

A Consumers Perspective of Innovations in Indian Retail Industry

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Abstract: Innovations in business are increasingly critical for building competitive advantage in the present market trends that is driven by escalating customer expectations due to continuous changes in the business processes. Thus, innovation is the need of the day for all businesses to adapt. Customers are on the look-out for new ideas to fulfill their needs in the most economical way and retailers are on urge to acquire new customers and retain the existing with best possible approach. The retailers are introducing innovative ways to increase customer base in their outlets apart from offering regular services. Understanding the changing business environment forayed by innovative practices by retailers and need fulfillment by customers creates interest to researcher to study the innovation management in Indian retail industry with an insight into consumers relevance. Also this paper aims to study the utilization of Information Technology in Indian retail industry which is accounting to 10 percent of our countries GDP.

Key words: Innovation, Retail Industry, Customers, Management and Information Technology.

[1] INTRODUCTION

Retailing across the globe is emerging as one of the major contributor to the economy of many countries. Today most large retail firms translated their business into multichannel firms, where the customer visits the retailer via different channels for different purposes. In consideration of customers' requirements the retail firms are looking at innovative methods and approaches to fill the gap faced by the customers. The idea of innovation is widely accepted and became part of culture that verges for winning formula to the firms operating in the competitive world (Paul Trott, 1998). Coyne, 1996 stated that 295 books published between 1994 and 1995 in United States used the word 'innovation'. Another author Christopher Freeman (1982) in his famous study of the economics of innovation writes '...to not to innovate is to die'.

It is evident from the above citations of the researchers it can be understood how important is the study of innovation in the current business processes. Innovation cannot be confined to any single industry, it can be attributed to any kind of processes or products of industries and combination of these. Unlike other industries, retailing industry has seen many revolutionary changes in its business models. The changes are seen from the kirana store in the neighborhood to the malls in modern and developed urban localities. In recent years, the combination of economic growth and population growth in emerging markets and less developed markets has accelerated the progression of globalization of retailing and globalization by retailers. Globalization has brought in competition. To sustain and excel in the business the modernization of business witnessed the invasion of Information Technology to cater to the needs of the consumers by offering best products and services.

Reflecting the earlier studies of Cormican and O'Sullivan (2004), it can be understood that product innovation is a cross-functional process 'involving and integrating a growing number of different competencies in a firm'. So, effective management of the process requires successful adoption and alteration of a socio-technical system. This should have an approach to all aspects of the organization, including people and process as well as technology-related issues which may necessitate benefit of the society.

[2] HISTORICAL PERSPECTIVE OF INNOVATION IN RETAIL

The economic growth of the world can be traced back to the times of industrial revolution in the previous centuries. With the economic growth there is a change identified in the daily lives of people around the world. These changes are identified in the works carried out by Kondratieff (1935) and Schumpeter (1939). They have defined five waves, or five growth cycles that show a strong relationship between technological developments and innovations.

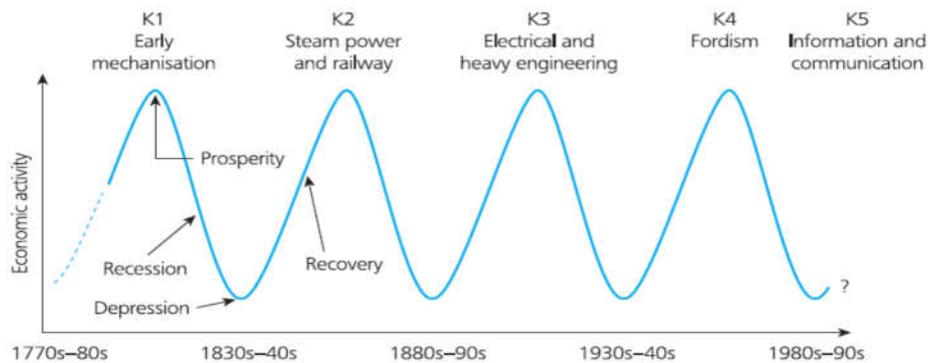


Fig: Kondratieff waves of growth

These five waves started with early mechanization as K1 in 1770's, Steam power and railway as K2 in 1830's, Electrical and heavy engineering as K3 in 1880's, Fordism as K4 in 1930's and Information and communication as K5 in 1980's. All these five waves were drawn on economic activity. With this it can be observed that there is a shift in innovation through time. This can be attributed to the shift in consumerism and had an impact on retail sector. Retail has evolved since ages and contributed to the economies of all the developed and developing countries. Since the invasion of Information Technology various technological adoptions were initiated by retail giants across the world to have an edge over their competitors.

