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Mumbai, Delhi, Bangalore, Chennai and Chicago.

THE INDIAN SHOPPER SPOILT FOR CHOICE

DATA, PRIVACY CONCERNS IN OMNI-CHANNEL ERA?

INDIAN SHOPPER IN TRANSITION

SHOPPING'S MULTIPLE PERSONALITY ORDER

INNOVATIONS IN RETAIL

INDIA'S FIRST OMNI CHANNEL SHOPPER STUDY

hansacequity.com

August 2015

FOREWORD

With increased choices, higher disposable incomes and exposure to global shopping formats, the Indian shopper is changing. In **India's first ever Omni-Channel Shopper study**, Hansa Cequity is set about to learn more about how India shops across formats, both offline and online.

We set out to discover the new shopper, who is happy to share personal information with retailers for benefit, and who is aggressively seeking product and service related information to create an industry that's generating billions of rupees in revenue.

The Indian shopper has changed. She is as comfortable haggling with the local subziwallah as she is tapping open apps on her smartphone to scour ecommerce stores for the best deals. From calling her kirana guy to get stuff delivered at home to window shopping in the fanciest malls, she does it all.

All this has been made possible with the internet and development of mobile devices, which has revolutionised the retail sector. As consumers embrace new technologies, the shopping experience has become increasingly sophisticated, enabling new ways for leading retailers to reach their audience.

By integrating and aligning channels – stores, e-stores, mobile apps and social media – omni-channel retailing provides a flexible and seamless shopping experience to customers.

Together with Retailers Association of India, we, at Hansa Cequity, set out to study how the Indian shopper is transforming. How this nation of shoppers who loved the touch, feel and smell of the stuff we purchased had in less than five years switched behaviours and created an industry that's generating billions of Rupees on revenue.

Ajay Kelkar
COO - *Hansa Cequity*

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ENRICHING CUSTOMER EQUITY

Retailers Association of India (RAI) is the unified voice of Indian retailers. As a not for profit organization, RAI works with all the stakeholders in retail to create the right environment for the growth of modern retail in India. RAI encourages, develops, facilitates and supports retailers to modernize and adopt best practices. RAI's efforts center around advocacy and government representations, bringing best practices to the industry, fostering retail learning and training, creating a reservoir of information through retail research, disseminating communication through magazines, newsletters and its website, for the benefit of its members and the industry as a whole.

Kumar Rajagopalan,
Chief Executive Officer Retailers Association of India

rai
RETAILERS ASSOCIATION OF INDIA

THE OMNI-CHANNEL SHOPPER. RESEARCH HIGHLIGHTS.

- **74% respondents exhibit omni-channel behaviour.** They have shopped in all formats (local retailer, large department and online).

- 96% of shoppers look out for product information before actual purchase. **76% of them look out for product information over the internet.**

- While young shoppers use the internet for product research, the older shoppers visit malls and high street shopping destinations to look for **product information.**

- 60% are asked for personal information when they shop and **88% of those who are asked for personal information are OK giving the details** (either in parts or all of it).

- **46% of online shoppers feel they haven't been asked for personal information.** On the contrary, online shoppers cannot successfully check out without providing their personal information

- More young **shoppers who are willing to give personal info expect rewards/incentives,** while older shoppers are looking forward to invites to exclusive events and previews.

INDIA. IN TRANSITION.

A nation of shopkeepers, India has been on the high-growth trajectory, and retail in India has seen generational shifts as it modernises and shifts gears. According to Dun & Bradstreet (D&B), India has more than 13 million retail establishments generating in excess of $600 billion in sales per annum.

The sector accounts to 10% of the country's GDP and supports over 8% employment. **A recent study by Retailers Association of India and BCG estimates that by 2020, the Indian retail market is expected to nearly double to $1 trillion** at an estimated CAGR of 12% driven by growth in disposable incomes, favourable demographics, urbanisation, technology and behavioural shifts.

Changing consumer behaviour is a key driver of change. With new concepts like showrooming and webrooming becoming adopted practices by shoppers, retailers have had to transform themselves and the way the business was run. **By leveraging technology, Indian retailers are working to provide outstanding customer service and increased personalisation to grab a share of the shopper's wallet.**

Changing numbers behind the change:

	2014	2015	2016	2017	2018	2019	2020	Source
Overall Retail Market		$600 Bn					$1 Tn	BCG, RAI
E-commerce Market	$3.5 Bn						$100 Bn	BCG, RAI
No. of mobile users	590 Mn					895 Mn		Cisco
No. of smartphone users	140 Mn					651 Mn		VNI*
No. of internet users		350 Mn		500 Mn				IAMAI, KPMG
No. of mobile internet users			236 Mn	314 Mn				IAMAI, KPMG
No. of social media users		146 Mn			224 Mn			Statista

THINKING OMNI-CHANNEL.

