



# Achieving seamless commerce in India

How retailers in India can transform their seamless strategies



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# Foreword

All signs suggest we are gradually witnessing the evolution of 'retail' into 'consumer commerce' where, increasingly, consumer expectations dictate the new retail model, demand shapes the value chain, and consumer-facing retailers offer products and services without first having proven themselves as a store-based retailer. The future will belong to the best seamless experience of digital and physical that retailers can offer – even as online retailers keep developing their physical stores.

At KPMG in India, we believe the industry is now facing a massive wave of digital disruption. As we come together to experience the next omni-channel business model in India, we do expect retailers to plug and play a few learnings from global retail economies.

What do we mean by seamless commerce? Simply put, it is the need for retailers to take an end-to-end view of their operation so they can deepen their understanding of customer demands, especially in terms of what, when, where, how and why they buy. For seamless commerce to flourish, it is imperative for retailers to invest and monitor digital interventions. Right and relevant investments could help in bringing newer ways of connecting, improving customer engagements with brands, and at the same time brands are also getting to know more about their customer's interests and preferences. We believe that adaptation and acceptance are critical, especially, for traditional retailers who haven't yet realised that the journey is here to stay and further improve. The ones who now have accepted this new normal are busy running the catchup story and the soonicorns are the ones defining the trends. Given the maturity of online platforms and digital payments in India, retailers need to integrate their businesses and rethink how they operate their business, align and empower their workforce, derive insight from data, deploy technology and measure their performance.

Personalisation and direct-to-consumer business models have increased the potential to collect customer data via multiple touch points. In the long-term, we could expect retailers to use data-driven insights to seize performance improvement opportunities and beat rising costs and also identify new markets, products, or services.

To fully explore the opportunities and challenges, this point of view (PoV) includes a maturity index, which assesses the breadth and depth of connectivity across front, middle and back offices in India. We have compared these further with seven other countries (a study undertaken by KPMG International). These ratings are not definitive – such developments are intrinsically hard to qualify – but are based on interviews with senior executives in brick and mortar, omnichannel and pure play retailers across all these markets, supplemented by internal KPMG analysis.

Seamless commerce can only be truly successful in the context of a connected enterprise where companies are fully aware of how and why they want to transform and what exactly they need to do to achieve that. We hope that you enjoy this point of view and find it truly useful and insightful.



**Puneet Mansukhani**  
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# 01 The Connected Enterprise Retail Maturity Index





In late 2023 and early 2024, KPMG professionals interviewed 25 senior executives from leading retailers – omnichannel, physical and pure-play online – in eight major markets: Australia, Brazil, Canada, China, India, Germany, UK and US. These discussions analysed the level of connectivity across the front, middle and back office to develop a qualitative, seamless commerce ‘maturity’ score. These views were then aggregated and supplemented with KPMG’s analysis by market to create a country-by-country ranking. KPMG’s Connected Enterprise capabilities were used as the basis of this assessment, analysing the maturity of each market on a scale of 1-5 where 1 equals low maturity and 5 equals high maturity.