Innovations in the retail business are multi-dimensional and focused on improving the end user experience, optimizing resources and logistics, supply chain, creating a technology platform to keep pace with the dynamics of the industry and deal with the extraordinary growth driven by the geographic spread of markets and diversified business strategies. Some of the key innovations in retail include: Customer identification using RFID, E-Catalog based selling, Mobile Point of Sale (POS), Digital Signage, Intelligent database, business intelligence, Internet of Things(IOT), Cloud computing and business analytics.

Historically we have witnessed convincing changes in Indian retail industry in both unorganized and organized sectors. We find there is a frequent switching by consumers between from traditional retail formats like melas, mandis and kirana stores to modern outlets like malls and e-tailer. Today Ninety percent of retail market is unorganized and only ten percent is organized in India. Moreover the deployment of retail innovations are confined to organized sector which is a very small portion of the retail industry. This presents an opportunity for organized sector to explore the ninety percent market. All this can happen only with perfect execution of innovative ideas benefiting retailers and consumers.

Key findings of the 'Global Innovation Index 2017' released jointly by WIPO and Cornell University, show the rise of India as an emerging innovation center in Asia. India's position in the 2017 Global Innovation Index has moved up six ranks from last year 66th rank to this year 60th rank. For the seventh consecutive year, India has outperformed on innovation relative to its GDP. The GII recognized India for defying the standard model of the most economically developed countries dominating the rankings. "India has shown improvement in most areas, including in infrastructure, business sophistication, knowledge and technology and creative outputs," says the GII press release.

India's most improved scores in the 2017 report are in 'infrastructure' and 'creative outposts'. Chandrajit Banerjee, director general of the Confederation of Indian Industry, cites India's government initiated improvements as the impetus of these improvements. "Public policy plays a pivotal role in creating an enabling environment conducive to innovation. In the last two years, we have seen important activities around the GII in India like the formation of India's high-level Task Force on Innovation and consultative exercises on both innovation policy and better innovation metrics," he says.

[3] CONSUMERS AS THE DRIVERS OF INNOVATION

Innovation in products and processes can fill many potholes in retail business by which the interests of the consumers can be protected. With the advent of IT mixed with high speed internet and mobile devices, consumers are looking out for different ways to reach the product. This raises the curtain to modern methods to follow so as to reduce effort to consumers. For the customers view, they lookout for solution that will lessen their effort to attain a product or service. Reinartz, W 2011 narrates, customers' attitudes and behaviors are influenced by the actions of competing retailers in a marketplace. Additionally, it is the consumer who decides if the product, service, process or business model as novel and depends on its degree of innovation (Hauser and Urban 1977).

There are many factors like transportation, time, cost and quality are perceived efforts of consumers. And these efforts may differ from one person to another person depending on their personal beliefs. For example, shopping for clothes may be a perceived as recreation for women, whereas the same would be opposite for men.

Retail innovation may exist in both ways, i.e front-end and back-end. Front-end operations of the retail business may influence the consumer in its promotional activities and back-end in supply chain operations to make the product available in cost effective ways. The main aim of retail innovation at the front-end is to improve customers' quality of life in their shopping process. This means that innovation may be better devised by putting the customer in the centre (so-called 'customer-centricity'). Innovation through substantially reducing customers' efforts is based on the idea that, if the retail firm makes the shopping experience much easier and more comfortable, customers will return to the outlet. It is not just the responsibility to reduce the price to customers, but also the reduction in effort made by offering services to increase convenience and reduce time in queues.

