



The new retail reality

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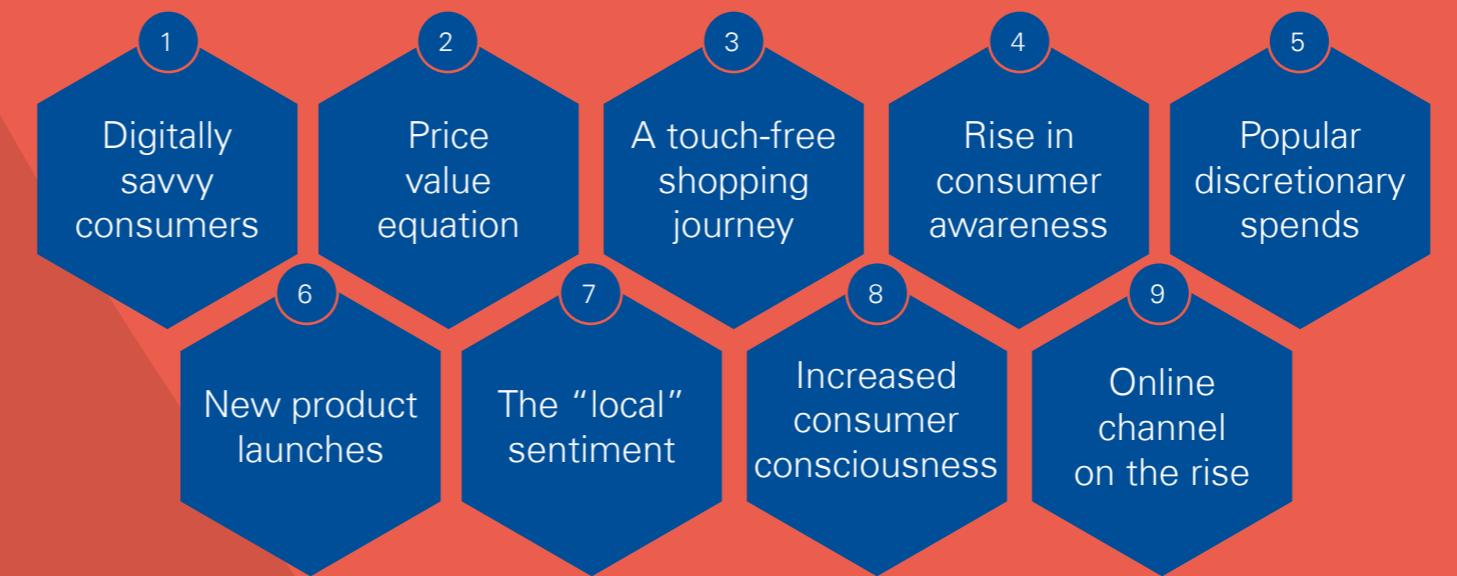
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The new retail reality

With the ongoing pandemic, Indian retail is undergoing a huge makeover. Retail continues to be one of India's largest industries that makes up for about 10 per cent of the GDP and around 8 per cent of employment.¹ Shopping habits have been largely affected during the pandemic, with safety now taking over as a new criterion over price range, variety and convenience. In India, hypermarkets are witnessing lower footfalls, and most sectors including apparel, accessories and durables have faced a lack of demand. Essential category players are also facing challenges, albeit of a different kind – managing huge spikes in demand, ensuring liquidity, modifying and managing store operations to maintain safety standards, managing employee health and grappling with a shortage of staff.

Changing consumer behaviour and impact on retail



1. Article in Economic Times titled 'Retail industry expects growth in second half of 2020; December 2019



As seen above, changes in consumer preferences involve the following dimensions:

