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Consequences of Growing Trend of Digital Transformation in Retail Business of India: A Contemporary Analysis

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Abstract: *The Indian retail industry is undergoing a rapid digital transition, which is being driven by a number of factors including digitalization, smartphone use, and widespread internet connectivity. Additionally, the government of India launched its flagship program, Digital India, to ensure that the nation is technologically advanced on the internet. The Indian retail industry has seen incredible expansion in recent years, with several new firms joining the market. The study came to the conclusion that the major critical factors influencing the online retail sector's digital trends. This study is descriptive, and convenient sampling was carried out among particular Indian retail establishments. The adoption of digitalization as a key technological development will determine how nations use it for years to come. It will guarantee economic efficiency and competitiveness, provide new goods and jobs, address issues with fund-raising, enhance governance, and address inequality. With a big population that lives in rural areas at a rate of over 60%, India is especially in need of digitalization to close the economic gap and empower its citizens to compete more effectively in the modern economy. The retail sector in India is rapidly changing as a result of a number of factors, including widespread digitalization, smartphone penetration, and internet access. In addition to making sure that our nation has digital technology capabilities.*

Keywords: Transformation, Retail, Digitalization, Capabilities, Economy, Governance, Technology.

Literature Type: A Contemporary Analysis.

I. INTRODUCTION

Retailing plays a crucial role in the retail business since it is a way of reaching out to customers via the medium of goods and services that entice them with the advantages of various distribution channels in order to generate profit. Supply chain management, which organized the retailing process, is one of the key functions carried out by retailers. A retailer establishes a lasting relationship with customers through comprehending the consumer's needs, preferences, and attitude toward the product. Because the process of retailing makes the customer's purchase of goods and services simple, it is crucial for retailers to exercise extreme caution in their business dealings.

The components of Retail Business include:

- 1) Retailing is the process of interacting directly with customers.
- 2) Sales volumes are usually high. Sales volumes are generally high.
- 3) Using sales promotion
- 4) location and arrangement are also important.
- 5) There are more jobs to be had in retail.
- 6) The process gathers customer feedback and allows manufacturers to take action based on that feedback.

Retailing is a business process that deals with selling products and services to potential users for use in their homes for their personal use or for use by their family members². Throughout the 20th century, there have been many changes in technology, consumer behaviour, purchase preferences and spending power. However, the biggest change that we have all seen in the coming future is the technological revolution that has surpassed everything like never before. Nowadays, customers prefer to say it like it is in shopping. Pattern customers are experimenting with 3D versions of Virtual shopping. They use it to review about a product, choose an online payment system, etc. The various forms of digital transformation in Indian Retail business noticed during the recent time are given below:

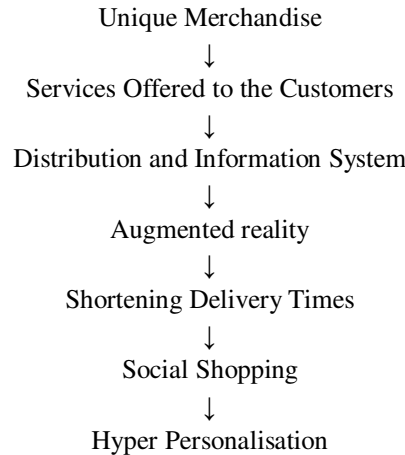


Fig.1 Digital Transformation on Retail Sector.

- 1) *Unique Merchandise*: The need to innovate and bring out something new is the need of the hour and digital transformation has brought many unique products for the customers. The retail store also sells customise products to attract the customer. Satisfaction to the consumer is the main concern for the marketer because the customer will easily switch to the alternative.
- 2) *Services Offered to the Customers*: Customer service is a top concern for marketers as well Marketers also need to build trust with their customers. As digitalisation began Marketers wanted to establish a strategic relationship with their customers.
- 3) *Distribution and Information System*: Every retailer wants to lower the price of the product. They also want to make sure that the product is available at the right time. As a result, retailers are investing a lot in their supply chain management and information system. In today’s world, the product is tracked by the tracking ID number which gives the customers peace of mind.
- 4) *Augmented Reality*: With the aid of AR, the customers are buying products as if they are in a store. AR allows the customers to experience the new product or service that is available in the market. In this case, the customer does not have to download the app of a company.
- 5) *Shortening Delivery Times*: Customers’ preference is that they don’t want to wait when it comes to product order. Retailers want to reduce the delivery time so that the customer can be most satisfied with the product order. Quick service is the need of the hour, and it can be achieved through digital transformation.
- 6) *Social Shopping*: Retailers are using social media platforms to influence the customers to buy a product. Imagine you see a pair of a person’s shoes and you click on the picture and end up with an offer. It creates a smooth experience for the customers.
- 7) *Hyper Personalisation*: Nowadays, the most intelligent retailers are gathering information about the customers and working in a productive way to create the leads. The good thing about the customers is that they are willing to pay any price or offer any product.

