

Effect of Internet Revolution on Grocery Retail Industry in India



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Abstract

The potential of digitalization of food retail Industry offers new revenue source in India. Retailers are partnering up with digital startups to outsource the fulfilment of grocery shopping. In grocery retail, which is already consolidated in mature markets, tech startups introduce cost-effective solutions for food delivery that can be used by retailers to compete more aggressively online. To increase grocery e-commerce penetration, companies such as Amazon and Walmart are adopting strategies that capitalize on their competitive advantages. Meanwhile, other retailers are partnering up with digital startups to outsource the fulfilment of grocery shopping. The digital platforms are gaining advantage and better position in consumer centric market today.

Keywords: Revolution, Digitalization, Retail, E-Commerce.

Introduction

Internet revolution in India leads to digitalization of many Industries including grocery retailers .The industry is experiencing the impact of digital technologies including e-commerce and service related apps which is started to flourish and grow in many mature markets. E-commerce is a significant growth opportunity for grocery retailers and food manufacturers. It was very difficult to survive in single format of business i.e physical retail format. So the change was inevitable for this digitally evolving marketing environment.

The Retail Industry is constantly changing according to changing consumer attitude, new technologies and convenience. Malls and big Retail chains are now progressing towards providing strong and integrated online and offline shopping experience to the customer. The digital transformation in India overcomes the infrastructural difficulties. In India's multichannel retailing, online retailing is emerging as the only way of organized retail expansion

Duration of the Study

The present Study was reviewed from 2009 to 2018.

Objective of Study

1. It is important to understand the driving factors of consumer's shopping behavior and factors effecting retail change in India.
2. To understand the new opportunities in e-commerce providing consumers a wide range of products in competitive rates with respect to local market.
3. To help in formulating strategies of transition from multichannel retail to omnichannel retail using digital tools.
4. It helps to maximize the retail intelligence in order to provide consumer an enriching experience and hence achieving brand loyalty.

Review of Literature

The research paper aims to review various studies undertaken related to the topic. It covers blogs by retail gurus, sectoral report by government agencies, report of research agencies, related research papers, articles and other secondary data available online.

According to India Brand Equity Foundation India has occupied a remarkable position in global retail rankings; due to its high market potential, low economic risk and moderate political risk. India is expected to become the world's fastest growing e-commerce market, driven by robust investment in the sector and rapid increase in the number of internet users. India's retail market is expected to increase by 60 per cent. Online retail is expected to be at par with the physical stores in the next five years and has grown 23 per cent. With the rising need for consumer goods in different sectors including consumer electronics and home appliances, many companies have invested in the Indian retail space in the past few months. The Indian retail trading has received Foreign Direct Investment (FDI)

equity inflows totalling US\$1.09 billion during April 2000–September 2017, according to the Department of Industrial Policies and Promotion (DIPP).

The Government of India may change the Foreign Direct Investment (FDI) rules in food processing, in a bid to permit e-commerce companies and foreign retailers to sell Made in India consumer products.

Government of India has allowed 100 per cent Foreign Direct Investment (FDI) in online retail of goods and services through the automatic route, thereby providing clarity on the existing businesses of e-commerce companies operating in India.

E-commerce is expanding steadily in the country. Customers have the ever increasing choice of products at the lowest rates. E-commerce is probably creating the biggest revolution in the retail industry, and this trend would continue in the years to come. Retailers should leverage the digital retail channels (e-commerce), which would enable them to spend less money on real estate while reaching out to more customers in tier-2 and tier-3 cities.

Both organised and unorganised retail companies have to work together to ensure better prospects for the overall retail industry, while generating new benefits for their customers.

Concept and Hypothesis

1. India is experiencing rapid growth in Internet penetration throughout the country.
2. Big food product brands and Retail chains are upgrading their presence to make customer to come to their e- shops.
3. Online Retail is rapidly growing in Metros, tier I and tier II cities due to increasing internet penetration and smartphone revolution.
4. Food retail industry is challenging and competitive in Indian economy leading to the great potential in digitalization and offering new revenue stream through e-commerce.
5. In a mature market of grocery retail, tech startups can provide costeffective solutions for food retailers to compete aggressively online leading to brand loyalty of customers.
6. Digital age is the biggest driver of online commerce irrespective of Demographics(age, income, city tier)

Research Design

The approach of study is to provide current information and trend to analyze the effect of digitalization and internet on food retail in India. The study is based on information available from secondary sources, data published in government publications, books, journals, reports, newspaper, websites etc.