1. **Digitally savvy consumers:** The new consumer is digitally savvy and embraces interactions with organisations through digital channels with ease. Recent KPMG in India's report titled 'Time to open my wallet' released in July 2020 reveals a comparative of pre and post COVID-19 scenario highlighting preference to online channels has increased 1.6X growth.
2. **Price value equation** is being assessed by consumers, where quality is still on top of the decision-making chart as compared to other factors. There is also a preference for brands that ensured availability and right products to consumers during COVID-19 which might have helped increase consumer stickiness towards these brands.
3. **A touch-free shopping journey:** We expect to see digital payments reinvigorated with contactless payments on the rise due to the pandemic. UPI and wallet modes put together
- are 1.3X more than card payments.² Community purchase via apps/websites/google forms are gaining popularity. A touch-free shopping journey is what consumers expect now. With the ongoing hygiene requirements, the demand of cushioned and safe packaging is on the rise. Brands that have 'loose' products have to invest in better packaging as consumers expect safety, quality coupled with value purchase.
4. **Rise in consumer awareness:** Consumers are taking informed buying decisions with transparency in prices given by retailers as well as the change in perception on necessities and spends. Through various discussion forums and reviews from peers, consumers spend a decent amount of time before they invest in a brand by establishing certainty. A better look at product categories and price points in order to reduce the buying cycle can prove to be an efficient solution.

2. KPMG in India's consumer sentiment Survey titled 'Time to open my wallet or not?; July 2020

5. Popular discretionary spends: While essential items have been popular, categories such as apparels, furniture and electronics have been gaining traction along with skin care and fashion accessories³. This depicts that retailers may be able to serve customers in certain areas compared to others.

6. New product launches: An increased awareness about products with health, hygiene and traceability and change in preferences for Stock Keeping Unit (SKU) sizes across products lines has been observed. There have been new product launches with a health and hygiene proposition. Consequently, there also has been an increase in demand for products that cater to customer needs in a Work From Home (WFH) environment. Some of the leading local food brands of India have launched and endorsed products that would improve immunity in response to the market trends.

7. The local sentiment: Moving forward, local products could be on the rise bringing recognition to local retailers as well as local brands. The sentiment of preferring and

supporting local products has been quite vocal. This can benefit small and medium sized enterprises further by content-based smart branding and marketing.

8. Increased consumer consciousness:

Consumers today want to shop more consciously, thus making sustainability an important factor for retailers to consider. Lately, prioritising health and health products purchases are also on the rise. Companies could consider making alterations in their product portfolios to include health and immunity based products.

9. Online channel on the rise: This compulsion to adopt technology has made people more digitally adept. Aside from e-commerce, many other digital channels are gaining prominence. COVID-19 impact may enlarge consumer demand in online channels. This may irreversibly change customer behaviour, as once people get into the habit of shopping online it is hard to revert. Retailers have to be on the forefront, prepare for the change and get ready for an omni-channel orchestration.

10. Leap of the 'Neighbourhood Store':

Neighbourhood retailers are stepping up their game by augmenting their digital capabilities to optimise every prospective opportunity to their benefit. They always had the trust factor going for them and are now also adding convenience to their arsenal. They are also becoming more predictable, creating better relationships and are ensuring product guarantees. They are now creating their own web stores and taking orders by marketing their products through various digital channels such as Facebook and WhatsApp. They are embracing conversational commerce by chatting with prospective customers before making a sale. Moreover, they are even focusing on hyper-local deliveries that are feasible and exempted from special permits to fulfill the demands of their customers and are adapting their supply chains and logistics models accordingly. Clearly, social-commerce platforms are emerging as facilitators in their transition from analogue to digital.

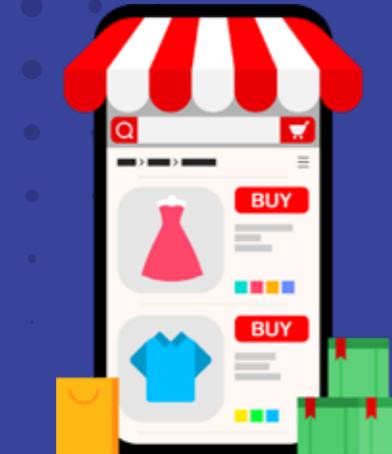
3. KPMG in India's consumer sentiment Survey titled 'Time to open my wallet or not?; July 2020

Reshaping the retail paradigm: the moment of truth for the “omnichannel”

Physical store



Online channels



Before

Experimental cornerstone:

- Take adequate time while shopping
- Enjoy multiple touchpoints with the brand
- Look for diversion and get away from indoor activities

Now

Mandatory steps:

- Get products which, for multiple reasons cannot be brought online
- Spend as less time as possible to avoid direct contact with people