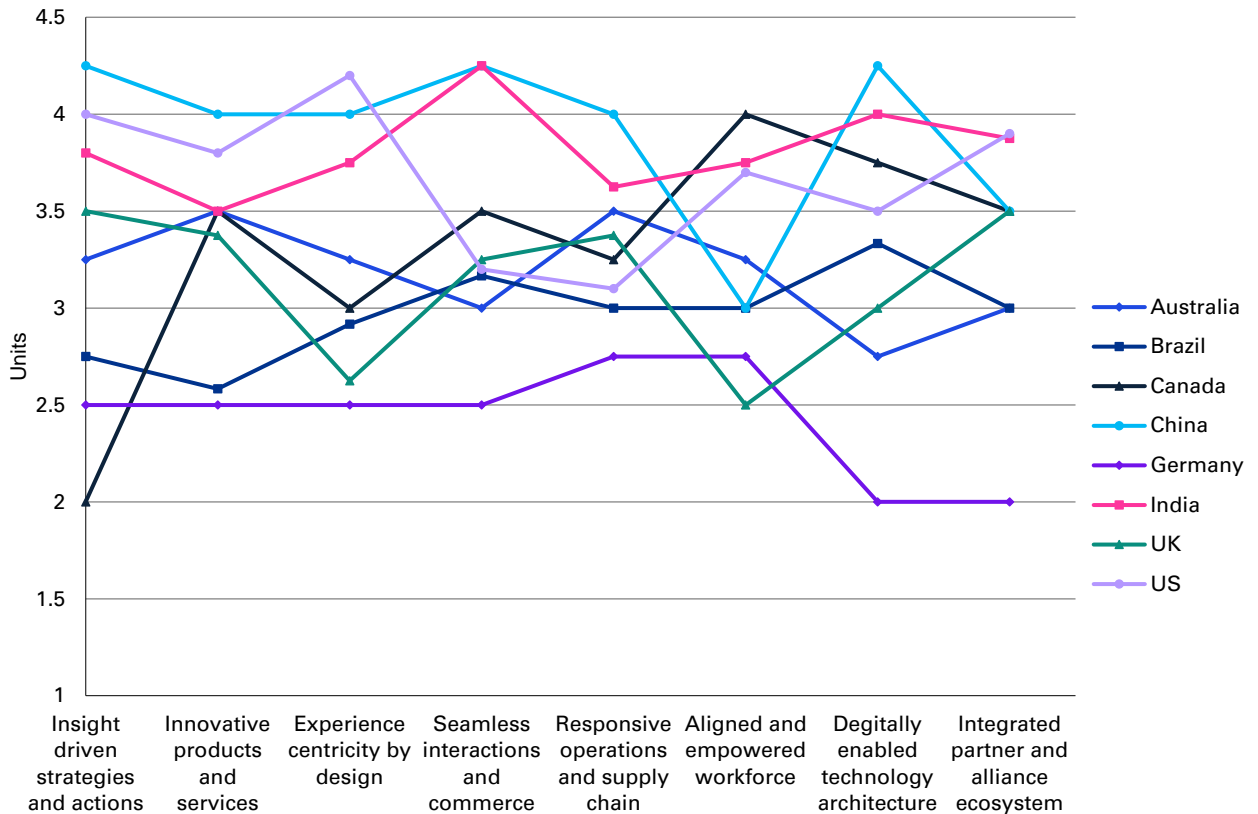
Our interview data clearly shows that different countries are at different stages on this journey and their progress has been influenced by different factors. China, which tops the ranking, has a large, vibrant tech sector and didn’t develop a traditional ‘legacy’ retail until the economy opened up in the 1990s. In Australia and Canada, sheer physical geography has restricted the

development of seamless commerce outside the largest cities as it has, to a lesser extent, in rural India. The biggest barrier to online shopping in Germany is the ubiquity of physical stores whereas in the UK and US, retailers are wrestling with the problem of profitably serving customers across all channels.

The capability of experience centricity by design, in which organisations tailor the purchasing experience to specific customer groups (by, for example, developing consumer personas), scores relatively highly in our interviews– 3.28 – reflecting recent investment by physical, digital and hybrid retailers across sectors and countries. The goal is ultimately to know each customer as an individual. We are not there yet but the trend towards offering personalised, connected experience will continue, if not accelerate. China and India’s strength in seamless commerce and interactions has been helped by massive public and private investment, the relative immaturity of brick and mortar retail in their countries and growing customer expectations but it is also obvious that other markets aim to catch up fast.



## The Connected Enterprise Retail Maturity Index\*



### Front Office

### Middle Office

### Back Office



\*Scores represent average seamless commerce maturity on a scale of 1-5, where 1 = low maturity and 5 = high maturity. Survey conducted by KPMG via interviews with 25 senior executives across Australia, Brazil, Canada, China, India, Germany, UK and the US. November & December, 2023





The rankings reflect the degree to which online commerce has taken off in the eight countries surveyed, with China in the lead, followed by India, then the UK and the US. Analysing retailers' efforts to deliver seamless commerce more closely, several common challenges emerge:

## Lower profitability of direct deliveries

Seamless commerce comes with its own costs, especially in terms of picking and logistics, leading to lower margins than on products sold in store. Some consumers, unwilling to pay a premium for faster deliveries and returns, have reverted to in-store shopping. One possible remedy *would* be to use the kind of cross-selling and upselling tactics deployed in brick and mortar stores to drive up average order value.



## Maintaining the service promise

Customers who don't receive the goods they ordered (especially relevant for groceries), or experience late deliveries, are likely to vote with their feet, buying elsewhere and/or returning to physical retail. A 2023 survey by cloud-based e-commerce supplier ShipStation found that 81 percent of Australian shoppers were unlikely to buy from a retailer after a bad delivery experience<sup>1</sup>. Such problems are often caused by a lack of scale at the retailer, inexperienced pickers at third-party hubs, and unreliable logistics partners.