[4] TYPES OF RETAIL INNOVATIONS AND THEIR VIRTUAL DIMENSIONS

4.1 Product innovation: Product innovation is an effort to develop new or improved product. This could be a new technology or features introduced to meet the markets commercial need (Utterback J.M. & Abernathy.W.J, 1975). As is the case with McDonalds product innovation to suite the Indian Cuisine style.

Snapshot: McDonalds is one of the largest food chain with the presence across the world. To meet the local market demands and wishes, they have made novel changes. As part of Indian retail market strategy, they have launched a new range of McSpicy products in 2011. The menu include the McSpicy Chicken Burger, McSpicy Paneer Burger, McSpicy Chicken Wrap and McSpicy Paneer Wrap. All these are products from global menu. This has the great impact on the local foodies who like spicier than the westerners.

4.2 Process Innovation: The development of a new manufacturing or service process to reduce the pain of obtaining the product or service by the customer. An important part of retail innovation at the shop-floor to improve the quality of shopping process to the customers.

Snapshot2: According to the India Food Services Report the food services market is growing at a compounded annual rate of 10%. This growth, fueled by a young and upwardly middle class apparently hungry for new eating-out adventures (Economic times, 21 Aug 2016). This escalation in food business perpetuated many entrepreneurs to start experiment their virtue in this line. With this enterprising growth, competition emerged and has to be countered by innovative processes. One of the important issue related to process faced by all restaurants is explaining the menu with different cuisines. Restaurants started using iPads and display the menu and give interesting facts and information around their offerings. The concept has been tried in the following locations in Mumbai - Koh by Ian Kittichai (InterContinental Marine Drive), Royal China (Bandra and VT) and Escobar (Bandra). All these had a good response from the customers and added value to the business.

4.3 Organizational Innovation: Organizational innovation is a new venture or a new internal communication or introducing a novel idea into the organizational culture. The implementation of new processes, products, or services for the first time, 'wherein the effects were' designed to significantly benefit the individual, group, organization or wider society. (Gununer, 1989; Perri 6, 1993) This may also have implication on the whole organization or a division of the organization.

Snapshot3: An innovative business model typically changes the economics of the business in fundamental ways. Flipkart, started its business by selling books online. This online model has several advantages compared to brick-and-mortar stores in its rental costs, operational costs and employee salaries. Overheads were significantly lower at Flipkart as it did not need to pay rent and personnel costs associated with hundreds of retail locations. The online book retail business model has been able to unlock such massive value through its much greater efficiency, and is gradually driving traditional book retailers out of business. Traditional format bookstores are struggling in India also, as customers get more and more attracted to shopping for books online. This not just stopped with books business but has become one of the enterprising models in business where many brick-and-mortar stores started their business through online.

4.4 Service Innovation: Service innovations in retailing have the potential to benefit consumers as well as retailers. For decades, the importance of services to the global economy has grown steadily while the importance of goods has declined (Berry L.L et al, 2006).

Snapshot4: Many brick-and-mortar companies are looking for alternative channels to deliver the products. Delivery-at-your door step has been one of the driving factors for many businesses due to increase in the traffic hazards. These services are taking the hassle out of the delivery process. Customers no longer have to deal with long lines or waiting weeks for a delivery. Many Pharmacy retail chains like Apollo pharmacy, MedPlus and other chains have started the service of delivery-at-your doorstep to make the patients comfortable and satisfied with this additional service.

[5] INNOVATIONS IN THE RETAIL MARKET

5.1 Business Analytics: Many big retailers all over the world are using Business Analytics at all stages of the retail process by taking track of popular products that are emerging, doing forecasts of sales and future demand via predictive simulation, optimizing placements of products and offers. Analytics has the ability to guide the customers who are likely to be interested in certain products depending on their past purchases, finding the most suitable way to handle them via targeted marketing strategies and then coming up with what to sell next is what analytics deals with.