Analysis

1. India is heading towards digital society leading to a great opportunity for food retail industry. Indian online grocery market is evolving continuously due to the increase in number of smartphone users,
2. According to Boston Consulting Group and Retailers Association report, India will have more internet users than the entire population of G7 countries by 2021.

3. According to this report the drivers for online consumers are convenience, experience, discounts, offers, quality, variety, availability and information etc.
4. People are using gadgets and smartphones everywhere in their daily life providing newer platform for retailers to reconstruct their business model.
5. Retail chains are now redefining and reaching customers beyond physical stores to enhance their effectiveness across the value chain. Retail chains are now engaging customers digitally in the online sales channel to build a strong bond through customer satisfaction and creating value.
6. The Indian grocery market is projected to grow at a CAGR of 55% during 2016-2021 having maximum contribution by food grains followed by bread, bakery and dairy products.
7. India is having ever growing nature of smart phone and internet penetration. This leads a great opportunity for an app driven economy in the consumer space. Apps are great and much more convenient way of accessing variety of product anywhere and anytime. Apps can deliver a more relevant and personalized experience to the respective users according to their location and preferences.
8. The complex Indian growing market, consumer evolving spending pattern, the increasing and substantial impact of digital technologies are the major factors influencing overall online retail market.

In March 2016, Enforcement Directorate defined the Market place model for retailing in India for the first time. It came into existence along with the restriction in discounts offered by online retailers. Internet will no longer be considered as separate channel having continued with exponential growth. It is now being accepted as preferred channel in retailing in India.

1. Omni channel retailing will be considered to be most successful strategy used by online retailers. The importance of having physical store was evident from the success of online retailers which set up offline stores from 2015.
2. The majority of online retailers have online presence either of their own or via multibrand online retailers such as Flipkart and Amazon. Flipkart online services maintained its leading position in internet retailing in 2017. Flipkart is having first mover advantage which positioned them to have immense brand recall amongst the consumer.
3. Retailers have realized that size drives profitability through economies of scale of operations and bargaining power which leads better margin.
4. Grofers, Big Basket, Nature's Basket, Reliance SMART, Amazon Now, Paytm Mall are some recent players which entered in a big way in online food and grocery market through their app and website launch. These are the players are currently servicing the customers mostly in metros and tier I cities.

Conclusion

The digital retailing is morphing into Omnichannelretailing.The retailers will be able to interact with customers with countless channels-websites,physical stores, kiosk, directmail, catalogs, callcentres, television, social media, mobile phone app etc.The conventional retailers have to adopt an entirely new perspective that will lead customer to a single seamlessomnichannel experience to avoid swept away.

1. The advantages of digital retailing are increasing due to lots of new innovations.Digital retailers drive innovation by recruiting top technical talents.
2. The retailers are utilizing cloud computing to minimize entry and operating cost and enhance their marketing efficiency social network and online advertising.
3. As the competition in the organised retail is increasing, discounts and promotions are playing an important role in acquiring customers.
4. Consumer attitude and preferences are shifting due to the factors like increased disposable income, change in life style pattern, shift in age astructure, more number of working women, multicultural exposures.
5. There is an increase in health consciousness amongst the people leads to emergence of more organic and wellness product.

Conventional retailers believe that their customers will always be there but customers are growing more comfortable with omnichannelshopping.Omnichannel world represents a major crisis for traditional retailers.Online players is gaining. So to keep up the pace and survive, existing retailers will need to create an omnichannel strategy.

Suggestions

Organised food retail market is maturing in India. This results to increased need of retail players to differentiate through innovations. Retail players can innovate in different ways:

1. By targeting specific customer segment and serving their needs, eg. Working women, single office goers.
2. By changing product mix as per the needs.eg organic product store, exclusively fresh store etc
3. By offering new forms of convenience and wider range of product to existing and prospect customer. eg. Teleretail, internet retail, App retail.
4. There should self- scanned checkouts to reduce time and man power cost for retailers.
5. The use of RFID tags can help to track and reduce in-store inventory management cost and give retailers better insight for customer buying pattern.
6. Big players such as Amazon India, Flipkart, and Big Basket should make their presence in Tier I and Tier II cities keeping in mind about huge untapped market with disposable income.
7. More Services such as 2 hours delivery by Amazon Now app encourages customers to buy staples on its platform as and when required.
8. More offers and discounts should be launched such as Big Basket encourages customer to

stock up their weekly and monthly purchase at one go.

9. Private label for groceries is also trending like Big Basket to grow acceptance and penetration in online grocery market.

The food ecosystem needs investment, technology and infrastructure. The government should take initiative to make sure companies should come and invest in order to add value to the food retail.

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