

PROLIFERATION OF DIGITALIZATION IN RETAIL SECTOR

-A REVIEW IN INDIAN CONTEXT

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ABSTRACT

Indian retail sector has the potential to grow due to the opportunities for expansion. However it is off late realized by the players that digitalization is the mantra for success. This study discusses the impact of digitization on India's retail sector by taking the secondary sources of data. The study covers four major functional areas like Marketing, Finance, HR and Operation and reveals that quality has assured in products, process and production due to automation. We find that there is a significant rise in growth rate for the India's retail sector only because of digitalization. Finally the paper indicates that digitalization in retail sector is suffering many challenges.

KEYWORDS: *Customer, Digitalization, Retail sector, Digital age, Retailers*

REVIEW OF LITERATURE

Review of literature is the backbone in the research. Few research papers in the area of digital marketing, digitalization and retail sectors were scanned thoroughly to develop this paper. Singh, J. (2014) reviewed the impact of information technology on retail sector and found that use of information technology had benefited the retail sector in terms of labour saving, inventory management and operation. Soni, V. & Pandey, B.B. (2016) studied the relevance of digital literacy and its impact on digital marketing and emphasized the extension of digitalization to all section of the society. Shivasankaran, S. (2017) discussed the impact of digital marketing on buying behavior of youth. The young people had an access to various digital media and they would utilize it to the full extent. Ravi Kumar, V.V. (2015) stressed on the problems associated with on line retailing. He observed that this sector is growing but it is creating discomfort to traditional brick and mortar system and to other established brands. Nerurkar, A.(2014) said that there are many challenges found in case of on line marketing with respect to consumer and company. Also he pointed that companies practiced advertisement on the digital media to drive their sales.

RESEARCH GAP

Some of the literature review study had conveyed that entry of information technology had facilitated the retail industry. Also the buying behavior among the youth had an effect due to digital marketing by the companies in the industry. Still many authors agreed that companies were facing genuine problems and challenges due to digitalization. Some reports from multilateral agencies had discussed the impact in general with respect to operation. No research paper specifically talked about the effect with respect to major functional area of the business. So this research paper addressed in depth about the impact in major areas and it will guide all stakeholders.

OBJECTIVES OF THE STUDY

- To review the present status of retail industry due to digitalization in India
- To identify the reasons, challenges and opportunities from the point of view of marketers

RESEARCH METHODOLOGY

Research design was descriptive. Secondary sources like books, news paper, journals, magazines and websites were consulted for data collection. For better understanding, few experts in this field were consulted. The duration of the study was four months from January to April 2018. Data collection from secondary sources took about two months. One month was spent for taking expert opinion. This had strengthened my understanding and helped me to come up with new ideas and strategies.

1. RETAIL SECTOR AT A GLANCE

Retail industry is one of the fastest growing industries in India. Many players have entered into Indian operation due to strong economic growth. In the year 2020, Indian retail will reach US\$ 1.1 trillion and on line retail contributes a lot in this direction. The expected revenue from the online retail is estimated to arrive at US\$ 60 billion by the year 2020 (Brand Equity Foundation, 2018). It contributes around 10 percent to the Indian Gross domestic Product. In terms of export, it has reached to 10 percent in the year 2016. The Size of the market increased from 490 US\$ bn in the year 2013 to 672 US\$ bn in the year 2016. Marketers have figured that it may reach to 1300 US\$ bn in the year 2020. Modern retail format has a tremendous potential to grow and may double in the next three years. In case of revenue generation, food and grocery imparted 66 percent and leads the entire industry (Retailer Association of India, 2018).

Sl. No.	Important Facts	Figure(in Percentage)
1	Contribution to Indian GDP	10
2	Contribution to Employment	8
3	Overall growth rate per annum	12
4	Proportion of organized retail	9
5	Annual compounded growth rate of organized retail	20-25

(Source: Report of Retailer Association of India & Great Place to Work, February 2018)

2. MAJOR REASONS OF DIGITIZATION

Retail industry in India has transformed into digital age due to several factors. They are rise of consumer income at the household level, Increase of on line users, coming up of e-tailing, prosperous demographics and easy access to credit. All these are presented below.

2.1 Increases in Household Income

The large population in India is dominated by middle class family with more disposable income. This is the most aspiring segment of people and their level of income has grown substantially. The government has also taken steps to slash the income tax to 5 percent for the people with income of 2.5 to 5 lakh Indian rupees.

2.2 Increase of on line users

Internet use among the people has risen in recent years. In the year 2017, more than 500 millions of people had used the internet. In coming two years, it will reach to 720 million with a compound annual growth rate of 13 percent which is very close to China of having 6 percent (Times of India, 2018) due to cheaper and faster internet. Of course, the government is also promoting for more digitalization among the people.