5.2 CRM (Customer Relationship Management): CRM is playing an important role in the present retail market setup by allowing the customers to contact the firm through 'touch points' or vice versa. All such customers "touch points" include e-mail, call centers and sales representatives who support subsequent customer interactions as well as to inform financial forecasts, product design and supply-chain management.

5.3 ERP(Enterprise Resource Planning)Systems: An ERP System integrates the different departments of the organizations so that they can work in tandem. Because of ERP the different functioning process of different departments are optimized and planning improves.

5.4 Sales Force Automation (SFA) Software: SFA helps to capture the data at the retailers level for the companies and help in defining futuristic strategies to capture CLV(Customer Lifetime Value). Many firms gave mobile electronic gadgets to sales people that is equipped with ERP software's so as to facilitate them to communicate with the other departments and send updated information to higher management.

5.5 RFID(Radio Frequency Identification) : Under this a shopping cart with a scanner and a touch screen computer offers information about each product. The computer keeps a list of items in the cart with a running total, through which the customers exactly know their spending. The waiting time is lessened at checkout lines at cash counters, since the items in shopping-cart are already totaled. .

5.6 Personal Digital Assistants: The Personal Digital Assistants give real time access to product and customer information. They help in combining the real time transactional data of the consumers and the inventory levels in the retail outlets. These PDA's will help in alerting the back-end supply chain to fill the inventory in the shelves.

5.7 E-Catalog based selling: Here a limited range of merchandise is available in-store, while the range of a hyper format is made available through self-browse kiosks.

5.8 Mobile Point of Sale (POS): This would enable the purchase of goods while putting them in a shopping cart. The customer would be spared the hassle of standing in long queues.

5.9 Digital Signage: Static signboards have not proved beneficial in terms of helping a customer track a product. Digital signboards integrated with an automated tracking system can make this easier.

5.10 Intelligent database: A detailed database of the customer is made available online and helps the retailer understand a particular customer's buying characteristics.

5.11 Cloud computing: Cloud computing allows retailers to invest less in maintaining, monitoring and updating shared working documents, email and operational data. It facilitates store owners to concentrate on marketing effort by taking care of IT requirements. Cloud computing enables retailers to efficiently manage seasonal and unexpected demand.

[6] INNOVATIONS IN INDIAN RETAIL OUTLETS

To tap the vast and potential Indian Consumer, the conventional marketing efforts may not be necessary. Well targeted innovative marketing model is required to understand and satisfy the needs of customers of all categories. In the course of this process, digitalization, social change, urbanization and sustainability are the most important trends that will strongly influence and change people's value systems, lives, work and consumption patterns. In this era of information systems, consumer is well informed about the products. This was possible due the information at the distance of fingertip using smart phones. Only a proved innovative models are required to tap the potential customers. Few models are discussed below which are used by corporates in the market.

6.1 Big Bazaar

Big Bazaar a part of Future Group retail chain adapts innovative management practices to have an edge over the competitors. They have setup mall management divisions that operate as subsidiary of companies. Big Bazaars focused the following areas under the innovative management practices.

6.1.1 Traffic Management

Due to mass urbanization, Big Bazaar was witnessing surge in the population and the increase in automobile usage. Traffic management includes managing parking facilities and walk-ins into the malls. This has become one prime concerns of big bazaar. So flow of people is related to the floor design and product category assortments. Malls tend to have a better pedestrian flow to avoid congestion. Managing parking facilities includes provision of ample parking and maneuverings of cars in the parking lot. Big Bazaar is an example of a successful mall led by good facility management practices.

6.1.2 Infrastructure Management

Infrastructure management includes provision of adequate power supply, safety issues in case of emergency and miscellaneous issues related to signage, water supply and sanitation. These form an integral part of mall administration as they are the basic amenities that any buyer would look for in a mall.

6.1.3 Ambience Management

Shopping experience is a vital component of mall management. Customers who come to buy products from malls plan for multiple services. A mall is not just a place for shopping but is also a place where people spend their leisure time. Ambiance include the aesthetic value created, will differentiate from the competitors. Thus Big Bazaar manages ambience by providing parks, fountains and overall look of the mall.

