Bricks, Clicks and More

A Digital Commerce Perspective in the Indian Context

The Indian Retail Landscape is undergoing a transformation with the emergence of internet and digital technologies. This has created new shopping channels and a more evolved and demanding customer, whose preferences for channels is driven by the occasion, his current situation and current needs. In addition, India today presents certain inherent challenges and opportunities due to the large and diverse socioeconomic population mix, expensive real estate rentals and low technology penetration and usage. This has forced retailers across channels to go back to the drawing board and redefine their business models, to increase revenue and to optimize cost, thereby gaining a larger wallet share of the discerning Indian customer.
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Inflection Point of Digital Commerce

As India’s growth story continues, the Indian consumer is rapidly evolving as well. The internet has made its way into smaller towns in India and also penetrated into less affluent segments. The following numbers tell the story vividly:

- **Smaller urban centres fuelling growth:** Of the 120 million internet users in the country, the base of urban internet usage has grown over 30% y-o-y. Towns with a population of less than 0.5 million have a combined usage of more than 60%, which is more than that of the top eight metros put together.

- **Increased internet penetration in lower SECs:** Penetration in lower Socio Economic Classification (SEC) continues, where 25% of the users are of SEC C status and 11% are of SEC D and E status. As the literacy rates climb, this trend is going to continue, and create a unique demographic profile of active internet users. It will also be interesting to see the change in consumption trends and how these will be addressed by the digital commerce retailers.

- **Mobile phone emerging as the preferred device to access the internet:** India has over 800 million active mobile subscribers, as of Dec 2011. Of the active internet users in urban cities, 26.3 million access the web through their mobile phones. This recent change in access behaviour has been fuelled by the high cost of broadband ownership.

- **Youngsters driving the usage pattern:** Up to 75% of the active user base is comprised of either school/college children or the young generation (21-35 years who are not school or college going). The major areas of use are emails and social networking websites, followed by education, chat and digital content download.

With such an expansive and diverse available market, a number of e-commerce sites are doing brisk business. This has motivated more businesses to join the fray; it has also triggered investments in online commerce. Segments that have caught the imagination of the Indian consumer include travel, financial services, online classifieds and e-tailing.

The digital medium has begun to transform the traditional retail landscape and the battle is becoming more intense, with players across multiple channels targeting the same customer with an array of discounts and services.

In a market with no entry barriers, the internet allows a continuous influx of competition and automatically drives down prices.
The Indian Retail Landscape – Digital Commerce Perspective

The Indian Retail landscape is undergoing a transformation with the emergence of internet and digital technologies. With growing awareness, customers are becoming more sophisticated and demanding, therefore, opting to shop through their preferred shopping channels. The retail business is slowly moving away from pure brick-and-mortar commerce to digital space (also referred to as ‘3 Screen Commerce,’ since it involves the use of digital screens like laptop, flat panel televisions and smart phones).

Today the retail landscape has three distinct types of players:

- Predominantly brick-and-mortar retailers who are considering multichannel options to retain customers
- Primarily internet-based retailers
- Companies that use digital television networks, mobile commerce and catalogues to reach customers

All these channels are distinct and have their inherent strengths and weaknesses.

Our review of the retail landscape will be distorted if we look at each channel in isolation. In the battle for profitability, efficiency and increased customer reach, retailers are trying out new channels. The current Indian retail landscape is in a state of flux, showing overlap among channels and highlighting the fact that there is a constant evolution among retailers as they combine and cut across channels to gain customers.