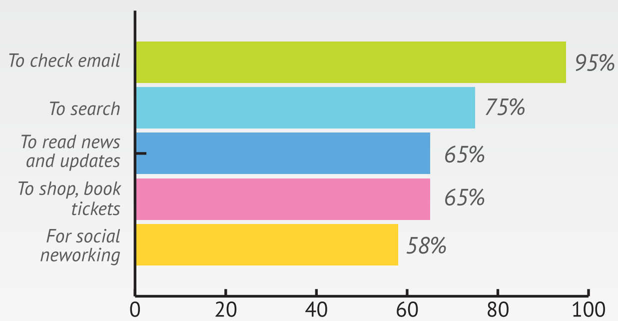
With multi-channel shopping interfaces: physical stores, department stores, malls, e-commerce platforms, social-enabled shopping experiences, smartphone app based services; consumers have so many ways to discover and buy the things they want to. Hansa Cequity's first Omni-Channel Shopper Study has been aimed at understanding the customer side behaviours and changes in the way Indians shop.

Discover the changing Indian shopper and her ways. Find our her relationship with products, brands and social media.

SHOPPING'S MULTIPLE PERSONALITY ORDER.

We lived in simpler times. When shopping meant a trip to the local market to bring home a monthly refill of grocery, or the bi-yearly trip to the friendly fashion retailer in our town to pick up a few items to restock our wardrobes. **The options were limited and the choices straightforward. Not anymore.**

Two generations later, our shopping behaviours have become just a bit schizophrenic. For start, **there are more options for us to choose from** – the local kirana store, high-street shopping districts, innumerable malls that dot our cities and towns, an e-commerce dogfight that promises to disrupt the very foundations of retail business in this nation of shopkeepers.



More Indians go online to shop than to access social networking sites

Second, the proliferation of choices. **According to a July 2014 story in TechCircle, Amazon India has an astounding 17 million products on offer**, add Flipkart's 22 million to that and today there are just about as many choices on these two sites as the population of Canada.

WHILE SHOPPING HAS UNDERGONE A TRANSFORMATION, WHAT ABOUT THE SHOPPER?

At Hansa Cequity, we have built a business around understanding people, their behaviours, and their relationships with brands. So we initiated Omni-Channel 2015, an online study to understand the customer side changes on how India shops. The survey received **1,368 responses** from **86 Indian cities** and towns over a three week period in May 2015.

Respondents' profile.

Age wise:

Female	21%
Male	79%

Gender wise:

18-24 years of age	4%
25-30 years of age	13%
31-36 years of age	29%
37-45 years of age	23%
46-55 years of age	15%
Above 55 years of age	16%

Region-wise:

East and Central	9%
North	22%
South	33%
West	36%
Tier 1 Cities	61%
Others	39%
Metropolitan cities	69%
Others	31%

Desktop vs Mobile opens:

Total no. of responses: 1,368

No. of responses validated: 885

THE INDIAN SHOPPER. SPOILT FOR CHOICE.

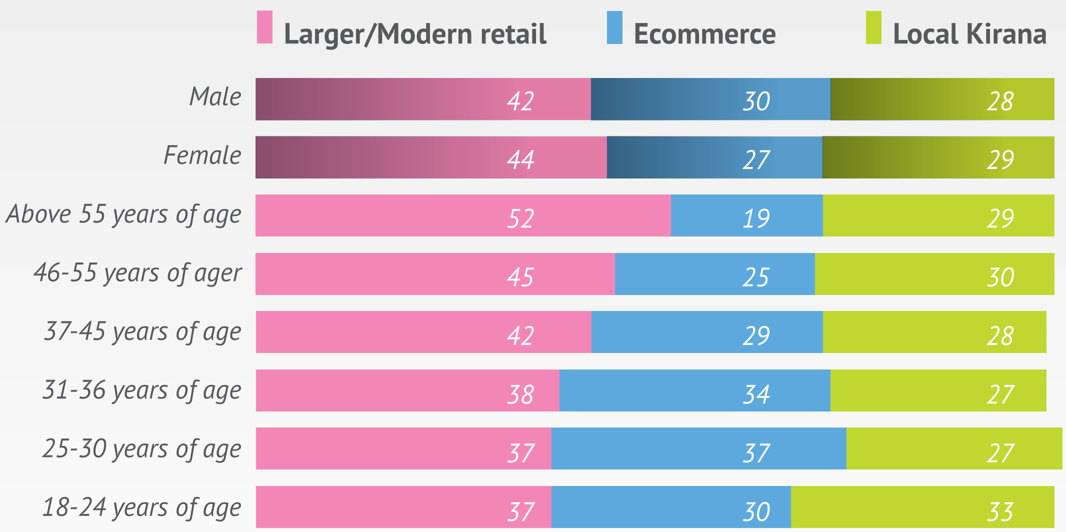
With the range of options available, today's shopper is bold and experimentatively flirting across formats, seeking convenience, looking for deals, researching products, gathering information, liking and sharing things she covets or buys.

