of the first of thirteen Pepperfry studios in December 2014.

Pepperfry has studios in Mumbai, Bengaluru, Pune, Kolkata, Hyderabad, Chennai and Gurugram to showcase its product range and quality and also provide for advisory related to design and other helpful tips. These studios are essentially experiential stores where a prospective customer can come explore a

50%

of Pepperfry transactions come from repeat buyers



curated range of Pepperfry merchandise and consult the attending experts that are qualified architects and interior designers to help them make their final decision. This helps and affirms the consumer's buying decision and greatly enhances the company's chances of generating repeat business as well. The thirteen Pepperfry studios have proved to be a resounding success having achieved customer conversion rates of over 30-40%. These studios are not meant to be points of sale as the company believes that these 1,800-5,000 sq ft stores can only showcase a select range from the large Pepperfry catalogue. With their top line nearly tripling year-on-year since inception, the growth that Pepperfry has achieved till date also corroborates its belief that the customer is increasingly comfortable buying furniture online as long as he trusts the source.

The commerce stage refers to the conclusion of the deal where the consumer goes to the online portal and places the order for the product he has decided to buy. While most businesses focus almost entirely on this, Pepperfry has taken necessary steps in this direction to engage the customer in his decision making process by setting industry benchmarks during the content and consulting stage.

'Logistics is key'

Pepperfry has built a robust logistics and supply chain to ensure a smooth delivery process. Their heavy item shipment network ensures quick and damage-free door-step delivery of bulky furniture covering over 98% of furniture orders placed by customers. It offers free shipping and installation on all items and has shipped products to more than 2,700 towns in the country through reliable logistic partners and its own last mile delivery infrastructure. The business model adopted by Pepperfry enables it to control all aspects of customer experience starting from pre-sale merchant listings to post-sale logistics and customer service. Thus, offering a standardised

Pepperfry gets over **7 MN** monthly visits



and superior buying experience to customers.

'Leverage vendor resources'

Since Pepperfry is primarily a marketplace, commission earned from other vendors is a fundamental part of its revenue strategy. It also leverages vendor resources freely during the content and consulting stages to generate sales for the merchant while creating the best possible environment for the customer.

CHALLENGES AND THE WAY FORWARD

The five-year-old company has not had to face many challenges in terms of competition. Negotiating an essentially 92% unorganised market and building the logistics infrastructure in addition to influencing customers to shop online for furniture were its trickiest challenges. Urban Ladder was the only competing online retailer at the time Pepperfry launched its online portal and most branded furniture manufacturers were located in the metros. Its offering of the broad spectrum of furniture products made available at great value in the remote corners of the country was a unique proposition that has grown in leaps and bounds over the past five years. The entry of global major Ikea and increasing competition from Future Group's furnishings company, Fabfurnish could challenge this status quo in times to come. Both these organisations target the same low-cost furniture customer across the same markets as Pepperfry and this could well herald the beginnings of a price war that has gripped online marketing behemoths such as Amazon, Flipkart and Snapdeal.

Pepperfry however, has a head start over these rivals, having honed its technology and supply chain logistics that are tailor-made for the contemporary furniture buyer. For e.g. Since delivering large items like furniture requires big-box logistics, Pepperfry owns and operates all of

BENGALURU
followed by DELHI
& NCR, MUMBAI,
HYDERABAD,
CHENNAI, PUNE
are the top 8
markets for
Pepperfry

Average ticket
size for furniture –
INR 17,000–20,000

Average ticket
size for other
home products –
INR 4,000

its near 400-strong transport fleet that facilitates doorstep delivery in over 500 cities and towns. This established expertise will be hard to emulate for a new entrant in the short run and help Pepperfry reinforce its market share.

Pepperfry believes that it is firmly poised for growth and aims to be a USD1 bn company in the near future, since it has successfully created a class-leading home and furniture products catalogue and a robust supply chain in its first five years of operation. To achieve this target, it plans to further enhance its customer engagement during the consulting stage by nearly tripling the number of Pepperfry studios in the country to 36 by the end of 2017 and expand last mile connectivity to 1,000 cities from the current 500 in the next one year. Plans are also on the anvil to better imbibe augmented reality and virtual reality platforms in the Pepperfry studios that will usher in the next stage of product visualisation for the customer and substantially differentiate Pepperfry's offering from the competition.



REPORT AUTHORS

Vivek Rathi

Vice President – Research
vivek.rathi@in.knightfrank.com

Pankaj Anup Toppo

Vice President – Research
pankaj.toppo@in.knightfrank.com

Sangeeta Sharma Dutta

Assistant Vice President – Research
sangeeta.sharmadutta@in.knightfrank.com

Yashwin Bangera

Assistant Vice President – Research
yashwin.bangera@in.knightfrank.com

Ankita Nimbekar

Lead Consultant – Research
ankita.nimbekar@in.knightfrank.com

Ankita Sood

Consultant – Research
ankita.sood@in.knightfrank.com

COPY EDITOR

Deborah Herbert

Copy Editor
deborah.herbert@in.knightfrank.com

DESIGN

Mahendra Dhanawade

Manager - Graphic & Design
mahendra.dhanawade@in.knightfrank.com



RESEARCH

Dr. Samantak Das

Chief Economist and National Director – Research

samantak.das@in.knightfrank.com

RETAIL

Gulam Zia

Executive Director – Advisory, Retail & Hospitality

gulam.zia@in.knightfrank.com

Aditya Sachdev

Director – Retail

aditya.sachdev@in.knightfrank.com

PRESS OFFICE

Sukanya Chakraborty

Director – Marketing & Communications

media@in.knightfrank.com

Knight Frank India Research provides development and strategic advisory to a wide range of clients worldwide. We regularly produce detailed and informative research reports which provide valuable insights on the real estate market. Our strength lies in analysing existing trends and predicting future trends in the real estate sector from the data collected through market surveys and interactions with real estate agents, developers, funds and other stakeholders.

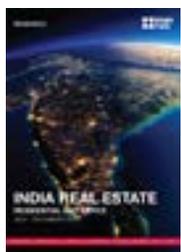


© Knight Frank (India) Pvt. Ltd.

This report is published for general information only and not to be relied upon in anyway. Although high standards have been used in the preparation of the information analysis, views and projections presented in the report, no responsibility or liability whatsoever can be accepted by Knight Frank for any loss or damage resultant from any use of, reliance on or reference to the contents of this document.

As a general report this material does not necessarily represent the view of Knight Frank in relation to particular properties or projects. Reproduction of this report in whole or in part is not allowed without prior written approval of Knight Frank to the form and content within which it appears.

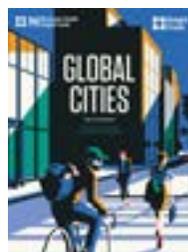
RECENT MARKET-LEADING RESEARCH PUBLICATIONS



INDIA REAL ESTATE
JULY-DECEMBER
2016



INDIA WAREHOUSING
MARKET REPORT
2016



GLOBAL CITIES
2017 REPORT



HYDERABAD RETAIL