Retail Innovations: The New Necessity

Introduction

Change is the only static phenomenon in retail operations. The Indian retail landscape has continuously witnessed a series of changes to lure customers. However, one needs to understand the thin line of difference between "change" and "innovation". Merely changing the billing system or adding a few fancy SKUs on shelves does not qualify as innovation; today, customers expect much more from retailers. The relationship between the retailer and the consumer has reached a level of necessity. In a country of over a billion consumers, retailing is far beyond bulk breaking and bargaining activity - it's an enabler cum facilitator.

The so-called advantage of a huge population is partially a myth because ~70% of the country is housed in rural geographies. Apart from the rural and urban split, the organized & unorganized demarcation is also vital. The currently single digit share (~7%) of organized stores is expected to touch the 20% mark by end of this decade. It will not be incorrect to say that innovation in Retail lies on the shoulders of organized players.

In recent times, many unorganized stores underwent a metamorphosis and qualified as a new group of "Modern Independent" stores. They adopted automated billing, started offering a wider range of products and also threw in such free services as home delivery and vehicle assistance in the process of becoming a modern independent store. However, these conversions certainly do not qualify as innovations, but only fall in the category of "changes". The latter section of this article will unfold a few innovations[1] in domestic and international retailing. However, at Technopak, we believe that adopting or aligning any of these innovations/ideas will require thorough research and analysis to ensure expediency and profitability.

Key Retail Innovations

- ### Personalization – A "Must Have" activity

The Adidas sports performance stores in Paris offers a unique combination of technology and customer interface to allow for a high level of personalization. The ~1700 sq. feet flagship store has successfully established new standards in the areas of customization and consumer experience. The stores offer a special platform to scan foot dimensions, pressure, weight and running style by walking or running just a few steps. Customers have the option to customize preferences like color, stripes, and styles on a large touch screen. A specialized interactive virtual mirror enables the user to try out the personalized shoe or any other selected shoe, without first having to take off their own shoe.

Unlike global majors like Adidas, domestic e-retailers such as Yebhi.com are integrating "Try & Buy" concepts which empower the e-shopper to try the outfits through a webcam before finalizing the cart. In addition to that, the e-retailer is also facilitating the service of sending two additional sizes to the customer's doorstep so that the customer can choose the relevant size and pay cash on delivery.

Going forward, customization will be one of the basic offerings for organized retailers; adopting this at the earliest will be a wise move. A degree of personalization adds to the customer's comfort level and builds loyalty to the retailer, which directly translates to better revenue realization.

Bringing the trial room to your DOORSTEP
• Choose • Try • Pay
*Available on Select Locations
*Available on Select Products
Try before you buy any product

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[1] *The brand logos and pictures used remain the sole property of the respective companies. The usage is just for illustrative purpose*

- **Incubation of Information Technology (IT) – A "Must Have" activity**

Earlier, retailers' innovations were synonymous with the adoption of Information Technology (IT), as it offered an array of options for multilevel adoption, across retail functions. The key idea behind the introduction of IT is speedy service and accuracy. In retail operations, predictions and data scrutiny have the potential to change business quickly, and IT brings such capabilities to the table. IT can add novelty to retailers from the time the customer approaches the store, selects the SKU, decides on his preferences, gets the billing done – i.e., until he/she leaves the store. Apart from the front-end, IT can also be utilized to achieve operational excellence by streamlining back-end activities. Some of the most common IT innovations can cover the following retail functions.

- **Automated ordering procedures**: Consolidating the ordering procedures, IT solutions can be developed for reducing the complexities associated with reordering the products at the store level. The system synchronizes different aspects as per the SKUs, e.g. sales, bay quantity (maximum & minimum), warehouse inventory, reorder level, lead time, vendor lists, and purchase order formats. The procedure is initiated once the customer bills any SKU: the moment the bar code is recorded, an equal quantity is reduced from the store bay quantity. All these aspects are interrelated and are programmed to prompt as interlinked units. The system generates SKU & store-wise pop-ups through which the category manager can approve the compiled purchase orders for respective vendors.

- **Development of e-catalogue supported by mobile ordering screen** – This aids the convenient assortment of a wide range of SKUs for customers. The category-wise classification and option to assign various filters (such as price bands, colors, brands, etc.) lower the selection time & hassle. These catalogues prove to be efficient for hyper-sized stores as their SKU complexities are higher and customers can order from a single point of contact. The supporting mobile ordering screen facilitates the customer to purchase goods while putting them in a virtual shopping cart; these goods get delivered at the check-out point or at the customer's doorstep sparing the customer from long queues & other hassles.

- **Beyond Customer Relationship Management (CRM) –** IT has reached advanced stages in retail CRM: the new innovative systems in the market have the ability to gauge and analyze the complete consumer shopping dynamics by utilizing the purchase behavior trend. Again, customer insight plays a crucial role in retail profitability.

  The advanced CRM solutions available in the market are capable of automatically identifying "Most Valuable Customers" and anticipate their needs, shopping frequency, preferences, basket size, and other relevant details. Retailers can leverage this data to mold offerings and marketing activities as per the findings. Data protection has also evolved as a major prerequisite as the applications manage a huge amount of customer information and misuse of the same can have a negative impact on sales and result in deep dilution of the brand.

- **Story Telling – A "Good to Have" activity**

Story telling can be bucketed as a "good to have" innovation for retailers. The concept is still at a nascent stage in India; however, it is tasting success around the globe. For example, Happy Pills, Spain communicates a story about "candies" as "Happiness Pills". The store is planned in a way that it has a stark resemblance to a pharmacy and attracts customers across ages.

Storytelling extends the concept of free trials to the next level. Organized retailers in India such as Spencer's and SPAR constantly float testing sessions for niche segments (like cheese) to attract customers and induce trials. The art of storytelling can be coupled with trials to make a better consumer connect and ensure regular purchase post trial sessions.

Conclusion

The consumer is the most dynamic identity across any geography. With one of the highest retail densities (12-13 outlets/1000 population), in India the customer is still a KING. Apart from thin margins, ensuring consumer loyalty and maintaining sufficient traffic adds to the challenges faced by retailers. Retail innovations via extending additional services, customization or IT incubation should illustrate the potential to improvise the way people shop for even basic necessities. Introducing innovation in retail can be multipronged and can be embraced to streamline back-end operations and/or enhance the customer's overall experience at the front-end. As is rightly said "necessity is the mother of Innovation"; for retailers, a profitable existence is the current necessity and the introduction of regular retail innovation is the only way out.

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