She now has a range of shopping options too. **From neighbourhood mom and pop stores to large department stores and from modern trade outlets to online e-commerce stores.**

Convenience and value-based buying are the two most important factors for making a purchase decision. It's interesting to see how there is an increasing trend of buying across various channels. **3 out of every 4 shoppers are comfortable and have shopped in recent weeks across formats.** Additionally, a third of those surveyed responded that they have shopped at both physical and online stores of the same retailers.

Driven by an attitudinal shift and in the number of shoppers trying new formats, modern trade formats have, in the last decade or so, taken its place in the Indian retail space. That said, the opportunity to further develop this trend is huge. A simple comparison of percentage share of shopping, as claimed by the respondents, across different retail formats is shown in the chart below.

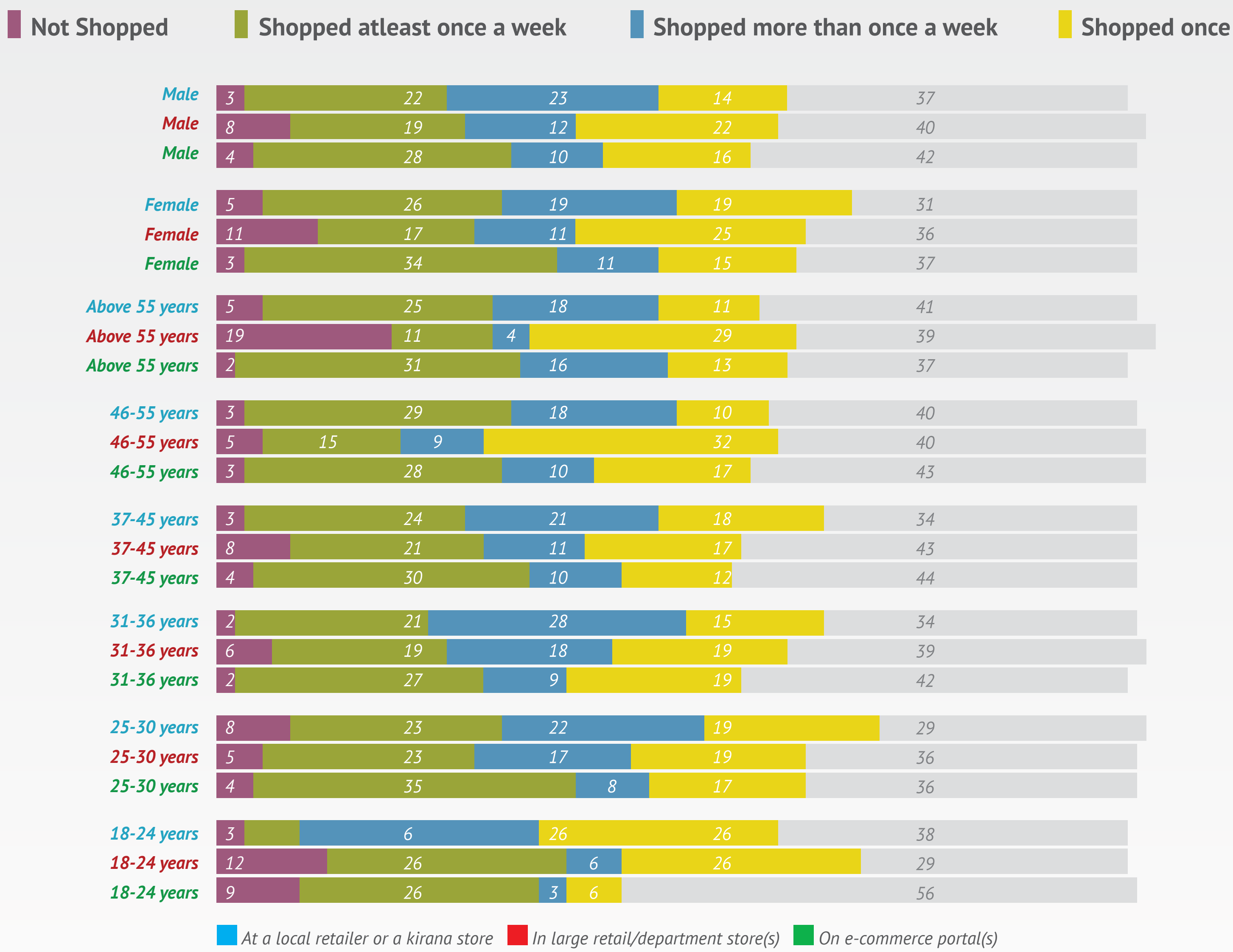
Comparison of % share of shopping **across different retail formats in recent weeks**



According to a 2012 report titled "Understanding India's New Breed of Shoppers" by Nielsen, a fifth of urban Indian shoppers shop regularly at Modern Trade. **If we compare the trend today, the numbers have clearly more than doubled.**

When probed further, **the urban shoppers revealed that roughly 10%-15% of their shopping goes into apparel category** which we believe has direct correlation with the rising income levels. This shopping, they do mostly from the large retailers **while for other standard categories like books and consumer electronics, the shoppers turn to their browsers and mobile apps of online shopping.** Frequency of shopping across different formats, as claimed by the respondents, is shown below.