2.3 Growing up of E-tailing

Online retailing is the growing area for the retailers. It has a large space to develop. Also the no. of consumers for e-retailing is increasing day by day. In the next two years, marketers expect that 50 million online shoppers in the year 2017 will swell to 120 million (The Times of India, 2018).

2.4 Favorable demographics

The population in India has provided a strong base and is a great source of business among the retail players. The young people in the age of 18-35 year are the largest target customers for retailers. They are aware about information technology and becoming more tech-savvy. They prefer digital shopping as compared to traditional one. The young consumers in India use internet for various purpose. It is found that around 50 percent use social media and about 40 percent use e mails.

Population(in millions)	Uses of Internet
50m	Actively shop online
165m	Use banking & basic services like recharge
200m	Use Google, Wikipedia and email
250m	Use WordsApp, Face book and Other Social Media
500m	Monthly active consumers, Intermittent access to Internet

(Source: The Times of India, Pg 10, 8th June 2018)

2.5 Ease of Credit

India is the most favored country for investment after US and China. The macro business environment and government's focus has witnessed a sound investment space for many retail players around the globe. So here money is not a problem for business expansion and companies are in steady growth in this sector.

3. IMPACT OF DIGITALIZATION ON INDIA'S RETAIL SECTOR

Digitalization has become a key driver for business development. Indian retail sector is also using customized latest technology to buy the heart of customers. They are discussed under functional heads.

3.1 Marketing

Retail sector completely practiced digital marketing to increase the productivity and profitability. Retail companies are using data analytics for micro marketing with personalized approach to retain the customer. Their communication is targeted to specific class of customer with clear message. By the way of virtual reality, they are also trying to engage the customers.

Malls are the retail organizations where impact of digitalization is prominent. In New Delhi, malls that are run by DLF is exploring the use of Wi-Fi in its shopping complex. Phoenix malls are planning to introduce a technology where they can detect the moments of customers. "Select City" in New Delhi is recruiting chief technology officer to monitor and control the technology part for customer acquisition. Oberoi mall is in search of a good vendor who can provide an app so that customers can trap while they navigate in the car parking area. So digitalization has changed the face of marketing.

3.2 Finance

Finance function has changed to a large extent due to new technology. Introduction of cognitive analytics has provided a bandwidth for financial analysis. Process based on Internet of things saves a lot of time and cost. In order to eliminate the intermediary, retail companies are using block chain and manage the transparency of the companies. Financial planning and business reporting are closely done by Natural language processing. So digitalization has impacted in all areas of the input, process and output.

3.3 Human Resource

Human Resource Management is another key area for retail sector. Organized retail demands best HR practices to retain the customers and provide large no of employment opportunities. According to the report of National Skill Development Corporation, there is a requirement of around 56 million of manpower in this sector. The attrition rate is as much as 30 percent annually for the middle level position workforce.

The education profile of most of the workforce is secondary and below which constitute around 74 percent (Retailer Association of India & Deloitte, 2017). So there is a great challenge to retain the employees in this sector. The survey from Retailer Association of India and Great Place to Work indicates that hospitality and restaurants are the prominent areas where most of the people choose to work.

Sl. No.	Best Place to work in Indian Retail sector	Sl. No.	Best Place to work in Indian Retail sector
1	Barbeque Nation Hospitality Ltd	6	Metro Cash and carry India Pvt. Ltd
2	Hard Castle Restaurants Pvt. Ltd	7	Puma Sport India Pvt. Ltd.
3	Infiniti Retail Ltd	8	Shoppers Stop Ltd.
4	Life style International Pvt. Ltd	9	Tata Starbucks Pvt. Ltd.
5	Marks and Spencer Reliance India Pvt. Ltd.	10	Wal-Mart India Pvt. Ltd.

(Source: Report of Retailer Association of India & Great Place to Work, February-March 2018)

Digitalization has impacted the human resource functions to a large extent. Due to automation, retailers are making a good understanding of the talent and their behavior and produce the best result for the organizations. HR analytics helped the organization to get more information about the employees and eases the decision making process. However, the mindset of the top management must match to digital age.

3.4 Operation

The operational work has undergone a drastic change after digitization. Analytics has enhanced the performance of store and the people associated with the help of radio frequency identification tags (RFID)

and installation of Cameras. Analytical models improve stock verification, staff requirement and cost minimization. Location analytics makes the retailers understand about the movement of customers inside the store and predictive analytics optimize the supply chain with processing of data. Dark analytics helps to understand the customer insight which of course guide for proper store design. Hence the operation function has become cheaper and easier for the modern retailers.