Before

Time and effort reducer:

- Shop in a fast and immediate way
- Gathering the most information in the littlest time
- Look for best prices

Now

Unique channel for diversion:

- Online channel is meant to (almost) become independent from physical one (encompassing the entire commercial funnel)
- Due to COVID-19 limitations, online channels are the brand touchpoints where consumers can spend most of their time

The new retail playbook in the post COVID-19 scenario

Retailers must buckle up and focus on regaining trust and confidence in the consumers' minds, while also ensuring the sustainability and continuity of their businesses. Here is an outline of some aspects which retailers could consider –

- **Going hyperlocal:** An increasing impetus on localisation is the new standard. With safety concerns and uncertainty, ensuring a stock matching the region's demand in a localised site could be the most secure way to distribute merchandise. Contactless delivery, increasingly personalised online marketplaces, and rapid delivery offers customers the comfort of sitting out of their homes and realising their expectations. With respect to order fulfillment, tie-ups between distributors and delivery partners are expected to continue to rise to cater to the increasing number of orders. A famous brand that delivers farm-based products based in China

had become popular due to collaboration with local farmers. It had been taking up orders online which helps local farmers in their business which previously used to be conducted in wet markets.⁴ Companies could consider holding stock of more locally demanded goods rather than an elaborate range. Retailers must be in constant touch with their customers in this crisis period and assure them about the safety in coming back to stores.

- **New age Phygital:** Apart from enhancing presence on e-commerce platforms, there is also scope for retailers to leverage strategies like in-store operations including virtual reality enabled trial room experiences, live displays of stock available, click and collect, etc. One of the new practices in retail is around 'shopping by appointment'. It has been adapted across several developed markets and across sectors like cars and computers. The driving forces for 70 per



4. KPMG in Asia Pacific's restructuring services Survey titled 'Retail and consumer brands: Asia Pacific; August 2020'

cent of consumers buying post pandemic are economic uncertainty and fear of COVID-19⁵. Retailers must work to demonstrate safety measures such as deep cleaning, sanitisation and fumigation procedures in stores, changed store layouts for safer operations, and appropriate testing procedures and regular health checks for staff. Stores should also focus on becoming more spacious and including less touch-and-feel points. A herbal formulations company has increased its sales by conducting business online. This was achieved through online engagements, partnerships and revamping their physical stores in accordance to its online consumer experience.⁶ Safety and hygiene being a non-negotiable requirement, under online buying mode 84 per cent of consumers prefer click and delivery over pickup at store, whereas under physical buying modes 67 per cent of consumers prefer standalone stores over malls⁷. To provide a seamless customer journey, it is important for

retailers to be available across physical and digital touchpoints offering the right choices to consumers – for e.g.: click and collect, deliver via drive-in to the mall, etc.

- **Using digital technologies to the maximum:**

The pandemic has come as a wake-up call to embrace advanced technologies and CEOs are keen to digitise sales and customer experiences in both the B2B and B2C context. Contact-less payments, tech-enabled customer service, virtual consultations, curbside pickups, etc. are some of the other best practices that are being adopted in the retail space. If stores are forced to close, offline retailers must rapidly leverage their digital capabilities and ride the sign of the times to survive.

- **Supply chain resilience:** Retailers may need to modify their supply chains and develop capacities to plan inventories and logistics to meet the fluctuations in demand. The situation calls for extra safety precautions in the manufacturing lines, procurement and production operations as well. Along with that, retailers are increasingly shifting towards reshoring their supply chains in order to build resilience. Lastly, SKU's could have to revamp their functionality with sanitisation and safety being top priority. Packaging could have to be more secure and quarantining of goods is expected to be a staple for months to come to ensure safety. A leading food brand in India had made their supply chain resilient with incentives for packaging as well as staff incentives to deal with the lockdown situation.