II. OBJECTIVES OF THE STUDY



Fig.2 Objectives of Digital Transformation in Retailing.

- 1) *Increased Flexibility*: Digital Transformation enables retailers to leverage multiple channels. Social media apps or mobile apps are alternative ways to increase flexibility so that customers can easily access their needs. In the post-pandemic world, people are shifting to online shopping. Unlike in the past, e-commerce has enabled more people to engage with businesses using multiple channels. Creating a seamless shopping experience for customers increases customer satisfaction.
- 2) *Cost Cutting*: Manual tasks in Inventory Management are reduced with digital Transformation solutions, helping to reduce costs and improve accuracy. In addition, technologies such as Cloud Computing Services offer cost management flexibility without additional hardware costs.
- 3) *Improves Communications*: Chatbots, social channels, websites and mobile applications have proven to be an easy-to-use way to interact with customers. Retailers can gain a better understanding of their customers' needs and tailor brand messages according to their preferences. This enables them to build better relationships with their customers.
- 4) *Efficiency in Operations*: Cloud technologies play an important role in improving operational efficiency within the organisation. This means that retail employees with Digital Transformation roles can effectively manage time to speed up their processes. In addition, it helps customers get fast answers from customer support.
- 5) *Improved Customers Engagement*: Digital transformation has replaced face-to-face communication with online interactions, resulting in a better customer experience. It has provided customers with more facilities, resulting in more engagement than ever before.
- 6) *Better Marketing Campaigns*: Digital Transformation solutions enable you to gain insight into customer needs and collect precise information to develop customised marketing strategies. Brands can select from a range of marketing channels, such as testimonials, guaranteed money-back, and discount coupons, to deliver a unique customer experience.
- 7) *Computerised Procedures*: Automation improves business processes. The changing digital landscape enables us to perform tasks more effectively and increase revenue.
- 8) *Making the Most out of Upsell Opportunities*: Upselling continues to be one of the biggest benefits of Retail Digital Transformation (RDT) because it's a fast and easy way to boost sales. Upselling opportunities help you increase revenue with digital tools, saving you time and increasing your quick wins as a retailer.

III. RETAIL TRENDS IN INDIAN CONTEXT- FROM UNORGANISED TO ORGANISED RETAILING

Digital transformation is permeating every sector and one of India's fastest growing sectors is retail. Over the past decade, Indian retail industries have seen phenomenal growth. The organised retail sector accounts for 8% of the total retail industry, while unorganised retail accounts for 92%. However, in the coming year, as people become more tech-savvy, it will definitely give a boost to the organised retail sector. The digital revolution has changed the way consumers shop. Now, they can choose from a wide variety of products through virtual mode, and the price can be competitive with other online sites. Retail is projected to grow at a CAGR of 7.46 percent between 2000 and 2020. It is estimated that by 2020, the food and grocery segment will account for 66% of the total revenue in the retail sector. Demand for western outfit and readymade garments is growing at a rate of 40-45 percent each year, and the penetration of western garments is expected to increase to 30-35% by 2015. These trends point to a positive future for retail. As retailers grow and evolve, they need to adjust their business strategies to keep up with changing times. These strategies provide opportunities for retailers to engage the customers by providing them with better and overall shopping experiences. Retailers are investing in the appropriate infrastructure and technologies, including chat bots, cloud AI, and recommendation engines, to enhance the sales competency of the in-store associates to enhance the customer experience. By increasing digitalisation, retailers will experience cost savings and operational efficiencies across all aspects of their business, from supply to pricing, inventory planning, training and development, and ultimately customer engagement.