Frequency of shopping at the different kinds of formats in recent weeks



However, even with all this optimism, there are barriers (or call that opportunities if you will) for the tier 2 and 3 cities; both for brick and mortar and online stores.

The study discovered that the levels of penetration of omni-channel behaviour in the next multi-billion Rupee markets – small towns – are lagging. Some retailers are already taking measures to address this latent need of shoppers both by trying to extend the omni-channel experience and by increasing service levels.

Flipkart, for example, has launched 20 stores in 10 cities to let its customers collect the items they ordered online at their convenience, mimicking similar moves from Amazon.com Inc in the US. **Paytm plans to set up 30,000–50,000 retail outlets**, where its customers can load cash on their digital wallets, and to enrol retailers – mostly kirana stores – as merchants for accepting digital payments.

FashionAndYou has opened three distribution hubs in Surat, Mumbai and Bengaluru to accelerate deliveries. While these online retailers are opening physical establishments to provide or extend omni-channel experiences, the traditional offline retailers have started logging in. **Landmark, Reliance Retail and Tata Group's Infiniti Retail and the Aditya Birla Group are all aggressively starting new online channels, and integrating their physical stores to take advantage of changing customer behaviour.**

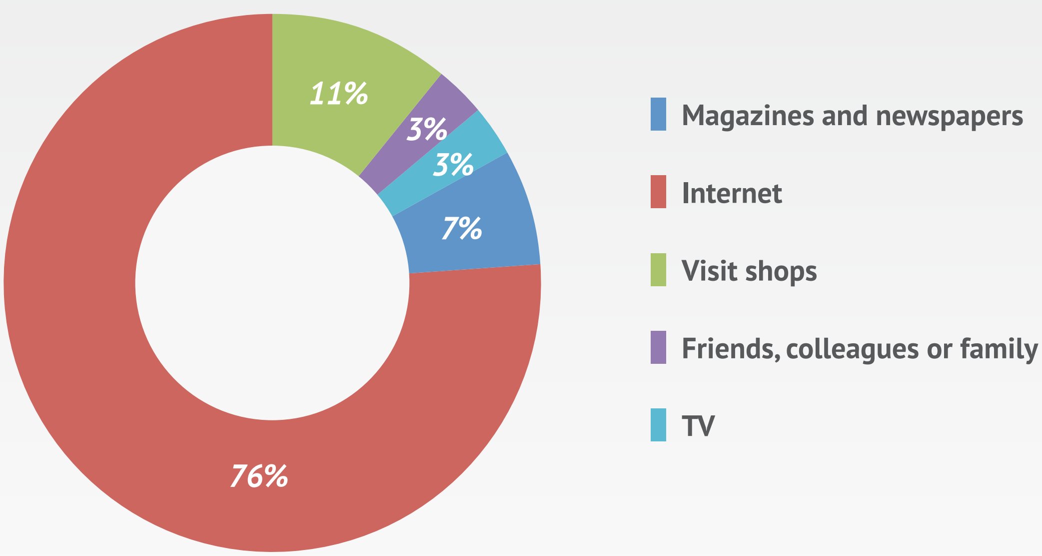
PRE-PURCHASE PRODUCT INFORMATION SEARCH.

Today's shoppers are information seekers with as many as 96% of respondents saying that they look out for product information before they go out and shop.

90% of those who look out for product information find the process easy.

These shoppers even show omni-channel behaviour while they go out and seek product information. A large portion (76%) of these information hunters go online to learn and compare products, there are many who visit physical stores too to satiate their need for product information. **As expected, it's the younger shoppers who are most comfortable with going online to seek out product information.**

Where do shoppers most often find information about the products they plan to buy



SOCIAL MEDIA'S ROLE IN INFORMATION DISSEMINATION.

Social media also plays an important part in the information gathering phase, with **70% of those who responded saying that they visit social media sites to seek out information** about brands and products they are interested in. However, among the respondents of the survey, **word of mouth seemed to have only a small part to play with just 3% of respondents saying that they actually asked their friends or relatives about the things they are about to buy.**

DATA, PRIVACY CONCERNS IN OMNI-CHANNEL ERA?