5. KPMG in India's consumer sentiment Survey titled 'Time to open my wallet or not?'; July 2020

6. KPMG in Asia Pacific's restructuring services Survey titled 'Retail and consumer brands: Asia Pacific'; August 2020

7. KPMG in India's consumer sentiment Survey titled 'Time to open my wallet or not?'; July 2020

- **Revised media and advertising:** Despite a highly probable cut in the marketing budgets of several companies, traditional media practices could also be nullified, and companies jump into different feasible forms of media to attract masses. Social media apps could be used to receive and/chat with users. A live guided tour was conducted for a fortress which is also a famous tourist destination. The guided tour garnered a huge number of virtual visitors that was equivalent to its annual visitation numbers.⁸ In India, a popular brand had initiated a challenge across social media platforms to increase awareness about washing hands. Further, AI could begin to come to the forefront to streamline, organize, and provide some calm in the storm.

- **Staying close to customers:** Shoring up customer relationship and maintaining brand loyalty becomes extremely imperative in such a situation. For example, a leading e-commerce website that focuses on cosmetics and skin care has been extremely diligent and has been in touch with their customers with several strategies. They have been launching online webinars with experts from the industry for their customers and are also resolving queries and posting videos at regular intervals for constant customer communication. A sports athlerisure and apparel brand has utilized its relationship with its brand ambassadors to initiate a series of online yoga classes⁹. In order to deal with inventory and increase customer engagement; events have been held in China through cross-

industry collaborations¹⁰. Tier-2 and 3 consumers in India are more liberal in their spending habits as compared to Tier1, hence these could be the next focus area for retailers to expand their presence.¹¹ Opportunities based on collaborations for an effective response can go a long way as well as looking into pain points to sort out inventory issues.¹²



8. KPMG in Asia Pacific's restructuring services Survey titled 'Retail and consumer brands: Asia Pacific'; August 2020

9. KPMG in Asia Pacific's restructuring services Survey titled 'Retail and consumer brands: Asia Pacific'; August 2020

10. KPMG in Asia Pacific's restructuring services Survey titled 'Retail and consumer brands: Asia Pacific'; August 2020

11. KPMG in India's consumer sentiment Survey titled 'Time to open my wallet or not?'; July 2020

12. KPMG in Asia Pacific's restructuring services Survey titled 'Retail and consumer brands: Asia Pacific'; August 2020



Future outlook

- Going forward, we believe that entertainment, physical shopping, dining out etc. could see a surge in demand with gradual opening up of physical marketplaces—especially given the onset of the festival season.
- People would be drawn more towards physical stores as they would have been missing the touch of reality for so long. So, experience would become an integral part of shopping.
- We also expect consumers to continue buying via e-commerce than physical stores. Retailers

then should be in the position to adapt and make strategic collaborations in order to leverage mutually beneficial situations. Focus should shift on converting existing businesses to delivery-oriented ones, with utmost care for safety precautions. Tying up with delivery and logistics service providers in order to provide direct-to-home services for customers are already on the rise and could further gain more traction.

Past versus the Future

While several are optimistic about the future returning to a state of normalcy, it is quite evident that consumer mindsets have changed drastically. It is safe to say that pre-COVID-19 behaviour might not be the best way to survive post COVID-19.

A chunk of organisations have been proactively responding to the current changes even though the future picture seems hazy. Presently, the optimal solution is avid preparation and responsiveness for the near future and the post-COVID-19 world.

What is in store for the new reality?

With all the changes occurring around us, the good strategy for retailers and consumer companies in response to the situation would be to improvise or reinvent their business model to accommodate these changes.

Digitalisation during this period has seen a new dimension and companies must align their priorities and constantly connect with their consumers to establish loyalty and trust.

We believe in a customer-centric approach based on marketplace assessment, understanding various perspectives, competitive analysis as well as future positioning. This approach could aid retailers and consumer companies in establishing their initiation points followed by possible projections.

The ultimate goal is proactive preparation for various possible future situations with respect to market trends and timings.

Retailers and consumer companies have to be ever ready to update and run their business models in response to the new reality. With the combination of market opportunities and effective response, the organisation could establish and improve their place in the market.

Overall, retailers across the world, especially the brick and mortar ones will have to borrow best practices from each other and get back up on their feet. And, though no one knows for certain what concrete impact this crisis will have on business the world over, one thing is for certain – innovation and adaptation is key. No matter what unseen catastrophe retailers are going through, the businesses and business owners need to be flexible and agile enough to incorporate changes in their behaviour, operations and management, in order to evolve for the better.



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