IV. INFLUENCE OF DIGITAL TRANSFORMATION ON RETAIL SECTOR OF INDIA

Customers' shopping experiences have improved as a result of digital transformation as retailers enable new business models to remain competitive. Additionally, this has led to the market's growth of e-commerce, and digital transformation helps shops stand out and offer superior experiences. Data insights give businesses the ability to package and sell services in addition to products. The retail industry can benefit from digital change by navigating client retention. The way retailers conduct business has undergone a significant transition because to big data analytics, location-based services, and mobile apps. In the long-term process of digital transformation, one effort creates a change that inspires another, which in turn influences other organizational components involved in the process.

Adopting new technologies is at the heart of digital transformation in retail. Indian retail is changing quickly, driven by a number of variables including rising household incomes, expanding consumerism, e-tailing, favourable demographics, and easy access to finance. Currently, the retail sector in India contributes over 10% to the GDP and about 8% to employment in the nation¹. Indian retail is experiencing the fastest-ever entry of new businesses, and it is predicted that by 2020, it would nearly quadruple from its current US\$ 672 billion to US\$ 1.3 trillion. The growth trajectory of the Business to Business (B2B) e-commerce market, which is anticipated to reach US\$ 700 billion by 2020, is equally or even more rapid than that of the Business to Consumer (B2C) e-commerce sector, which is anticipated to reach US\$ 102 billion by 2020.

Even though we have seen remarkable growth over the past ten years, organized retail still only accounts for about 8% of the total retail market, continuing the unorganized sector's domination. However, it is anticipated that organized retail will no longer be simply an urban phenomenon in the upcoming years and that tier 2 and smaller cities would develop quickly to make up a sizeable portion of organized retail. This expansion is projected to be further accelerated by the digital wave, creating opportunities for innovative, customer-focused business and operating models. All industry professionals are particularly interested in how the GST implementation and the overall growth dynamics in Indian retail are transforming the business.

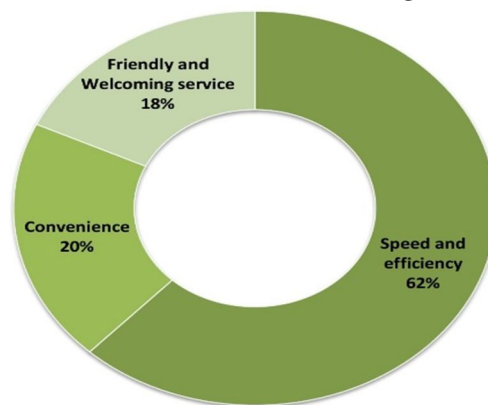


Fig.3 Showing that the Impact is digital having on retail sector

Fig.3 shows that when asked about the impact of digital on the retail sector, 62% of customers said speed and efficiency, 50% said convenience, and 18% said friendly and welcoming. Therefore, it can be concluded that customers are looking forward to faster and more efficient shopping and that this can be achieved through digitalisation.