<table>
<thead>
<tr>
<th>Proposition</th>
<th>What is It?</th>
<th>Strengths &amp; Weakness</th>
<th>Examples by Proposition</th>
</tr>
</thead>
<tbody>
<tr>
<td>Bricks</td>
<td>Traditionally called Brick and Mortar retailer, Presence of physical stores and driven by experience, Customer services ranging from shopping assistance to checkout, Open to extend to other channels like Internet, mobile, cataloguing.</td>
<td>Physical presence provides customer assurance, Existing supply chain can be leveraged for new channels, Bargaining power with suppliers, Exorbitant real estate rentals, Rapidly increasing assortment, Inventory carrying cost</td>
<td>Bricks : Lifestyle, Globus, Reliance Retail, Hypercity, More, Croma, Brick &amp; Click : Shoppers Stop, Ezone, Fab India</td>
</tr>
<tr>
<td>Clicks</td>
<td>Sells on digital channels. Out of 3 screens sells largely through computers and others like mobiles. The formats can be auction-based, deal-based, virtual merchant or third-party platform.</td>
<td>Low cost operating model, Wide assortment, Convenience of 24X7 shopping, Limited to tech-savvy customers, Huge marketing expenditure, Assortment mix towards low margin categories like CDIT</td>
<td>Click : Flipkart, Infibeam, Koovs, Myntra, Snapdeal, Click &amp; Brick : Edabba, Ebay, Click &amp; Mobile : Flipkart-mobile version, Cleartrip-mobile version</td>
</tr>
<tr>
<td>More</td>
<td>Sells through channels other than brick and click. Out of 3 screens, Television (dedicated shopping channel or off-peak airtime on regular channels) and mobile (apps or browser based) are preferred medium</td>
<td>Low cost operating model, Unique assortment &amp; demo-driven, Increased reach through DTH, Convenience of 24X7 shopping, Limited assortment, TV retailer showcase ‘One-product-at-a-time’.</td>
<td>Mobile : Ngpay (Mobile), TV &amp; Brick : Asian Sky Shop, TV &amp; Click : Homeshop 18, Star CJ</td>
</tr>
</tbody>
</table>

Figure 2: Indian Retail Landscape – The Digital Commerce Perspective
Six Mega Trends that will Redefine the Digital Commerce Landscape

We believe that the following trends will shape the Indian retail industry and those retailers who exhibit a good understanding of these will see success. These trends have been supported by examples from the Western world as digital commerce is in a more matured state in those economies:

1. First Few and Focused will Survive: The second e-commerce wave has enticed many new and young entrepreneurs in India to venture into online retailing. Across categories, there are numerous online retailers, and each one of them is burning marketing rupees to get a share of customer eyeballs and wallets. The scenario is similar to the pre dot-com era in the United States, where there were several companies trying to sell the same proposition to customers, with little or no differentiation and loosely defined business models. Past learnings in the e-commerce industry suggest that just a few early starters and companies who are category killers, with focused and differentiated offerings will emerge as survivors and finally winners. Amazon from US and Flipkart from India support the first and focused premise.

   Ventee Privee.com, through its focus on creating an online shopping club for designer labels at reduced prices, generated €969 million gross turnover in 2010, a 15% year-on-year increase.

   Zappos.com is an online shoe and apparel shop with revenues exceeding US$1 billion. Zappos' primary selling base is shoes, which accounts for about 80% of its business. Exceptional customer service has converted 75% of its customers into repeat buyers.

2. Cost of Acquisition and Customer Lifetime Contribution are Key Success Factors: Most online retailers record the discounts and free shipping costs under marketing expenses, which inflates the Customer Acquisition Cost (CAC). CAC currently averages Rs. 900 (Source: Avendus Capital) for online retailers in India and is even higher than international benchmarks. Amazon has a CAC of US $34 (Source: www.crmtrends.com), or Rs. 700 (if we factor in a Purchasing Power Parity (PPP) of 20.7) (Source: Big Mac index, The Economist). E-bay, on the other hand, has a far lower CAC of US $10 (approximately Rs. 200).

   The Customer Lifetime Contribution (CLTC) is the Net Present Value of the profit from a customer’s purchases, should be more than CAC for a profitable customer. Hence, it is important to calculate CLTC accurately. If your CLTC is at least two times the cost of acquiring a new customer, with at least 1X coming in the first 12 months after acquisition, you are in great shape. The retailer must invest in analytics and measure parameters like site performance, conversion, traffic (returning customers), customer service (call wait and call length), and so on to understand these customer metrics and devise better customer acquisition and retention strategies.

   eToys spent millions on advertising, marketing, and technology and battled a host of competitors. All that spending overwhelmed the company's income, and investors quickly jumped ship. eToys closed in March 2001, but after being owned for a period by KayBee Toys, it is now back for a second run.