## Utilising retail space

As more purchases move online, retailers are left with the problem of managing expensive, often redundant real estate. How they rise to this challenge is likely to have a big impact on how successful they are in delivering seamless commerce. Many retailers are cutting back on space, some are repurposing stores, either wholly or partly, as delivery hubs and showrooms, while others are rethinking the in-store experience to drive up basket size and value. The sector is also facing external pressure to act, from local authorities, landlords, developers and town center managers.



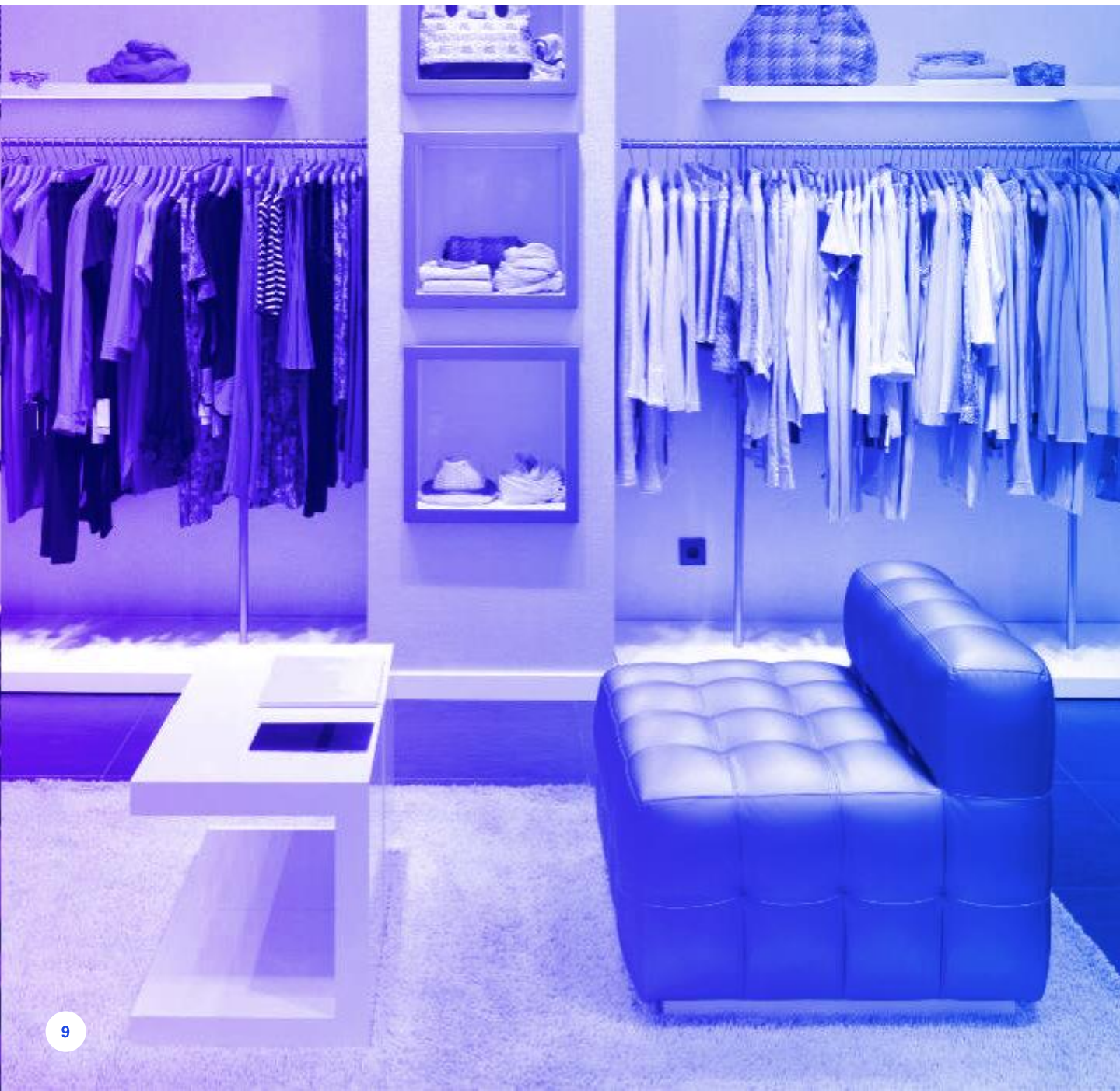
## Consistency of pricing

Maintaining the same price for products, regardless of the channel in which they were bought, may prove untenable. Variable cross-channel pricing could alienate consumers – and make them less loyal to the brand – and prompt regulators to push back on such practices. That said, if retailers get their pricing strategies right, it could significantly increase the lifetime value of their customers.