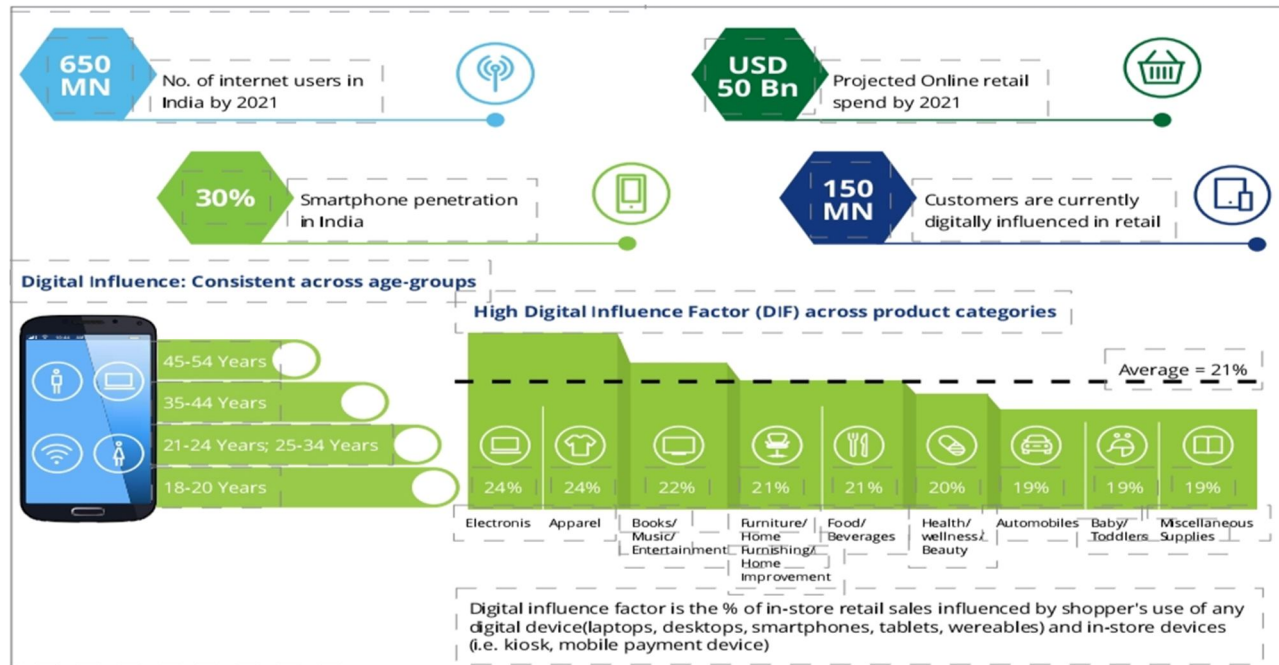


Fig.4 India: Digital Retail Statistics (Source: Deloitte research, Industry reports)

For the purposes of this report, we have defined digital as a technology-enabled combination of resources (which can include tools, devices, bots, teams, protocols, processes, networks, methodologies) that enables the availability of content (which can be data, information, expert/social reviews, reports, analyses, games) for the user (employee or customer) to make more productive decisions (which can affect cost, time, or service level) and satisfying decisions.

V. KEY DRIVERS IN FUTURE DIGITAL TRENDS IN RETAIL BUSINESS

A. *Rising Number of Internet and Social Media users*

Connecting the next billion Indians to the World Wide Web will be India's largest problem and potential given the strong association between internet use and economic prosperity. Mobility is now at the core of the next major revolution thanks to the growing trend of internet access through wireless devices made possible by technologies like free public Wi-Fi, 3G, and 4G.

B. *Rising Number of Smartphone users and Increasing m-commerce*

Smartphone penetration in India is projected to grow from 290 million users in 2016 to about 470 million users by 2021. This is expected to boost m-commerce penetration in the Indian e-tail sector. In 2016, the smartphone penetration in India was 83%.

C. *Favourable Demographics*

India has the world's largest population of 18-35 year olds (Millennials). They are more tech-literate and prefer digital means of communication and shopping. India's more than 400 million Millennials (Millennials born after 1982) make up one-third of India's population and 46 percent of its workforce. India is set to become the youngest nation in the world by 2020, with the median age of 29 years. This highlights the outsized role that India's millennial generation is playing in spurring the country's growth. While they may be young, they are already the main wage earner in most households, and their income contributes to 70% of the total household income. Millennials are at the forefront of the smartphone revolution in India with 84% of them already relying on mobile broadband and spending an average of 17 hours per week online. Millennials consume 34 hours of video content per week. The average consumer has increased the amount of time they spend on their mobile screen by 4 hours per week compared to the average amount they spend on their fixed screen (2.5 hours per week). 50% of the video content that Millennials consume is user generated and On-Demand.

D. *Digital Infrastructure*

Industry 4.0, also known as the 4th industrial revolution, is characterized by cutting-edge technologies that blur the boundaries between the physical and digital worlds, driving real-time access to new data sources and existing data sources, along with powerful analytics tools like visualization, scenario analysis and predictive learning algorithms. This access to data is revolutionizing the way companies operate.

Companies can now collect massive amounts of data from physical assets and facilities in real-time, perform advanced analytics to generate new insights and make more effective decisions. At the core of this digital revolution, it is likely to revolutionize the way products are developed, manufactured, and delivered to consumers—and it has huge implications for the entire retail value chain. As digital infrastructure and digital money transfer options evolve, the number of omni-channel retailers will only grow. The boundaries between virtual and physical retailers are already breaking down, and this trend is only expected to continue to accelerate in the future. For example, Amazon acquired Whole Foods from Market Inc. and Walmart acquired Jet.com (the fastest-growing e-commerce

E. *Investments into India Driving Digital Growth*

The UNCTAD's World Investment Report 2017 showed that 20% of global executives preferred India as the host destination for investments in the course of 2017-19, placing India third after the US and China, according to the report. Thanks to the improving macroeconomic conditions and the government's constant efforts to improve the business environment, India has seen a steady increase in Foreign Direct Investment (FDI) and Private Equity/ Venture Capital (PE/VC) investments in consumer driven sectors. Digital offers retailers a number of benefits, including acquiring new customers, engaging better with existing customers, reducing the cost of operations, and improving employee motivation, among others, which have a positive impact on revenue and margin.