   The online pet-supply store, Pets.com’s talking sock puppet mascot became so popular that it appeared in a multimillion-dollar Super Bowl commercial and as a balloon in the Macy's Thanksgiving Day Parade. But as cute - or possibly annoying - as the sock puppet was, Pets.com was never able to give pet owners a compelling reason to buy supplies online.
3. Brick-and-Mortar Retailers will have an Added Advantage: Unlike in the west where brick-and-mortar retailers are feeling the heat from pure-click retailers, the scenario in India will be different. The lack of physical presence, low technology penetration and usage, as well as limited payment mechanisms will act as impeding blocks for pure-click retailers to reach a sustainable revenue level quickly. Digital commerce will act as an extension for brick-and-mortar retailers in India, leading to efficiency and lowering of overall cost of operations. We predict that a significant chunk of business will move to the digital platform in turn reducing the need for physical store space. These retailers can leverage their sheer size and presence for buying efficiency, economical product delivery and inventory optimization. Due to brand familiarity, the brick-and-mortar retailers will burn fewer marketing rupees to move existing traffic from their stores to online platforms. These stores can also act as fulfilment centres for items purchased online, thereby reducing the cost of delivery through couriers and resulting in close to instant gratification of consumers. The digital channel will also help brick-and-mortar retailers liquidate slow-moving inventory in the form of deals and discounts, leading to further savings. The contribution of digital channels might be limited to 10-15% of the total revenue, but they will act as a strong influencer for the larger 85–90% of the business due to the convenience they offer customers through 24x7 shopping, reviews and instantaneous social feedback.

4. Channel Boundaries will be Blurred and Customers will become Channel-Agnostic: The multichannel environment has also created multichannel buyers, whose choice of channels for purchases is dictated by present occasion, situation and need. Brick-and-mortar as well as internet retailers are facing the brunt of increasing comparison shopping- shoppers compare prices across channels before making their purchase decision inside the store or on digital channels. It is therefore imperative for brick-and-mortar retailers to develop a presence across all channels so that they can cater to the needs of a multichannel buyer.

Customers demand a consistent experience across channels and a retailer will be committing ‘hara-kiri’ if it treated its online channel in isolation, designed to increase sales. Instead, the brick-and-mortar retailer must replicate the in-store experience on its web-store and provide a seamless integration between channels, to ensure customer satisfaction. To achieve this, these retailers must ensure that service, merchandising, pricing, inventory and supply chain business processes be similar across all channels within the organization. Aspects of relevance include coordinating product availability, distribution or grievance resolution.

Best Buy’s US online sales increased 20% in the third quarter of 2011, helping it achieve a domestic same-store increase of just under 1%. Best Buy’s sales decline in brick-and-mortar stores was compensated by an increase in online business, corroborating the fact that customers were using brick-and-mortar stores for product experience and then ordering the same through Best Buy online.

Macy’s, a US chain of mid-to-high range department stores, uses ‘Omni-channel strategy’ (as opposed to multi-channel) wherein out-of-stock items in a store can be searched online from the store and be shipped to the customer free-of-charge. Conversely, on its online site Macys.com, the customer can check if the chosen item is in-stock at the nearest store and can also view the current promotions in the respective stores. Putting numbers to the strategy, Macy’s found that every dollar spent online at Macys.com influences US$ 5.77 spent in stores within 10 days of purchase and multichannel customers spent twice as much as store-only customers.
5. Reaching Tier II and Tier III Cities will be a Business Necessity for Click Retailers: Towns with a population of less than 0.5 million have a combined internet usage of more than 60%, which is more than the top eight metros put together. The people in Tier II and III cities have increasing disposable income, along with aspirations to be like their metropolitan counterparts. Modern retail stores and aspirational brands are not easily available in these cities, creating a gap which online retailers can fill without much investment. A successful online retailer will need to build a fulfillment and delivery network to cover at least 3000 to 4000 pin codes out of the total 150,000 pin codes in India. Vernacular language sites and human touch points in these cities can help attract first-time online shoppers and technophobic customers who may be reticent to purchase online.

**Letsbuy.com** (Indian online retailer acquired by Flipkart.com) had Tier II and III city customer contribute to 50 percent of total sales and about 70 percent of sales of high end products like laptops, LCD TVs etc. To support this, Letsbuy.com had a distribution network covering 1200 cities and 4000 pin codes.

**Edabba.com**, an Indian online retailer, is creating a platform for customers by introducing a local known retailer as a ‘trust point.’ The idea is to create an online-enabled shopping portal with a human touch to provide an online shopping experience to that section of the audience that has so far not been exposed to it.

