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Modern retail must reboot to avoid bleak future: Investment in 3 Ps hold key to sales revival

By: FE Online

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The current COVID-19 pandemic has brought about drastic changes in our lifestyle, resulting in a significantly transformed consumers across the globe. The sector most impacted by this upheaval has been the retail sector.



• **By Pankaj Priya**

The current COVID 19 pandemic has brought about drastic changes in our lifestyle, resulting in a significantly transformed consumers across the globe. The sector most impacted by this upheaval has been the retail sector as retailing is a social activity which has been the key casualty in this pandemic. While the traditional retail comprising 94 % of the Indian retail landscape has benefitted to some extent modern retail has been hit badly in the current stage of COVID lifecycle. With uncertainty looming large on the future stages of COVID lifecycle, modern retail in India is staring at a bleak future, unless they do not reboot their business model.

The neighborhood retailers selling general merchandise have lapped on to the consumer's concern for social distancing by ensuring door deliveries and receiving payments through e-wallet platform. Modern retailers did follow similar strategy for general merchandise but neighbourhood retailers have an edge on shorter delivery time, quantity of item delivered, better availability of preferred brands at times and e-wallet based transactions as vast majority of India population find it easier to transact with e-wallets over online transactions.

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Though same cannot be said about small retailers in categories like apparels and consumer. Modern retailers are giving a tough fight in these categories as consumers seek more information/ clarification, hence longer purchase decision making process. These retailers are able to assure the same through promise of a safe shopping environment as well as personalized attention during the shopping trip. Yet, this may not be enough for the modern retailers to sustain for long. So what is the future of modern retail in India?

The low footfalls witnessed in malls across India even after two months of gradual unlocking and the bleak projection of the national as well as international economy is a clear signal for retailers to reboot their business model.

Increasing the footfalls would require new investments in the 3Ps of Service i.e. Process, People and Physical evidence (based on technology) to allay the personal and health concerns of their customers. The moot questions are: when the retailers are already suffering from negligible sales and surmounting bills of rentals (very high in India) how can the cash be generated for the above mentioned investments Considering the fact that supply chain across categories are disrupted, retailers should start pushing their private labels to meet the demands of their customers where the known or demanded brand is not available.

The short term goals would be to maximize the usage of online channels of distribution at this stage with dual objectives of increasing the volumes (and hence generating cash) and ward of the rekindled competition from unorganized retailers. But what about their chain of brick and mortar stores? Moreover, the e-commerce sites have not been able to meet the enhanced expectations of their customers in the last two months on account of late and (sometimes wrong) deliveries and timely refunds, so too much dependence on them would only result in lost sales for the retailers.

A two tier format could be considered for physical stores. Some of the large formats based out of malls should be retained as 'experience stores' for deeper evaluation of the merchandise and personalized selling with the aid of

After all, man is a social animal. With the consumers being constrained in their movement and socialize due to the lurking danger of infection of any kind, these 'experience stores' can step in to provide avenue for an outing in a 'safe environment'. Needless to say these 're-crafted' stores would require huge investment in technological and related infrastructure to ensure minimal contact, yet seamless operational activities. The stricter the safety norms, better would be the customer experience resulting in high footfalls and consequent increase in sales and brand reinforcement.

Yet, these stores alone will not generate enough volumes due to controlled footfalls and high rentals in malls. Therefore, the second tier would be their own new or rejuvenated shopping portal, rather than depending on e-market sites to leverage on the consumers increased inclination for online shopping. The e-commerce sites have not been able to meet the enhanced expectations of their customers in the last two months on account of late and (sometimes wrong) deliveries and timely refunds, so too much dependence on them would only result in lost sales for the retailers. This would ensure better push of their private labels and increased margins.

In order to ensure greater volumes for consumers still preferring traditional retail for small ticket items or behavioral inertia, the retailers would be well advised go for numerous small box format at high street corners. This would be the third tier of their strategy. The low rentals and volumes generated through a) orders (on phone) placed by neighbourhood customers, b) in store purchase of small ticket items by neighbourhood customers and c) door delivery of online orders placed on the retailers' portal from any customer in that catchment area.

Therefore, in a nut shell, retailers should focus on creating two formats in physical space i.e. few 'experience stores' for brand building and large number of 'small box stores' for generating volumes through neighbourhood sales supplemented by faster door delivery of all the online orders placed from that specific neighbourhood.

The online presence should be strengthened though retailer's own e-vertical with the delivery of the order received therein being fulfilled to the last mile by their 'small box' stores present at multiple locations across India.


- **Pankaj Priya is Area Head – Marketing & Retail & Professor of Marketing, Birla Institute of Management Technology (BIMTECH). Views expressed are the author's own.**



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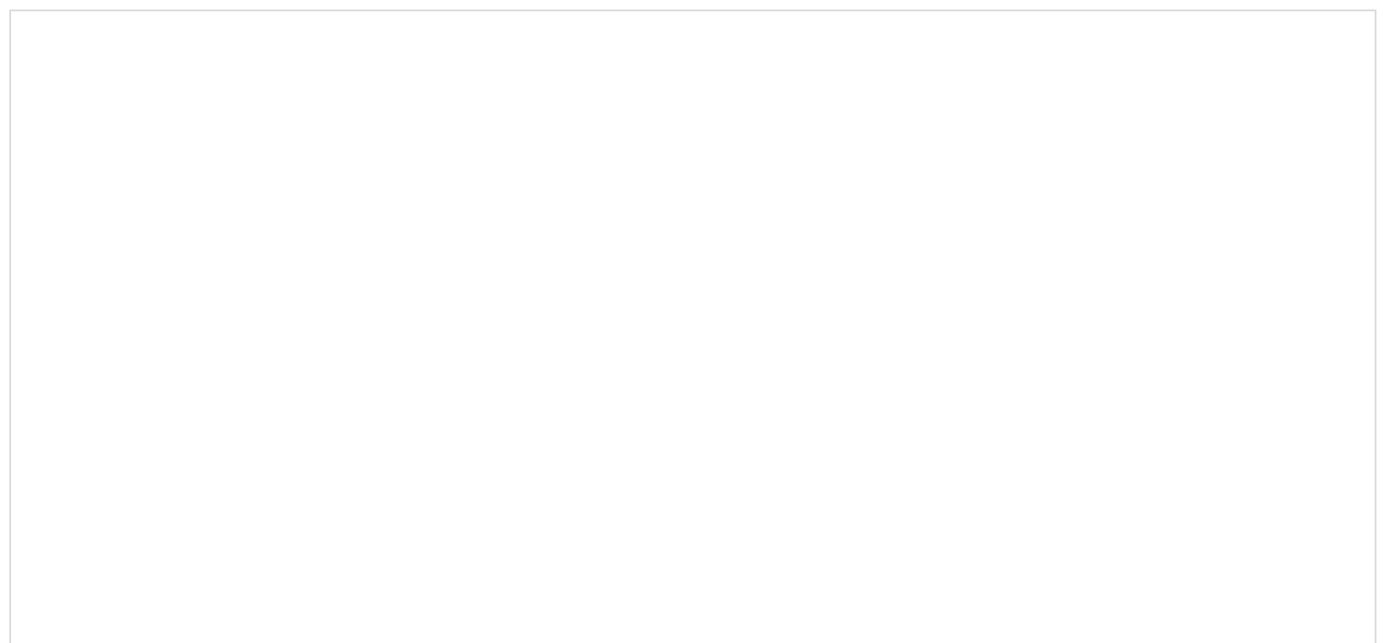
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