

IBM and the Future of Indian Retail

Goldie Srivastava: Hi. I am Goldie Srivastava and today we are going to talk about the Future of Indian Retail an industry that has truly been witnessing a phenomenal growth in the recent past. To discuss this subject I have some great guests with me here today, I have Gibson Vedamani who is the CEO of Retailers Association of India, and I have Kumar Rajagopalan who is the Retail Solution's Leader for IBM India, South Asia. Welcome to the future of Indian Retail Pod cast, Gibson and Kumar. So, Gibson let me start with you really. You head an association of all the key retailers across the country. You interact with them on a regular basis and you are aware of the phenomenal growth that this industry is witnessing. Where do you really see the retail industry headed over the next five years or so?

Gibson Vedamani [CEO - Retailers Association of India]: Goldie, as you are aware retailing in India is happening phenomenon right now and if you look at the past retailing has grown from strength to strength. Currently we see retailing being organized with just 4% of retailing being organized. We have got another 96% of opportunities for retailing to become organized in India. We have seen in the last three to four years many corporates have come into retailing and consumption is happening in a big way in India and in another five years, retailing is going to be booming in India with many formats coming in and with many more corporate organizations coming into retailing, I think, it is going to be happening in the country.

Srivastava: Great and Gibson, you know, retailing is considered to be a sunrise industry in the country, but it is also intensely competitive as I understand, how, do you think, these new organizations are going to really differentiate from each other over the next five years or so?

Vedamani: Goldie, yes, you are right, as retailing grows many organizations tend to just look uniform and tend to operate in an uniform fashion, but what is going to create that differentiation to the consumer is the way technology is going to be used in retailing. Technology is going to be the enabler to differentiate one retailer from the other.

Srivastava: So Kumar let me turn to you; you really look into a lot of these retail technologies and solutions. From a technology perspective, how do you think tech is really going to help shape the retail industry in the future? How do you think the industry is going to differentiate by leveraging technology?

Kumar Rajagopalan [IBM's Retail Solution South Asia]: The specialty for India and something which is different about India is that what happened in forty years across the world is scheduled to happen in about five years in this country, which means that there are lots of retailers who are not been retailers for a long period of time. There are new industrialists who want to get into retail as one more industry and therefore the way they look at technology is different than the rest of the world:

a) Because they do not have any legacy.

b) Because they want to do all this in a very, very short period of time
c) They have money to talk about here and they want to make sure that they are investing in the right places - - specific solutions like multi channel retail, for example. Now customers definitely want to go in into the store and shop, but that does not mean that that is the only place that they would like to shop from, they are as willing to look at other channels of shopping like catalogue, like calling up onto a call center and asking for information, getting on to the internet and doing shopping through a dot com player and therefore the retailer in India has to get prepared for this and this is where when IBM has got a lot of solutions available for multichannel retail. Now this also brings a different permutation to this is about the way in which we want to address individual customers and all customers do not want to behave the same way when they go shopping so it is essential to understand individual customers and tailor the offerings to that particular customer. Here we bring in solutions like retail business intelligence solution, which talks about tailoring offers to the individual customers in the market place. So there are some unique things like this. Now we also offer a solution called total store, which is actually a store integration framework, here the customer is capable of enjoying the entire convenience that a shopkeeper or a retailer would like to provide to the customer when they come in into the store and this allows speed, this allows ease of understanding, this allows the customer to move in the store faster and with lots more relevance and these kinds of solutions really help the market place.

Vedamani: As Kumar said that there are lots of unique things that are true only in an Indian scenario for instance we are in an MRP scenario where the margins are squeezed for multibrand retailers. Then lot of other unique scenarios that Indian retail has, in order to address all these I think efficient deployments of technology solutions only is going to help. What is retailing? It is about managing the merchandise and the supply chain of course and managing store operations, so if you want to attain efficiencies it is only by technology that you can attain efficiencies whether it is a matter of managing stock turns and managing gross margins and managing your operations. It is only technology that is going to, kind of, integrate informations right from the source till the consumer and in a feedback system as well. So it is all about how you are going to respond to the customer on time. So in that scenario technology and solutions are going to actually help retailers identify their customers, giving them the right information getting the right feedback and getting ready with the right product and services for the customers on time and that is going to be the differentiator. That retailer who is going to respond to customer demands on time, he going to emerge as the winner.