6. Customer Engagement on Social Media: Social media is not just for promoting and evangelizing. Platforms like Facebook and Twitter must be considered a core part of any retailer’s (multichannel and online) sales and marketing strategy. People are spending around 25% of the total time spent online on social networking sites. In India, Facebook alone accounts for 22% of the total time spent online which is the highest of all websites (Source: Avendus).

In addition to pages, accounts and events, meticulous retailers read consumer discussions on social media and immediately incorporate it into content on their websites. Websites with detailed product reviews, ratings and customer testimonials foster the credibility of the product as well as of the retailer.

It is interesting to note that none of Indian retailers make it to the Top 10 ‘Followed’ brands on Facebook. Tata Docomo (6.86 million plus fans) is the highest, followed by Dove (6.82 million) and MTV Roadies (4.1 million). Shoppers Stop (2.1 million) and Café Coffee Day are the only retailers with more than 1.6 million fans while Flipkart and Infibeam have 0.8 million fans.

**Tata DOCOMO**, an Indian telecom provider, has used its social media strategy to build a strong and loyal fan base amongst the youth. It has more than 6 million fans on Facebook and over 7500 Twitter followers. It runs customer engagement through interactions, games and automated Twitter tools. Secondly, it addresses and resolves complaints on various social media. Thirdly, it takes feedback on pilots of product offerings. Lastly, the social media team tries to micro-communicate with its fans and followers by remembering their personal details.

**Homeshop 18**, a multi-category online and on-air retailer, conducted a brand poll on a social networking website, asking users to vote for the most popular mobile phone brand on which they wanted to get amazing discounts and then offered exclusive discounts on the winning mobile brand.
Evolution of Innovative Business Models

Brick-and-mortar Retailers – Digital Commerce is the inevitable path to profitability: Post recession, retailers are looking for sensible growth options to increase revenue without increasing operating expenses. Digital commerce provides brick-and-mortar retailers with an opportunity to increase reach and revenue without investing hugely in expensive real estate. The low-cost operating model and accompanying synergy makes digital commerce an imperative for profitability. Brick-and-mortar retailers must get back to the drawing board to create an Integrated Strategy which dovetails the physical stores with its digital commerce platform. This integration should not be limited to operations and transactions, but should be done at an organization strategy level. We have listed a few compelling reasons for brick-and-mortar retailers to invest in digital commerce:

- **Expensive real estate rentals:** Expensive real estate costs have already played spoilsport in the expansion plans of Indian retailers. It is highly impossible for most retail categories to breakeven at such high rentals of 10-15% of revenue. This scenario is only expected to worsen as India occupies just 2.4% of the world's land area but supports over 15% of the world's population. This disparity will always result in high rentals in metros and high streets. Hence retailers must rethink their business plans and try to shift a chunk of their sales from stores to alternative low-cost channels.

- **Shifting loyalties of the multichannel customer:** As mentioned in the section on Mega Trends, the multichannel platform offers choices to customers who are tempted to shift between channels. A customer might walk in to a store with the intention to purchase or to experience the brand, but might ultimately purchase from a different retailer or channel, depending upon the best deal available or the lure of better service. It is therefore imperative that a retailer operate across channels and also be competitive in these.

- **Optimizing inventory carrying cost:** Servicing the demand of additional channels does not require a separate inventory for individual channels. The current inventory levels can be adequately modified to service a new sales channel. This can lead to increased revenue with a marginal increase in overall inventory levels. The cost of obsolescence due to end-of-line products resulting in working capital being locked up can be minimized by selecting an appropriate channel to sell the product. For example, apart from the brick-and-mortar store, other channels like a third-party deal-based website or the store's own online channel can be leveraged.

- **Disconnect between assortment width and shrinking format size:** The size of a retail store is directly proportional to the immediate catchment potential and assortment width which will provide the desired experience to the customer. Revenues hit a plateau beyond a particular square footage. This then leads to shrinking store sizes with a focus on profitability. In contrast, the digital platform has made customers more knowledgeable and demanding. They want width and depth in assortment. As customers are increasingly becoming channel-agnostic, retailers can provide a wider assortment by moving a large section of merchandise to digital mediums.
Integrated Commerce – The Innovative Business Model for Brick-and-mortar Retailers

Integrated Commerce is the seamless integration of various sales and service channels, leading to enhanced efficiency and creating a uniform and improved customer shopping experience. It is the integration of Brick, Click and other channels. As the same customers are switching shopping channels, it becomes necessary for brick-and-mortar retailers to be present across relevant channels and integrate them, to get a holistic view of customer shopping behaviour, so that they can develop relevant and meaningful solutions.