A true omni-channel experience necessitates that shoppers reveal personal information about themselves for meaningful one-to-one engagements. **And a vast majority of respondents said they were OK to trade their personal information for gain as they evolve their shopping habits.**

60% of the shoppers responded that they were asked for personal information when they shop and an astonishing 88% of those who are asked for personal info are OK giving the details (either in parts or all of it).

46% of respondents

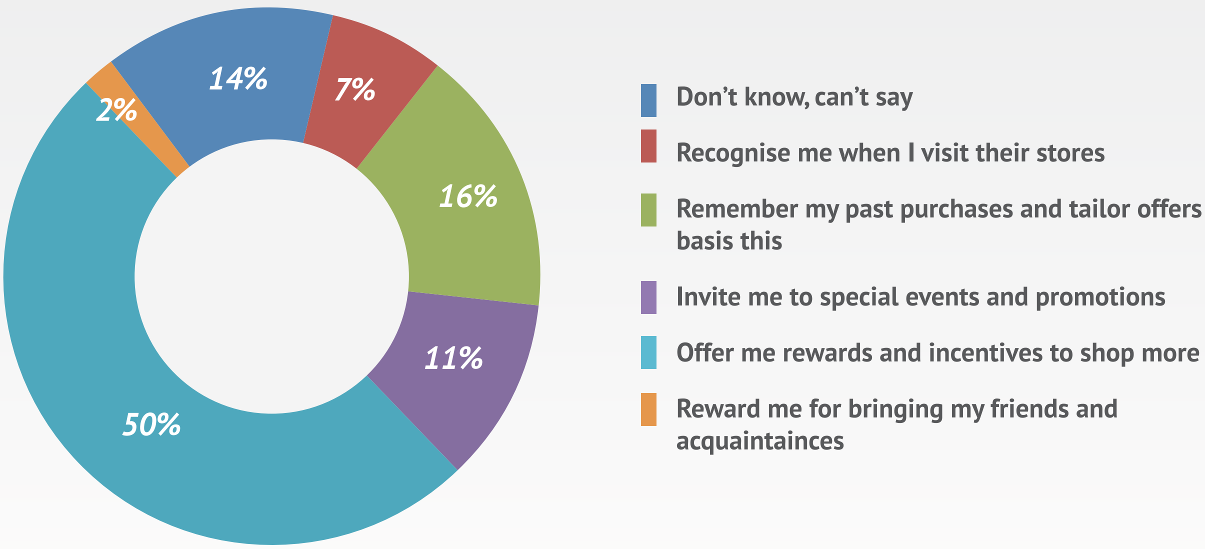
Almost half of respondents feel they don't share personal information while they shop online, when in fact the only way they can complete their shopping is by providing their personal details to the e-commerce site.

Could retailers then find innovative ways to capture and use shopper information?

EXPECTATIONS OF THE NEW AGE SHOPPER.

In the past few years, there is an upward trend in deal-seeking behaviour among the shoppers, **over half of the shoppers now seeking rewards, incentives and discounts.** Refer to the chart below.

Expectations from the retailers **once they have shoppers' personal information**



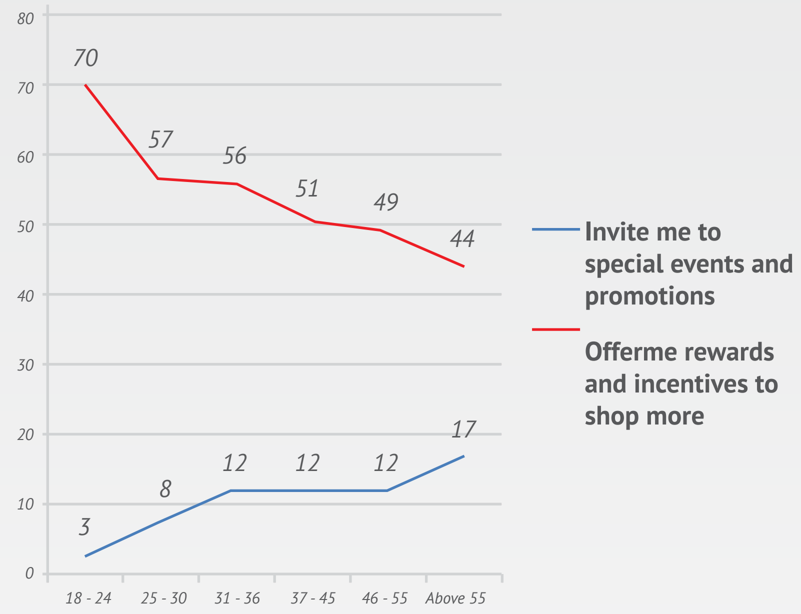
Numerous reward programs, deal sites, discount coupons, promo offers etc. are a result of this trend. **A recent study estimates the number of online deal sites of various categories to be just shy of 1,000.** Also, almost every retailer has a reward/incentive program of some form or the other. If coupon websites are to be believed, customers are using discount vouchers for almost everything from baby diapers and television sets to body massages and five-star hotel stays. According to Reuters, Groupon **India says it sells a voucher every 23 seconds.** FreeKaaMaal gets close to **3,500 transactions per day worth 3 million to 5 million Indian Rupees**, while Mydala says it sells **1,20,000 to 1,50,000 coupons daily.**

