

The three things that will make an impact on Retail, on the road to 2010

The much-vaunted global consultancy giant, McKinsey & Company recently came up with a report titled, 'The Bird of Gold: The Rise of India's Consumer Market.' Apart from throwing up a host of numbers on the consumer market in India, the report confirmed the emergence of a virtuous cycle between consumption and income growth. Increased consumption has meant higher manufacturing, more jobs and wealth creation. "While consumption grew slowly in the decade before the 1991 reforms, it has been an important engine of Indian growth over the past decade, accounting for over half of India's GDP growth during 1995-2005," stated the report and went on to add, 'One of the greatest dreams of all Indians has been an economy that could lift the country's millions out of destitution, and India's reforms have been very successful in making progress towards that goal.'

It is only obvious that in the years ahead India's economic growth will be dependent on how this virtuous cycle of domestic-consumption-led-growth is further strengthened. At the forefront of this private consumption-led growth are retailers who cater to the consumption needs of the consumer. Over the next couple of years retailers will play a more holistic role in building brands, shaping desires, creating aspirations and catalyzing further consumption. We are at an inflection point wherein the first phase of retailing is coming to a close. The Big Bazaar chain, much like other retail formats, will attract close to a hundred million customer footfalls this year and the opportunity lies in leveraging this to build newer businesses that will further boost consumption.

The three major trends in retailing that we envision may have little to do with the conventional form of retailing. However, in more ways than one each of these trends build upon the platform that modern retail chains provide and at the same time boosts consumption within these retail chains.

The Emergence of Retail Media

Be it in the United States, Europe or even China, retail media has emerged as one of the strongest media platforms for brand owners and advertisers. Retailers are increasingly using ambient media spaces available within stores to create aspirations and fuel consumption. Media vehicles like LCD screens, radio channels, point-of-sales option etcetera located within the stores allow brands to communicate with customers just before he or she is about to make a purchase decision. Unlike in television or newspaper advertisements, communication messages in retail medium reach out to customers when he or she is in a receptive frame of mind. More importantly, there is little wastage since one is communicating with customers who have already decided to purchase a particular product within the store and is just about to make a decision on the brand to choose.

We have found this medium as the best way to build our own set of private labels in apparel, food, home care

and consumer electronics. Being present within the store, communication through this medium helps in influencing desires and increasing consumption that is easily measurable at the billing counter. We are now setting up an extensive technology-based solution to develop a platform that brand owners can use to reach out to the 120 million customers who visit our stores.

Retailer Relationship with Suppliers and Manufacturers

Even though modern retail is at roughly 6 per cent of the total pie, the share of sales through modern retail for most large FMCG companies has hit double digits. Being present closer to consumers, retailers have the inherent advantage in building or supporting brands. Increasingly in many categories, retailers will have the option to directly tie-up with manufacturers and develop their own brands. In certain categories like snacks, staples, tea and diary products, we have been able to develop a strong portfolio of brands by directly tying up with small manufacturers.

At the same time, a large retail chain network allows brand owners to collaborate with retailers. Over the next couple of years, one will notice an increasing collaboration between retailers and consumer goods companies in sharing consumer data and insights, exclusive packaging and product formulations for specific retail chains and joint promotion and marketing of certain brands.

Financial Products Retailing

The third and most decisive development will be the availability of exclusive credit products provided by retailers for their customers.

Till now some consumer durables stores have been providing consumer credit by allowing agents of third-party financial institutions to offer loans within the store. It is a proven fact that easy availability of consumer credit boosts acts as a catalyst to higher sales. However, converging the expectation of customers, the requirement of the retailer and the interests of the financial institution has proved to be a tough challenge. As retailers, we are now in a far better position to understand and cater to the specific credit needs of our customers.

The convergence of these three catalysts – media, brands and consumer credit – within a retail store can bring about a paradigm shift in modern retailing. As new entrants get into retail, the agenda for the next phase of retailing has already been set – it is no longer about buying and selling, the challenge is to catalyze consumption that will lead to economic growth.



KISHORE BIYANI
GROUP CEO
FUTURE GROUP

The three major trends in retailing that we envision may have little to do with the conventional form of retailing.