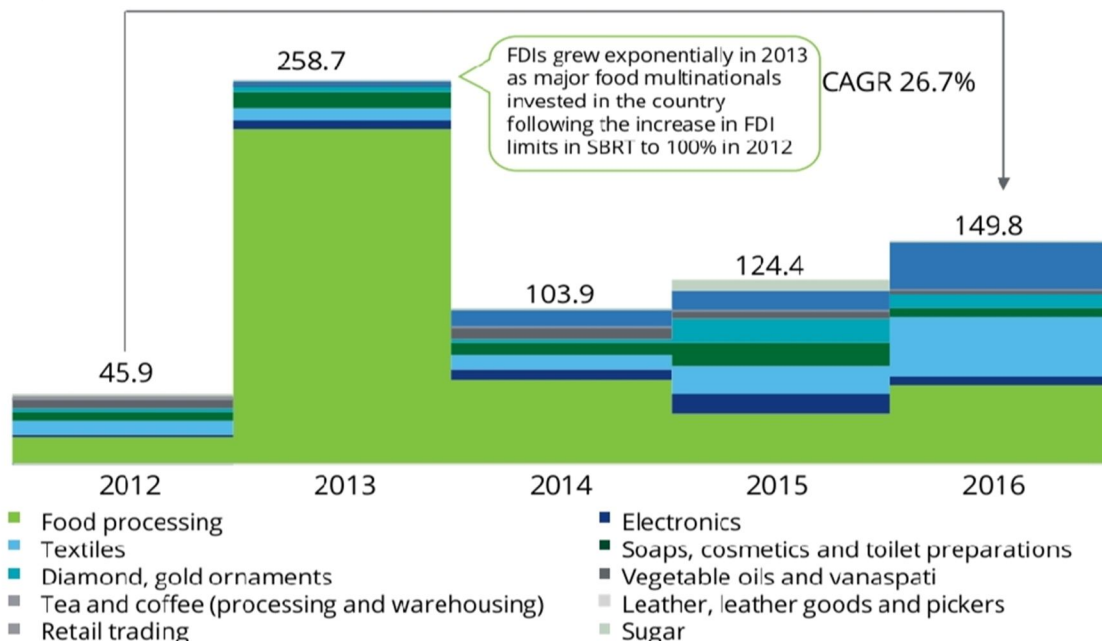
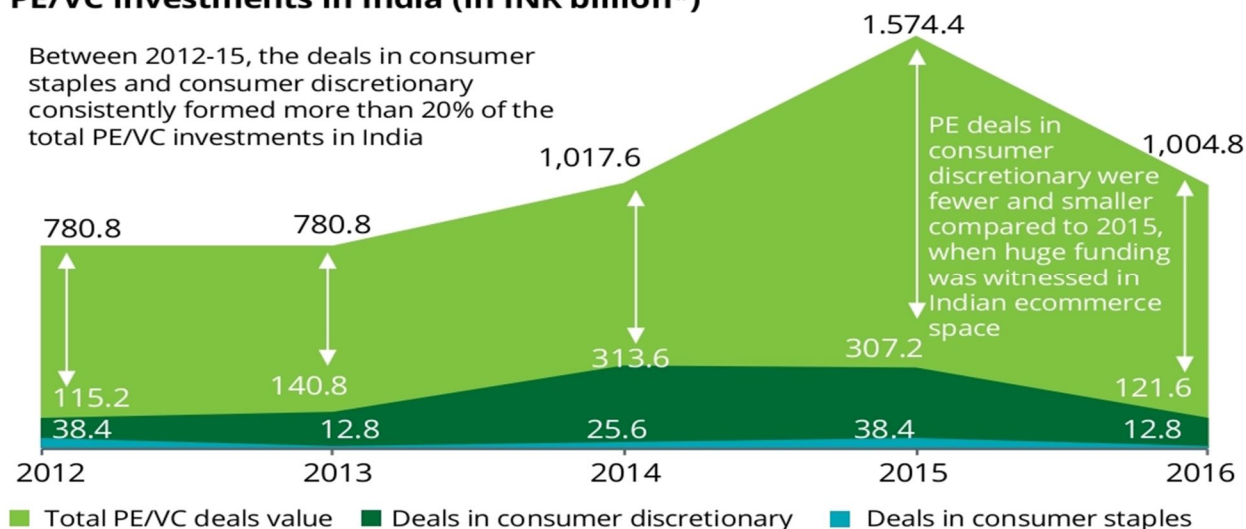