1. Impact of Delivery Experiences on Consumer Attitudes, Aldo Jimenez Ramirez, ShipStation, 2023



## 02 Seamless commerce in India





## Key market drivers

Retail growth has been restrained by rising input costs, weaker rural demand and high inflation (due to geopolitical tensions). Spending in urban areas is still growing more rapidly as e-commerce platforms appeal to affluent consumers buying new, premium products, and less-affluent shoppers seeking bargains. Although the pandemic slowed discretionary spending, luxury brands showed remarkable resilience, their strengthened online presence attracting aspirational Millennials and Gen Z.

The Indian government is trying to encourage e-commerce for the estimated 14 million 'kirana' (local neighborhood, or 'mom and pop' stores), as well as online start-ups, launching an open network for digital commerce (ONDC), intending to offer transparent, real-time pricing.<sup>2</sup> Many purely digital brands are flourishing, reaching consumers through social media and storing products in large warehouses. Point-of-sale business models such as 'buy now pay later' are giving consumers new lending options and driving spending. But e-commerce players find last-mile deliveries costly for small-ticket items.

## Evolving digitisation

Having had a relatively underdeveloped physical retail infrastructure, India has leapfrogged towards e-commerce to become one of the world's leading digital markets. As local 'kirana' have always delivered orders, the country already has a seamless commerce model. The challenge is to encourage these stores to reduce cash and embrace digital payments and e-invoicing; hence the government's digital commerce network. The number of online shoppers is predicted to more than double to 350m by the 2026 financial year.<sup>3</sup>

Retailers of all types are collecting huge amounts of customer data via multiple touch points, enabling targeted, personalised offerings – and informing new product development – but there remains much scope for improvement. Seamlessly combining digital and physical touchpoints is the target for brick and mortar stores as they shift from selling products to creating fulfilling customer experiences.

## Role of physical stores

Despite the e-commerce boom, physical stores

remain popular, with India's burgeoning middle class spurring the building of new malls and other projects. However, a lack of new real estate and rising rental rates have impacted the profitability of large supermarkets and gourmet food stores.

Retailers are working with distributors and delivery partners to manage the growing volume of online orders, stocking stores with products in demand locally, and offering click and collect services. While enhancing e-commerce platforms, retailers are also making low-to-moderate investments in backend systems and physical stores. To offer a wider variety of stock and reduce waiting times, some retailers are introducing technologies like virtual reality so customers can order items not available in store. Some use 3D gaming platforms to access virtual multi-destination stores.

To accelerate digitisation, 'kiranans' are partnering with large retailers to leverage their superior digital infrastructure and payment facilities, offer more products, and widen their reach. In return, online and offline retailers are aggregating orders in specific locations and using 'kiranans' for local deliveries. 'Dark' stores based in low-price real estate units are helping to make last-mile delivery faster and less costly.

## Towards seamless commerce

As they enter the age of seamless commerce, Indian retailers are focusing on local tastes, ensuring that consumers in smaller towns can buy the products they want. This may involve partnering with more regional supply chain players who have a relationship with local consumers. Retailers are also trying to shift customers from low-price to value and convenience, offering a superior experience at a premium price, including sustainable, eco-friendly products and packaging, while training staff to boost footfall. Multi-channel communication strategies – meeting customers where they are – are now the norm.

Given the importance of the last mile, more brick and mortar stores are likely to act as e-commerce warehouses. Building a separate infrastructure for online sales may not be financially viable, especially in groceries. Having promised fast, free delivery, regardless of order value, online and offline retailers are struggling to profit on orders and may need to adopt delivery fees and minimum basket sizes.