While this deal hunting phenomenon is up ticking, not all shoppers are the same. **The Hansa Cequity Omni-Channel Shopper study has shown that deal hunting is more popular among the younger shoppers while the older ones value experiential rewards.**

As the chart below shows, younger male shoppers are most comfortable sharing personal information with retailers, they are happy to do so in return for offers and discounts, older shoppers are seeking more exclusive rewards and recognition in exchange for sharing their personal information.

Expectations of younger shoppers that are willing to share their personal information 'Vs' the older ones

(in percentages)

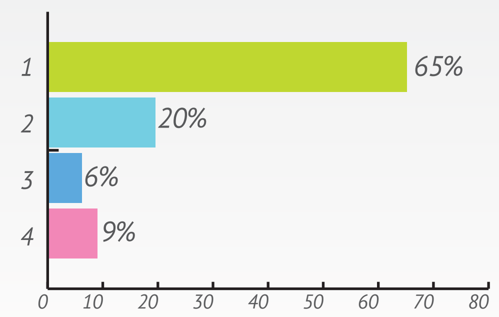


	Remember my past purchases and tailor offers basis this	Invite me to special events and promotions	Offer me rewards and incentives to shop more
18-24 years of age	10%	3%	70%
25-30 years of age	19%	8%	57%
31-36 years of age	18%	12%	56%
37-45 years of age	17%	12%	51%
46-55 years of age	13%	12%	49%
Above 55 years of age	11%	17%	44%

INNOVATIONS IN RETAIL.

The Indian shopper is aware of innovations that are being introduced by traditional retailers. In fact, a sizable number of shoppers seem to have taken advantage of services like "buy in store, get it delivered at home", "buy online, pick it up in store", "choose and pay in one store, pick it up in another store", "reserve online, pay and pick it up in store."

Have you come across any innovations from traditional retailers and department stores you shop in?



1) Buy in store, get it delivered at home.

2) Buy online, pick it up in store.

3) Choose and pay in one store, pick it up in another store.

4) Reserve online, pay and pick it up in store.

New delivery models

amazon.com

AMAZON'S DEDICATED COLLECTION POINTS:

Working consumers typically have problems receiving goods purchased online during the day, e.g. via parcel delivery. To combat this, Amazon has installed metal lockers in grocery and other stores such as 7-Eleven, which enables customers to pick up goods such as books, DVDs and electronic products.

Customer places order online | Amazon delivers it at metal lockers in grocery stores | Customer picks up the package at a time that's convenient for him

DRIVE-THRU COLLECTION:

Another major trend, particularly among big box retailers, is drive-thru collection. Most of France's leading supermarket chains, including Casino, Auchan, E. Leclerc and Intermarche, offer a drive-thru collection option.

Customer places order online | *Orders are ready for collection at the drive-thru* | *Orders are loaded into the customer's vehicle within 5 minutes*

VIRTUAL SUBWAY STORES:

A well-documented case from South Korea showed Tesco's local subsidiary Homeplus innovate with virtual subway stores that commuters can use to order products from their smartphones and get them delivered at home.

Homeplus sets up virtual stores at subways | *Customers choose the products with unique QR codes* | *Orders are delivered at the specified time*

OVERLAPPING PHYSICAL AND DIGITAL CHANNELS:

Some stores also aim to provide an overlap between the physical store and digital channels. For example, German convenience store Emmas Enkel which has set up iPads in its café area to enable consumers to browse and order over a cup of coffee and then collecting their order on the way out.

Emmas Enkel set up iPads in the café area | *Consumers can browse and order a cup of coffee from the iPad* | *Orders can be collected on their way out*

The retailer has also started displaying QR codes for more than 400 products on the outside of the store, which can be scanned and ordered via smartphone.

QR codes for 400+ products are displayed outside Emmas Enkel stores | *Products can be scanned and ordered via a smartphone*

Location-based mobile technologies are presenting new marketing opportunities to geo-fence customers and lure them into their own or away from their competitors' retail outlets.

Technology such as Bluetooth, Wi-Fi and text messaging is testing customer loyalty the further or closer they are from the strongest mobile brand marketer.

Currently, two cities in India have adopted this technology. Beacons have been installed in Palladium Mall, Mumbai and Phoenix Marketcity, Whitefield, Bangalore to help merchants connect with their customers based on real-time data regarding each shopper's location at those sites.