Integrated Commerce envisages the seamless flow of information across channels and therefore helps leverage the channel that is best suited for the product category and customer, to drive a compelling experience. The relevance of integrated commerce increases in a country like India, which has large cultural and income diversity, leading to differing preferences for and accessibility to different shopping channels. For example it will be difficult for even the largest retailer to reach the smallest of towns and villages, but that reach is possible through DTH or mobile phone.

Integrated Commerce: Key Success Factors

- **Leadership:** The organization structure should be suitably modified so that each channel is driven as a project and is led by a senior executive who acts as a project champion.

- **Unified strategy:** For integrated commerce, the strategy and planning should be unified across all the channels, eliminating all duplicating processes. The aim should be able to create synergies across all channels for the common organizational objective.

- **Technology:** The backbone of integrated commerce is an investment in the right technology to ensure that there is a flow of information across channels, facilitating a quick and effective response system for customers.
- **Shared Organizational Learning**: It is important to be operationally agile and learn quickly either from internal mistakes or from the competition as it evolves. This process can be hastened through sharing customer and operational learnings across channels.

- **Customer delivery mechanisms**: One of the key areas to beat competition is to ensure smooth customer delivery at all touch points backed by a strong customer service policy.

**Click Retailers — Margin Pressures and ROI will drive new operating models**

The adoption of digital commerce as a potential channel of sale has been largely ignored by brick-and-mortar retailers. This resulted in a burst of new e-commerce websites selling almost all product categories online. However the maturity levels of these website companies are questionable as most of them are yet to break even. With funds inflows from VCs, things are looking rosier, but these internet retailers are not profitable yet, and are primarily in a race to capture market space and acquire new customers, hoping that an acquired customer will prove fruitful later. As Figure 4 shows, e-commerce websites are taking a beating by providing lucrative discounts and several free services, leading to depleting margins. The dis-economy of sale is further aggravated as the majority of online sales are skewed towards the electronics category and in particular mobile phones, where margins are low (4-10%). The chances of a sustainable future for such ventures are bleak.

![Figure 4: Transaction Level Loss for Click Retailers](image-url)
Value Proposition Elements of Click Retailers

Most of the Click retailers have a core offering that includes:

- **Low cost product** - Offering the lowest price product through heavy discounting.
- **Free shipping** - Providing free product delivery in most parts of the country without a minimum order quantity or bill size.
- **Quick delivery/Service policy** – Offering cash on delivery and ‘no questions asked’ return or ‘money back guarantee’ schemes.

These offerings result in challenges for click retailers with regard to customer acquisition costs and their lifetime contribution. These can be tackled by:

- **Re-aligning pricing:** Since discounted offerings rule the current online product landscape, some tweaking is required to increase margins by offering free shipping only on a minimum order value, or reducing the discount on items to adjust for shipping costs. Alternatively, freebies can be offered only to paid-members of the website.

- **Reducing operating costs:** The costs of delivery and of returning, restocking and reselling when the CoD order is not accepted are eating into the margins of online retailers. A spoilt customer only brings in worries for the business since he is only loyal to the product brand and not to the e-commerce site.

- **Alleviating fear of online transactions:** The proportion of the population using online payments is still very small in India. The cash-on-delivery model was devised to counter this issue; however, it results in increased cost to the retailer.

These challenges result in Last Man Standing game where the only way to sustain the business is to get into a price war and burn a lot of investor money.

Taggle.com was a group-buying site started in June 2010 with US$1M in funding. In mid 2011, the owners decided to shift focus to selling products and revenues grew 10 times within 3 months. However, they soon realized that there was a lack of differentiation in the product offerings, due to which there was no real traction for customers. Customers were not loyal and this resulted in high customer acquisition costs that were not matched by an increased customer lifetime value to the merchant. As it was suicidal to continue burning money on the ‘valuation game,’ the site was shutdown.