6.2 More

ABRL(Aditya Birla Retail Ltd) Information Technology team works as the driving force to innovate the services by primarily focusing on supporting, improving and sustaining the effectiveness of all business operations. ABRL IT has adopted a strategy of deploying best of the breed IT applications across functions and formats to support growth and create differentiation. This team works relentlessly to deliver a delightful customer-centric approach by making shopping experience by rolling out Omni Channel Business with mymorestore.com and mobile based loyalty programme CLUBMORE.

Keeping the organization ready to respond to rapidly changing retail industry dynamics, the IT team is continuously evaluating emerging relevant technology solutions. At the same time, the team implements technology solutions which align with the business strategy to help ABRL attain a competitive advantage in the market place. ABRL has already embarked on the journey of embracing new technologies and platforms like Cloud, Analytics, Mobility, and Digitization. ABRL is one of the first organized grocery retailers to adopt NPS (Net Promoter Score) in India. It is a customer feedback process where customer feedback is mapped to their mobile numbers. Our Customer Service team then follows up to understand concerns and feedback to deliver a differentiated and unique shopping experience that delights our customers every single time.

6.3 Metro:

Metro group has a Business Innovation Unit, which has a policy to work together with the sales lines on a customer-centered process that is designed to optimally support everyone involved and that can be appropriately adjusted with an eye to the customer groups of the various sales lines. Both the sector and customers currently find themselves in a profound transformation process which is being driven in particular by megatrends such as digitalization and social change. These trends have a great impact on the way the present customers live, work and consume. Metro aims to maintain customers in this change process and become a relevant partner for them by bringing in changes as and when required. In order to successfully shape the retail of the future, Metro started to offer customers added value and involve them more closely. To achieve this, they have adapted innovative models that enable us to generate product content and promotional offers to its customers.

6.4 Reliance Retail:

Reliance recognizes that every mind is creative. It has set special unit called as Reliance Innovation council (RIC). This council sets an agenda to actively nurture innovation within Reliance group of companies including Reliance Retail. They have set a platform called Mission Kurukshetra(MK) through which employees can submit their novel ideas and solutions. These platforms help Reliance in order to safeguard its standing as a unique corporate entity and one of the most innovative companies in the world. Reliance has Noble Laureates and iconic personalities to provide vision to the innovation movement at Reliance. Reliance Technology Group (RTG), which houses a state-of-the-art Research & Development center and leads technology development at Reliance.

Reliance Retail has adopted an innovative multi-prong strategy and operates chain of neighborhood stores, supermarkets, and wholesale cash & carry stores, specialty stores and online stores and has democratized access to a variety of products and services across diverse segments for Indian consumers. Reliance Retail's commitment to "bettering the lives" has been embodied in its pursuit to make a difference on socio-economic issues in India. The initiative has brought millions of farmers and small producers to the forefront of the retail revolution by partnering with them for growth.

Deep insight into India's economic, cultural and consumption diversity drives Reliance Retail's vision in the retail universe. The operating model is based on customer centricity, while leveraging common centers of excellence in technology, business processes and supply chain. More importantly, it has built a strong and unwavering foundation through its extraordinary people. Their nationwide network of retail stores offers a world-class shopping environment and unmatched customer experience.

7. CONCLUSION

In the context of this paper, retail innovation can be attributed as one of the driving forces of retail industry that can meet the changing needs of the markets. We can come to an understanding that the changing lifestyles and improvements in socio-economic conditions of individuals has impacted every retailer in our country. Retailing acts as a liaison between industry and customers. This implies that, retail industry has to have the understanding of both supplier and end-users. Modern technology enabled mobile gadgets and multimedia websites are used at both ends to meet their requirements. So, to bring these ends together retailers has to innovate and excel to sustain the existing and attract the new customers to have competitive advantage. As retail industry is the second largest industry in India and booming, many international retailers established their setup offline and online. Hence it can be affirmed that it is innovation strategies that drive the future of the retail firms.

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