Beacons transmit location data in the form of a unique ID **|** *Phones receive this ID and forward them to the beacon software* **|** *This data can be shared with various apps within the mall*

There is no doubt that evolving mobile technologies and services are presenting innovative ways to build a better mobile marketing mousetrap to reach and engage customers at the heightened point of awareness.

IN-STORE TRACKING:

Indoor location technologies bring internet-style tracking to physical spaces. And their development is changing the way retailers, venue owners, manufacturers and brands think about operations, place-based marketing and the customer experience.

Indoor location and positioning technology is the next big thing – "bigger than GPS" or online maps. **It brings consumers from their home to the closest shopping mall or retailer, greeting them with a message as they enter the mall or the store, helping them navigate indoors, send product information and special promotions as they get closer, and finally allow them to pay for the items right from their mobile.**

PROGRESSIVE PROFILING:

To power more segmented messaging, retailers send progressive profiling campaigns, particularly in mid-November. These campaigns collect in-market information about what subscribers are interested in, which can be extremely helpful going into the holiday season, when once-a-year gift-buying makes subscriber interests a little schizophrenic. Zulily, BaubleBar, and Lowe's have all used progressive profiling effectively in the past.

A well-timed email encourages customers to set their preferences **|** *Brand alerts are sent out to customers based on their choices*

THE WAY FORWARD

1. **Assess your company's Marketing Maturity and Gaps in the building blocks and develop a framework to monitor, measure, review and improve the effectiveness of marketing initiatives.** The Hansa Cequity Customer Marketing Maturity Model assesses the level of customer marketing maturity of an organisation. This is measured across 5 functions: customer strategy, data environment, analytics capability, digital marketing and marketing technology. This test enables you to identify where your organisation ranks and how ready it is for the Age of the Customer.

2. **Map your customer's buying and service processes through an interactive map.** Customer Journeys are full lifecycle view of a customer's interactions, behaviour, action or inaction with a brand at each touch point. Cequity CJM helps you better understand and address your customers, unite all the customer silos, identify operational inefficiencies, provide better customer service, discover new opportunities and visibly connect business value and customer value.

3. **Recognise that the core asset is your customer and invest in strong Master Data Management solutions to gather customer information in an Omni-Channel manner.**
   Cequity Snapshot

4. **Have an intelligent analytics platform, deriving insights from these core entities would then serve to be of tremendous value to you in framing your personalisation strategy, CRM strategy and Omni-Channel initiatives.**
   Analytics at Cequity

Customer Journey Stage	Goal	Analytics
Discover	*Profile customers*	*Segmentation*
	Evaluate prospects	*Lead scoring*
	Reach the right prospects	*Acquisition modules*
Explore	*Analyse customer response*	*Offer/contact optimisation*
	Optimise marketing mix	*Marketing mix modeling*
	Test marketing	*A/B multivariate testing*
Buy	*Predict future behaviour*	*Prpensity models*
	Target accurately	*Segmentation, valuation models*
	Personalise marketing	*Next best action models*
Engage	*Expand breadth of customer interactions*	*Cross-sell/upsell*
	Increase depth of customer interactions	*Loyalty models*
	Incorporate customer feedback	*Voice of customer analysis*
	Manage customer atrition/defection	*Churn/attribution models*
	Maximise customer value	*Lifetime value models*

5. **Give your customers personalised shopping experiences, with messages being delivered to them through their preferred channels.**
   Campaign Management at Cequity

6. **Always provide rich, useful content, communicate according to the context and maintain consistency across all channels.**
   Digital experience at Cequity