The Enhanced Click Business Model

As retailers move towards strategizing additional digital channels as a holistic strategy and not mutually exclusive channels, it is vital to integrate all these platforms. To provide a complete customer shopping experience, a presence on all channels is necessary. In the Indian context, technology penetration and access to internet have been limited due to which online retailers may need to emulate many of the strategic choices of traditional brick and mortar players. One such route is franchising, where online retailers can have franchises to reach more cities and in particular the Tier II and Tier III cities.
In order to enhance the existing click models, the following options may be considered:

- **Mobile Platform**: Click retailers should focus on M-commerce, not just by developing optimized mobile websites (lighter versions of online websites) but also through mobile shopping apps which can reside and run practically on any given connection and handset. Some retailers have started utilizing mobile channel as India has 894 million mobile subscribers as of Dec 2011 that is equal to 77% of the population. 59% of these mobile web users are mobile-only (no other device), which is a unique characteristic of developing nations (Source: TRAI). The adoption of 3G services is sluggish with only 1-2% of current subscribers and an encouraging 19% planning to use it in 2012 (Source: http://mobithinking.com/mobile-marketing-tools/latest-mobile-stats).

- **Web Franchisee**: To offset the high investments in advertising and an attempt to capture the mind space of a consumer, e-commerce websites can look for website partnering and advertising, which will help build traffic on their own websites. There are hundreds of small trader websites or classifieds which have localized popularity. A click retailer can partner with these sites for advertising through banners and digital content, along with a link to route traffic to the click retailer’s website. These sites also engage a customer and add value to marketing campaigns.

- **Physical Franchisee**: This is essentially a physical presence of the online retailer, which can double up as a fulfillment centre. Currently the cost of broadband in India is very high and does not reach individual homes; consequently, a larger part of India surfs the internet through shared connections. Additionally, fear of technology constraints the online shopping of products as well as online payment. A touch point, especially in a Tier II or Tier III city in India, will help cater to a larger audience. The touch point owner (i.e. kiosks, cyber café, etc.) has a lot to gain from such models. The online retailer can make investments to develop the infrastructural requirements and ambiances of these touch points which will drive traffic to it. Secondly these centres can also act as pick-up points, thereby reducing the cost of delivery for the online retailer.

### Enhanced Click Model - Advantages

- **Higher margins due to lower operating costs** - As a fulfillment centre, the physical franchisee can help lower the operating cost for shipping and reverse logistics, that is, returns and restocking when CoD is not accepted. This will directly result in higher margins for the click retailer.

- **Increased Sales** - As the payment can be made in cash at the physical franchisee, the retailers will benefit in two ways. They do not have to push the fearful consumer into an online transaction and secondly, they need not pay additional CoD charges. The increased reach on mobiles will also contribute to more sales.

- **Increased A:S (Advertisement to Sales) Ratio** – The reach of Above-The-Line (ATL) communication is limited to metro cities. The franchisee can also be instrumental in generating loyalists by local advertising and Below-The-Line (BTL) activities, thus reducing the online retailer’s high ATL spend.

- **Possibility of localized sourcing** - The local franchisee is well equipped to do local sourcing of certain products and pick these up from an authorized dealer or outlet, resulting in better service and reducing the inventory carrying cost of click retailer.

- **Increased customer satisfaction** - A customer can have the added advantage of dealing with a human interface and physically checking the product at the touch-point counter, thus reducing the chances of product return.
In the earlier sections, we discussed about models for Brick and Mortar retailers and Click retailers. In addition to this are ‘More’ retailers, also referred to as ‘TVM,’ as TV & Mobile retailers are the most predominant in this category. Recently, dedicated TV shopping channels like Homeshop18 and Star CJ Live have instilled a fresh vibe in to this mode of retail in India. These retailers have entered the click retailing arena, enabling the customer to place orders through the internet or through customer support on phone.