2. <https://newsonair.gov.in/News?title=Govt-to-launch-indigenously-developed-e-commerce-network-in-100-Indian-cities-to-provide-millions-of-Kirana-stores%2c-consumers-an-alternative-to-multinational-platforms&id=440077>  
3. <https://www.ibef.org/industry/ecommerce>

# 03 A connected enterprise can deliver seamless commerce





Tomorrow's consumers expect retailers to meet them where they are – online (via their laptop or smartphone) in-store, on social media – and deliver the same experience regardless. To meet that demand, companies must develop seamless, connected capabilities across the entire organisation. It's especially important to minimise friction by delivering on the customer promise.

Some retailers are making innovative use of physical stores, turning them into delivery hubs, transforming them into multi-media experiential centres (which require less stock) where shoppers can explore virtual product lines and order in-store for swift delivery.

In this new marketplace, single channel players face considerable risks. Pure-play online retailers lack the personal touch and may struggle to locate reliable delivery facilities. Pure brick-and-mortar stores are cut off from many potential shoppers and offer fewer opportunities to existing customers. They are also missing out on the opportunity to use their store footprint for 'click and collect' and as a delivery hub.

Arguably, the biggest challenge is to build profitable scale across multiple channels, to reverse the downward pressure on margins caused by expensive promises of free, fast delivery and returns at customers' doors. For those unable to achieve such economies of scale, partnerships may be a viable alternative, especially for last-mile logistics.

### Leadership lessons

"New age channels continue to grow exponentially in Indian retail. In the current landscape, price architecture coupled with demographic studies and ability to predict fashion trends is key. It is imperative for retailers to therefore enhance the purchase journey, reduce/minimise friction points and ensure a seamless order execution. Going forward, unlocking customer data will be a key lever to tap the omnichannel way of retail."

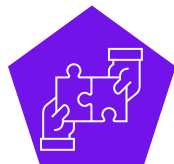


**Shailina Parti**  
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Trent Limited (Westside) – A Tata Enterprise.





The most successful organisations invest in eight capabilities which span all areas of the customer experience. Organisations which adopt this transformational framework, using KPMG's proprietary methodology, are twice as likely to meet customer expectations, achieve objectives and deliver return on investment. To find out more go here.



## Insight-driven strategies and actions

Fostering an analytics-driven culture that leverages an integrated customer and product portfolio to deliver optimal experiences across all touchpoints while addressing customer data concerns will be essential. Indian retailers are collecting huge amounts of customer data via multiple touch points, enabling targeted, personalised offerings – and informing new product development.



## Innovative products and services

Retailers will need to deliver relevant, valuable and differentiated products targeted at the most profitable customer segments, while meeting demand and balancing cost to serve. In Canada, retailers are exploring ways to drive loyalty, including booking appointments to give customers extra time and attention. AI will facilitate the development of many other innovative products and services.



## Experience-centricity by design

Designing and delivering seamless customer experiences that adapt to evolving expectations across physical and digital touchpoints, driving engagement, satisfaction and loyalty is absolutely crucial. Chinese retailers' online platforms use recommendation algorithms, personalised marketing and social media to deliver unique, customised products and experiences.



## Seamless interactions and commerce

Executing transactions seamlessly across distribution, engagement, and servicing touchpoints, while delivering the intended customer experience and performance ambitions. Brazilian brick and mortar retailers are digitally transforming, investing in back-office systems, customer data platforms, front office transformation and AI.



## Responsive operations and supply chain

Giving customers the freedom to select products in the way that suits them, enabled through analytics-driven demand planning, inventory management and distribution. Retailers in Australia (and other markets) are investing in technologies that enable real-time inventory management, order fulfillment, and data analytics



## Aligned and empowered workforce

Retailers need to align management processes, capabilities and knowledge (including top-down executive vision), agile organisational structures and integrated performance management. Leading US retailers are organising teams and capabilities around customer experience and shifting metrics towards channel-agnostic customer lifetime value, customer acquisition cost, and costs to serve.



## Digitally enabled technology architecture

Leveraging technology to efficiently deliver cross-channel experiences provide employees with enabling tools and maintain information privacy and security should be top of mind for retailers. After focusing relentlessly on engineered processes and costs, British retailers are now investing to make their operating models and cost-to-operate more efficient.



## Integrated partner and alliance ecosystem

Retailers need to effectively leverage third parties to reach new markets and customers, increase speed to market, reduce costs and supplement capability gaps. For example, in many markets (notably Germany), smaller shops now serve as micro-fulfillment hubs, facilitating the fast delivery of meals and groceries.



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