4. MAJOR CHALLENGES

Indian retail sector is undergoing a transformational change from traditional one to digital. In spite of all, the present retail sector is facing few challenges which are covered below.

4.1 Worldwide competition

Retail industry is facing stiff competition in India due to the entry of multinational players. This results that some of the big startup companies in India are owned by American and Chinese players. Flip kart is one of the best examples. So companies are taking longer periods for break even or launching IPOs.

4.2 Dependent on Technology

After digitalization, retail players are fully dependent on recent technology to execute their business process and strategy. So they prefer to metros and other big cities like Bangalore, Pune, Hyderabad, Gurgaon etc. due to continuous internet and other digital facilities. In case of small cities, companies are finding difficult to manage their business with fully digitalization.

4.3 Online retail players

Online players are more active and getting larger attention from the customer. Improved technology along with reasonable price pulls the customers. Amazon occupies the top slot and Shop clues come at the bottom position. (www.statista.com, 2017). The major challenge in case of online retail is the personal involvement with customers. There is less personal touch for any disorder in business process and delivery of the items.

4.4 Threat of big fishes

India is the main destination of business for many foreign players. So entry and exit in retail industry is very common. Small players or startups are finding difficult to compete with big fishes. So there is the occurrence of merger, acquisition and collaboration in the industry. In a multi collaboration model, Apple and Reliance Retail tied up for special offers and plans. In case of India, some of the major merger and acquisition in retail are given below.

Table 4: Major merger and acquisition in retail in India

Sl. No.	Players in Merger and Acquisition	Year
01	Future Bazaar (Kishore Biyani's) & Fabfurnish (furniture and home furnishing)	2016
02	Flipkart & Phone Pe (online mobile payment company)	2016
03	Godrej Consumers & Strength of Nature (A hair care company)	2016
04	Paytm & Shifu	2016
05	Oyo Rooms & ZO Rooms	2016
06	Wal-Mart & Jet.com (A Startup Company)	2016
07	Wal-Mart & Flip kart	2016

(Source: Author's analysis from secondary sources)

4.5 Protest and Non co-operation from Public

Retail industry in many instances is shocked by the protest of public and ruling government in the state and center. Local business house along with vendors resist organized retail due to shrinkage in their business. So both national and international players are finding tough to establish their store in various locations of India.

MAJOR FINDINGS AND DISCUSSIONS

It is found that retail sector has adopted many innovative technologies. Analytic is mainly used for customer understanding. Virtual reality is for product trials and store experience. The use of Internet of things is used in many places for the purpose of branding. The HR function has taken automation in process

simplification, training and performance area. Robot process automation is helping to reduce the delivery time and in the areas of finance. The impacts on four major functional areas are tabulated below.

Sl. No.	Digital Disruptions	Effects on Functional Areas
1	Big Data Analytic	Understanding customers, Digital supply chain,
2	Predictive Analytic	Used in Assortment planning, Real time forecasting,
3	Virtual Reality	Product trials, Store experience, Customer engagement,
4	Artificial Intelligence	Helps in purchase decision, Managing competitive pricing,
5	Internet of Things	Branding, Gamification
6	Block Chain	Loyalty programmes, Collaboration
7	Automation	Automation in KPIs, Process simplification, on demand training
8	Robot Process Automation	Reduction in delivery time, Repetitive finance process,
9	Natural Language Processing	Financial planning, business reporting
10	Dark Analytic	Understanding customer insight, Promotion

From the analysis, it is also observed that retail sector is facing few challenges even after digitalization. Players are fully dependant on technology to run their business but in small cities of India, they are struggling due to internet disruption to provide best services to the customers. The analysis also indicates that retail sector is undergoing frequent merger and acquisition. Small and start up players are unable to cope up with the big fishes and exists from the market.

CONCLUDING REMARKS

Indian retail sector is one of the promising and flourishing one. Due to the vast business opportunities, multinational companies have considered digitalization as one of the ways for success. E-retailing is the best example where companies have practiced the information technology to the fullest extent. However, the process of digitalization in India is facing few genuine problems. In one hand companies are benefitted in terms of sales and revenue where as on the other hand merger and acquisition is a serious threat to the small and start up players. So there is a need to take the leverage of digitalization keeping in mind that the interests of the players in the industry are to be assured.

LIMITATIONS AND FURTHER SCOPE OF THE STUDY

The paper tries to explain the impact of digitalization only in four major areas of business function. There is a scope to cover other functional areas. It has studied from marketers' point of view. A larger scope can be created by taking the customer's view into consideration. The paper has conceptualized with respect to Indian context but there is a scope to compare global partners also. There is also more scope to study in the areas of marketing and operation considering both front end and back end operation.

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