Fig.5 Annual FDI in India (Consumer industry) Figures in INR billion
[Source: Department of Industrial Policy & Promotion (DIPP)]

PE/VC investments in India (in INR billion*)

Between 2012-15, the deals in consumer staples and consumer discretionary consistently formed more than 20% of the total PE/VC investments in India



*Constant currency conversion rate of 1 USD = INR 64 taken

Fig.6 PE/VC Investments in India (in INR Billion*)
(Source: Company database and analysis)

The three main aspects of the retail business & operating model that this research focuses on are:

- 1) *Strategy*: Encompasses elements such as segmentation, positioning, operational formats and business models (location, product range, size, pricing)
- 2) *Front End*: Customer facing operations such as store front, merchandising & promotion, customer experience including loyalty, marketing and communications, pricing and POS solutions.
- 3) *The Back End*: Supply chain, logistics & warehousing, digital procurement & vendor management, assortment mix & planning, people, finance automation.

VI. HINDRANCES FACED BY THE RETAILERS

Digital transformation in retail is the idea that modern technologies can drastically change the way. Digitalisation affects every level of business and brings out the concept of modern enterprise. However there are some challenges faced by retailers in digitalisation process they are as follows:

A. Limited Budget

Finance and budget are the lifeblood of any business. Without finance and budget, no organisation can function properly.

B. Lack of Trained Work force

The digitalisation process must be implemented by the trained workforce. If the workforce is not properly trained, it will lead to poor job performance.

C. Low Skill Level of Retailing Management

Retail management is no longer an hour-long task. In today's world, inventory management is a highly individualised skill that requires a presence and needs to be improved.

D. Intrinsic Complexity of Retailing

Retailing itself is complicated because it needs to evolve with technology and progress, which makes it difficult to integrate retailing in an organized manner.

