

Retail in Transition - The role of technology



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Introduction

The face of retail and the job of retailer has changed forever thanks to raising disposable income and the aspirations of the consumer. Retail was a much simpler business last decade where role of retail was just demand fulfillment as availability ensures business because demand was more than supply. As the consumer aspirations were low as the focus of middle class was on existence, the retailers were just addressing the needs of the consumer. This made sure retailers who kept their store open, offer few choices to consumer at reasonable price and service them with a smile grew their business in a steady manner. The slow rate of change with long product life, slow pace of innovation and uninformed consumer due to snail paced information flow meant that retail was a simple and safe business.

Things have changed drastically over the last few years with a fast growing economy, raising urbanization, changing demographic profile, increasing disposable income and the penetration of internet and mobile. Going forward, only retailers who are perceived as cool can survive. Consumers begin to expect good taste and seek good deal. They choose to buy what they want with no brand or channel loyalty. The consumer is well connected on all the 3 screens such as mobile, television and internet where information about products and services reach them in no time. The product lifecycle has shrunk a great deal and consumer is spoilt for choice.

With these changes, retail has become a very challenging profession where retailers need to understand the consumer wants and be ready to service them. Technology is as essential

as good location and manpower in retail to prepare the retailers to face these challenges and help him grow

Let us categorize retail as servicing basic needs, servicing mass aspirations and servicing unique and differentiated aspirations of consumers. When we segment the market like this, it is easier to appreciate that the fastest and highest growth in retail is with retailers who are servicing the mass aspirations of consumers. The application of technologies articulated in this article applies more to the category of retailers who want to service mass aspirations than to the other retailers.

Technology adoption critical for survival and growth

Here is our 4 simple steps on how a retailer can benefit from the commonly available technologies to emerge stronger and grow

- Let's connect our businesses – Increases Productivity
- Engage with Consumers - Increases eyeball and footfall
- Anticipate wants and understand needs – Be the 'Cool' retailer
- Analyze to take informed decisions – Lower investments and higher profit

Let's connect our businesses – Increases Productivity

People have been connected like never before by mobile phones, internet, television channels and social networking platforms. Everyone has benefited to a different degree from these technologies that connect people. These technologies have benefited the economically challenged more than the rich. Most small and medium businesses have not leveraged these technologies as much as they could have. Today,

government and public utility services like transportation and banking are big drivers of pushing technology at small and medium businesses resulting in entrepreneurs pushed to use net banking, e-filing of VAT, service tax, income tax and other returns, doing the air/train ticket booking over the internet etc.

While they are connected with people using these technologies and while they utilize the government and public utility services using these technologies, have they connected their business with their ecosystems. The small and medium Indian business community has largely failed to take advantage of technologies available for increasing their profitability and growth. It is important that every retail business owner looks at how they can leverage the publicly available technologies to connect with their suppliers, customers, consumers, partners and everyone else in their ecosystem.

Connecting with suppliers help implement modern trade practices such as consignment sales, vendor managed inventory etc. resulting in lower investment for the retailer, faster feedback on product/service to the supplier and lower channel inventory and working capital for the supplier.

To summarize, connected business benefit everyone, increases productivity and delivers better satisfaction and sense of pride to the entire ecosystem

Anticipate wants and understand needs inside store – Be 'Cool' retailer.

As retailers move from servicing needs to servicing wants, few things are becoming critical. In the store front-end, a retailer must record consumer wants and tastes. This means, talking to a

consumer who is leaving the store without buying anything is more important. Retail business must know what was the expectation of that consumer that was not met. Retailer must recognize that such consumer can create negative perceptions with other consumers. Retailer should capture stated needs in terms of enquiry, lost sales etc. for future analysis.

As many market research point out, customer satisfaction out of self-service is twice that of counter service. While retailers have taken it well by opening more and more stores in the self-service model, information on products and services are still dispensed by ill-equipped and untrained staff. It is time retailers expand the scope of self-service by having kiosks where consumers can access complete information on products and services themselves. It is all the more important because consumer walks-in to the store after doing research on the product/service they want to buy and expect the store to address their queries and concerns. This means a retailer must review his information system to make sure they capture all

information about the product / service they are retailing. This will help the retailer and their staff respond with confidence to the consumer query and increase their sales.

When a retailer has complete information system to help their business, they can respond to consumer queries such as design available in given color, sizes or colors available for a particular design etc. by looking at the system instead of going back to the shelf and spending a long time there. This increases the face time with the consumer and also greater confidence on the response and satisfaction to the consumer.

Having such complete information system also helps in faster checkout, better cross selling and up selling and complete traceability. They also help the retailer adopt modern tools such loyalty programs, gift vouchers, referral programs etc.

Finally, the adoption of automatic identification and mobility solutions lowers the cost of maintaining the information system accurate and up-to-date with less manual labor and higher frequency of verification and audit.



Engage with consumers on 3 screens they are active - Increases eyeball and footfall

Aspirational consumers are active on the 3 screens and most of their decisions are influenced by what they read / see in those 3 screens. It is important to recognize that the mobile screen has the most important as it has wide reach. The importance of computer and television screen depends on the consumer group and the product category.

Once a retailer records the consumer wants and needs, they should engage with the consumer by announcing new arrivals by SMS and in social networking sites. A retailer should establish social media presence and build followers / like users.

Multiple channel presence to reach consumers is important to generate cross channel eyeball and footfall. Multi-channel presence is not limited to establishing e-commerce portal and serving consumers with phone lines but are expanded to include partnering with trade portals, aggregation services, personalized gifting service vendors etc. A retailer must also look at options to take the store to the consumer by having stall at large apartment complex and residential colonies.

Technologies available today make it easy to do them all and more. A retailer should always look for innovative ways to reach consumers profitably by more active engagements on all channels.

Analyze for informed decisions – Lower investments and Increase profits

As we all know, the world's best and largest retailers all have one thing common. They all gather as much information as possible about the

markets they operate, about the consumers they serve and about the products they trade. They use this information to make better decisions for getting a competitive edge in the market. Knowledge is democratic today and even the smallest of retailer can use the best information system to run their business. It is only the intent to capture information and the passion to benefit from them that are critical.

Retailer can use the information to understand trends in terms of what category is growing, what category is



declining, what categories are stagnant and the profit leader and the loss leader. They can make timely decision to liquidate declining products quickly before they become dead stock and eat into the investment.

Retailers can also analyze the information to position their business correctly. A retailer must constantly reposition themselves in the market for them to stay relevant and stay in business.

Good information system also helps in pricing where the right pricing strategy

for a product or category can be defined to optimize sales and profit based on the customer categorization. Finally, a good information system help manage supplier relationship and the payment to suppliers where profitable suppliers are paid fast

Summary

The modern consumer expects a modern retailer and is willing to pay for differentiated product and service. Competition is intense and they are studying successes harder than ever and are waiting to "steal" your business

by pulling the rug under your feet. Consumers have graduated from walking-the-market to shop in the cyberspace and to shop while they are mobile with high aspirations and specific about their wants. In this environment of lifestyle and fashion, technology gives the much needed competitive edge and help you get that extra share of the consumer wallet to keep you healthy, make you stronger and help you grow. 😊