TVM retailers have been largely associated with a narrow product assortment that is usually unique and demo-driven. In addition to holding a narrow assortment, a major constraint is that only one product is showcased at a time. So a woman intending to buy a food processor may see a slimming belt during the hours she is viewing the TV channel and the food processor may be shown when she is busy in her household chores. As such, it is not a preferred way of shopping. Retailers can use technologies like “Movies on-demand” to showcase “Products-on-demand”. Another adaptation could be the use of shopping apps which can be pre-loaded on the TV just like Facebook, Youtube apps which are pre-loaded on newly-launched TV models.
Another constraint is the fear related to payments, as trust levels are still low for non-physical transactions, especially in Tier II and Tier III cities. Currently the payment processing method for these shopping channels is over the telephone, through net banking or Cash-On-Delivery. Adoption of other innovative payment methods could encourage customers to buy, such as the DTH TV recharge coupon, paying through cell phone talk-time balance, digital coupons, scratch cards or partnering with banks for payment. There are mall-on-mobile payment methods which complete transactions by partnering with banks and have inbuilt gateways to operate in real time.

The trump card of the TVM retailers is their strong penetration in Tier II and III cities as well as in semi-urban centres. As already discussed in the section on Mega Trends, the people in these areas aspire to possess mid to high-priced branded merchandise which is not available in these cities. The TVM retailers can partner with apparel, electronic and other brands to showcase these products on their TV channels, thereby capitalizing on their reach by using innovative payment methods and selling what the customer wants.

**Conclusion**

The advent of the digital platform can be viewed as an opportunity and the challenge for Indian retailers is that of transformation. Yesterday’s brick-and-mortar retailers need to transform to Click and More channels in an ‘integrated’ way, so as to remain competitive in the digital economy. The infant Click retailers need to ‘enhance’ their model in order to be sustainable and avoid another dotcom bubble burst. This need for transformation is fuelled by the channel-agnostic Indian customer with shifting loyalties, whose choice of channels varies according to current need.

In an era of blurring channel boundaries, the following mantras will be of use to retailers:

- **Integrated Commerce is inevitable for Brick-and-mortar retailers:** Brick-and-mortar retailers must work to integrate channels such as physical, online, mobile, DTH, and so on, where each channel will play a distinct role in reinforcing the retailer’s brand equity. Companies that get their digital commerce strategy right will enjoy higher profit margins and higher revenue growth. Their success will depend upon a unified strategy for all channels, supported by dedicated organizational champions and organization restructuring, wherever required. Once the roadmap is developed and implemented, the strategic imperative should be revisited from time to time.

- **Enhanced Click operations to drive profitability:** The existing operations of Click retailers are subject to margin pressures due to low price offerings and high customer acquisition costs. The sustainability of these retailers can be enhanced by a two-fold intervention involving web and physical franchisees. The web partners can contribute to localized advertising and physical touch-points can act as display as well as fulfilment centres. The greatest advantage will be higher margins due to lower operating costs resulting from savings on shipping, returning and advertising.

- **‘More’ retailers need to be more innovative:** The More or TVM retailers have the advantage of maximum reach in the Indian geography. However, their narrow assortment and limited payment options result in lower acceptability. They can increase customer trust and acceptance of their channel by using innovative payment modes like DTH recharge coupons, paying through cell phone talk-time balance or partnering with banks for payment.
Consumer behaviour, competition and technology trends will play a very important role in defining the success of integrated commerce. The organization must be relentless in its approach to grasp and adapt to such changes, by modifying the marketing and channel mix for its best interests in the current dynamics.

The depth of digital platforms is still unexplored in India and retailers should empower the customer to choose the widest depth available, and give him/her a consistent store/brand experience across channels. Doing this will create a loyal customer. Mass acceptance may be slow to come by, but the market will continue to leapfrog byte by byte on this information superhighway.
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By tapping our worldwide pool of resources - onsite, offshore and nearshore, our high caliber consultants leverage solution accelerators and practice capabilities, balanced with our knowledge of local market demands, to enable enterprises to effectively meet their business goals.

GCP spearheads TCS’ consulting capacity with consultants located in North America, UK, Europe, Asia Pacific, India, Ibero-America and Australia.

Contact
For more information about TCS’ consulting services, contact
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About Tata Consultancy Services (TCS)

Tata Consultancy Services is an IT services, consulting and business solutions organization that delivers real results to global business, ensuring a level of certainty no other firm can match. TCS offers a consulting-led, integrated portfolio of IT and IT-enabled infrastructure, engineering and assurance services. This is delivered through its unique Global Network Delivery Model™, recognized as the benchmark of excellence in software development. A part of the Tata Group, India’s largest industrial conglomerate, TCS has a global footprint and is listed on the National Stock Exchange and Bombay Stock Exchange in India.

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