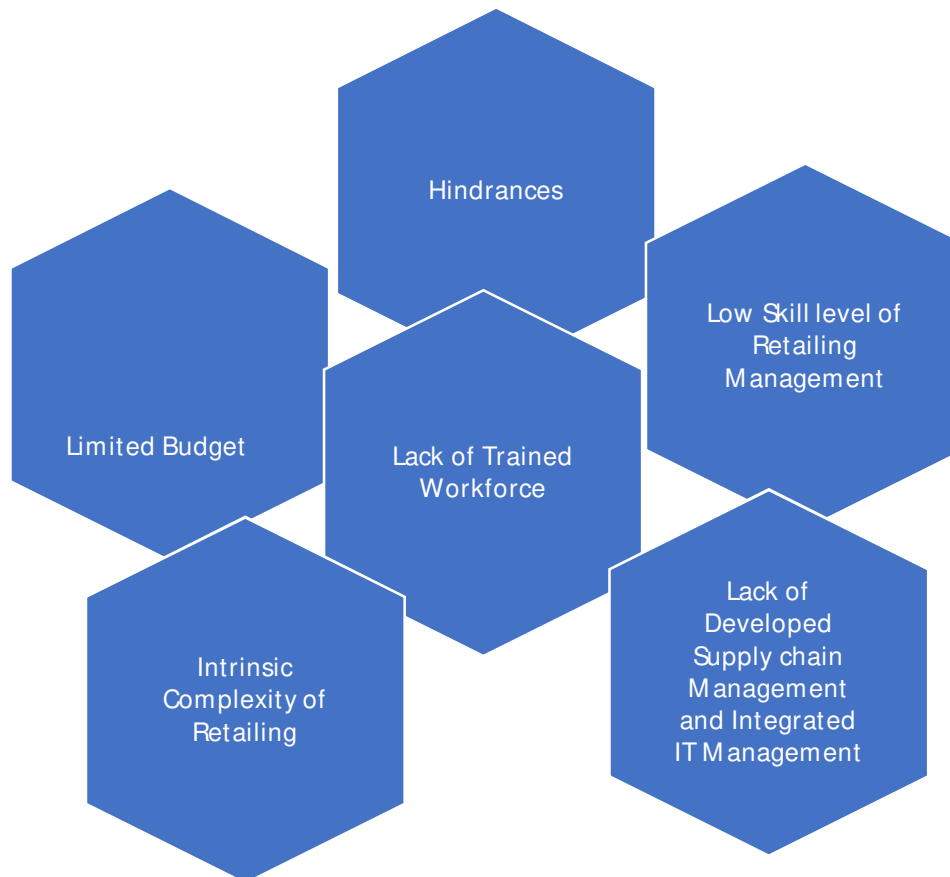


Fig.7 Hindrances faced by the Retailers.

E. Lack of Developed Supply chain Management and Integrated IT Management

The supply chain and distribution system, as well as IT management, is another challenge in the digitalisation process in retailing. The installation of advanced IT management provides convenience to both customers and retailers.

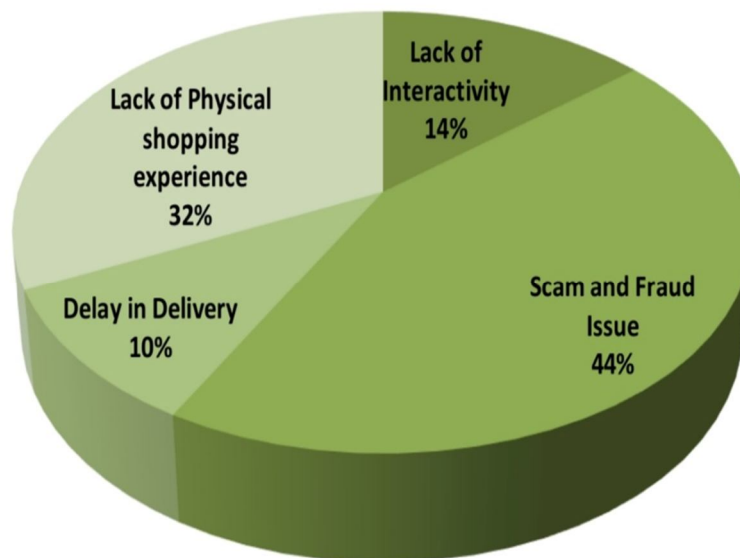


Fig.8 Showing Biggest Drawback of Digitalisation on Retail Sector

Fig.8 shows that when asked about the biggest drawbacks of digitalisation on the retail sector, 110 (44%) respondents said that fraud and scams could be a problem, 80 (32%) respondents said that lack of a physical shopping experience was the biggest drawback, 35 (14%) respondents said that there was a lack of interactivity, and 25 (10%) respondents said that delay in delivery was the biggest drawback. Therefore, it can be concluded that retailers need to prioritize cyber security, privacy and consumer safety and to prevent fraud.

VII. RESEARCH METHODOLOGY

A research methodology is a systematic approach to solve a research problem. It describes the steps that the researcher typically takes to find the rationale behind the research. It also describes the design, the sample tools, the process of data collection, and the statistical technique used to analyze the data.

This research article uses descriptive research methodology because it describes the data characteristics and phenomenon of the population that will be used. Data from the sampling method was collected with the respondents, and an online survey was conducted between the customers who are avid shoppers. Pan India was the focus of the study.. The analysis and interpretation of the data was done using pie charts bar graph.

VIII. CONCLUSION

Nowadays, with the help of the internet and smartphones, users are constantly connected to the internet, even in real life. Whether they are making a purchase or ordering food online, they use online facilities to meet their needs. In the last decade, retail consumers have gone through a tremendous amount of changes.

The retail digital transformation market has revolutionized the consumer journey. After digitization, the payment mode of customers has changed from cash to online transactions. Demand for online shopping has grown especially after the Covid-19 pandemic. Nowadays, customers can save their travel time and avoid the hassle of going to the store to get the essentials within a few minutes. Retail industries are constantly working on updating their online facilities, i.e. payment mode, and online shopping facilities to keep up with the fierce competition in the market and to meet the best needs of their customers. A well-thought-out digital transformation strategy is essential for any retailer. The digitalization journey can be a long one, but selecting the right digital path can propel the industry to new heights.



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