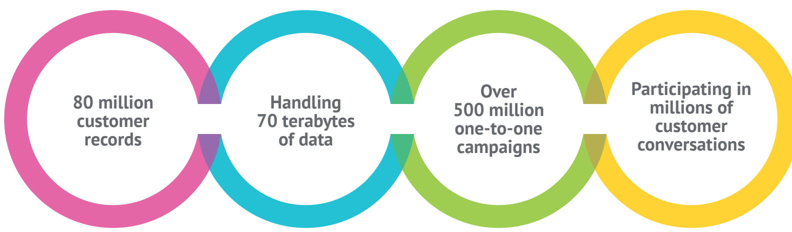
ABOUT HANSA CEQUITY

hansa cequity
ENRICHING CUSTOMER EQUITY

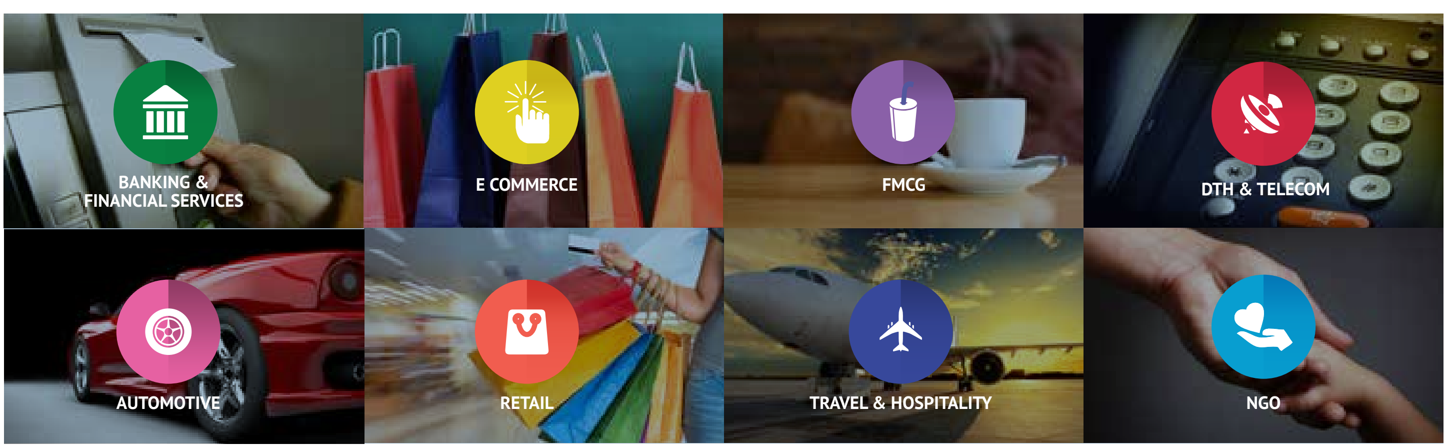
With a data-driven marketing thinking and strategy, Hansa Cequity helps companies build intelligent, intuitive and real-time customer relationships. We enable this by leveraging the power of technology through proprietary and best-in-class marketing automation and analytics platforms.

hansacequity.com

Our data consultants understand and unify data from multiple sources. Our analysts and customer marketing specialists glean out insights and understanding of our client's customers or prospects. Our campaign management and digital marketing consultants then move in to create meaningful engagement opportunities in a multi-channel environment.



Helping India's leading companies with their customer marketing efforts:



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Authors

Ajay Kelkar, Cofounder & *COO, Hansa Cequity.* With over 24 years of work experience across brands such as P&G, PepsiCo, Shopper's Stop and HDFC Bank, Ajay is the Co-promoter & Chief Operating Officer of Hansa Cequity. As the Chief Marketing Officer at HDFC Bank, he led the bank's marketing team on the pioneering path of analytics driven, data-led marketing. The bank executed a unique data-based strategy and this led to huge ROI in cross-sell and upsell.

Nishad Ramachandran, *SVP, Digital Experience Group, Hansa Cequity.* Nishad has over two decades of experience across traditional advertising, CRM, digital and social media marketing. He believes all advertising is converging around a digital marketing hub. He has worked on award winning campaigns with leading brands like HSBC, Shoppers' Stop, Asian Paints, Unilever and Axis Bank. He was on the jury of the 55th Cannes International Advertising Festival.

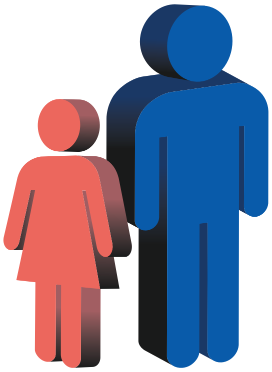
Shankar Shethe, *Management Trainee, Hansa Cequity.* A techno-business professional who combines his passion for technology with business understanding to achieve business outcomes. He is featured among the top solvers worldwide on CrowdANALYTIX solver's community – a crowdsourced platform with over 8,500 experts from 50+ countries. Shankar is an MBA from IIM and holds a bachelor's degree in Engineering.

METHODOLOGY

In this study, Hansa Cequity conducted an online survey of 1,368 multi-channel shoppers who have made a purchase in a store or online in the past few weeks to evaluate shoppers' omni-channel attitudes and acceptance of omni-channel retail capabilities.

Survey participants included people from all age groups and diverse locations, regions in India. There was sufficient representation of various clusters in the sample size of Indian shoppers; **males and females, metro and non-metro dwellers, Tier 1, 2 and the rest, various age groups** (18-24, 25-30, 31-36, 37-45, 46-55 and 55+). Respondents were offered an incentive of INR 1000 shopping vouchers as a thank you for time spent on the survey.

After rigorous analysis of uniqueness and genuineness of responses, **885 out of 1368 responses** were validated and considered for the study. The study began in May 2015 and was completed in **June 2015**.



18-65 years of age

1,368 completed responses

885 responses validated

Appendix

1. A commissioned study conducted by Hansa Cequity, May 2015
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16. MIT Tech Review, "It's All E-Commerce Now"
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