Srivastava: Globally there is a strong trend for online retailing. What do you think the future lies for online retailing in India?

Vedamani: The future is going to be bright because even though if we look at the penetration the PC penetration or the intranet usage they are pretty high and people are just getting to kind of use multichannel in areas like for instance airline ticket booking and movie ticket booking and things like that are being done currently, but for retailing people have not been using it largely, but I think at least for sharing information people are going to be using multichannel retail. Catalogue may be it will start happening in India because in India we as customers would like to touch, feel the product and then buy, so we just do not buy from the net just like that. But, using and exchanging

information with the customers by retailing companies, that is going to happen in a big way. For instance, to use mobile phones with messages and alerts and information sharing, that is what is going to happen in future in a big way

Srivastava: Also there is retail industry solution lab that we have setup in New Delhi at or India Research Laboratories, could you also share some light on what kind of work we are doing over there and how we are working with the larger ecosystems partners to bring those solutions?

Rajagopalan: The thing is that when we speak to customers about various trends in the world, they understand it in a particular manner; however, the lab the way it has been designed is that it showcases most of these on a test situation and that really helps customers because when they come in and when they see for example the power of our total store solution they are immediately convinced about it and more importantly then it let's them start thinking about doing their business very differently because at the end every retailer is trying to create an organization that is very customer-centric and when you talk about total store solution they understand it first time, but when they see it in action, they are able to really dream larger than they would have dreamt before in order to create this customer centricity in their business models. So that is the way in which retailers see value out of what we have in our industry solution lab.

Srivastava: Great Kumar, but this is my last question really Gibson and that would be for you, you have really been leading this association for a while now. If you were to really identify three key opportunities for the retail segment, what would those be and also what would be the three biggest challenges that you think the industry needs to work out?

Vedamani: Goldie, first and foremost I think innovation is going to be key. I think those retailers who would look at innovations in order to delight customers they are going to be winners at the end of it all. Second, I think speed is going to be of essence. The speed with which retailers will be able to serve customers that means those retailers who will be able to give the customers the right product in the right time in the right place in the right price and in the right quantities they are going to be winners again. The third point is that retailers will have to look at things out of the box, in the sense that they will have to adopt multiformat and multichannel retail. They will have to use many more vehicles than just to brick n mortar format and they will have to use multichannel retailing, they will have to go into catalogues, they will have to go in to using of mobile phones and things like that for retailing in future. So those retailers who are able to reach customers through many ways they will get a broader spectrum of customers and they will make many customers buy from them.

Srivastava: So Kumar could you share with us some thoughts on what are the key technologies that these retailers are really going to be looking for over next few years?

Rajagopalan: I think the way we are looking at this market there are different retailers looking for different solutions based upon what their priority is and depending upon what part of the product life cycle have they attained. So there are some retailers who are very clearly looking at methods of getting deeper consumer insight and having the capability to do tailored offers for these customers. So that is one kind of solution that we really work with, with some of the retailers. There are other retailers who have been trying to make sure that the associates that they have with them are being empowered better, so they are looking for capability to create better associate commitment and better associate management if you can call it that, so that is the other one that they are looking at. The third type of retailers are actually some of the retailers are looking at very clearly reaching the consumer in any which way they can and therefore they are adopting the multichannel retail solution with a fervor and there are some retailers who are seeing that hyper growth means that they will have to realign their organization to be able to take this kind of growth and therefore they speak to us for creating processes for organization in alignment internally so that they can match the kind of speed of growth that they are currently going through.

Goldie Srivastava: So, great, Mr. Gibson and Mr. Kumar. Thanks a lot for taking time out to talk to us on this. This was really interesting and I hope our audience would really enjoy with these insights. Thank you once again for joining us on this Future of Retail Pod cast.

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