# INDIA PHYGITAL INDEX — 2023

## A Blueprint for Successful Omnichannel Retailing in India

## ABOUT US

Established in 1992, IMAGES Group is India's most prolific and influential disseminator of retail intelligence. Recognised by Indian and international retail communities through its B2B magazines, conferences, exhibitions, research reports and web portals, the IMAGES Group is the largest retail intelligence organization in South Asia and the Middle East, whose multiple products and services function as catalysts for the profitable growth of modern retail through knowledge platform leadership.

The Group's knowledge platforms include print and online reportage, research studies, and major annual business events with conferences, masterclasses and workshops serving multiple verticals/segments/operations of retail. The mega industry events include: India Food Forum, India Fashion Forum and the Middle East Retail Forum.

Fynd is India's largest omnichannel retail platform and a global multi-platform tech company with expertise in retail tech, artificial intelligence & machine learning. Fynd's bespoke solutions enable retail brands to connect online and offline commerce. Fynd has scalable technology and expertise to integrate with the brand's brick and mortar stores, web stores, and business on third party marketplaces.

Fynd's holistic omnichannel management suite integrates inventory visibility across all stock-points. It allocates, creates, and processes orders and aligns last mile logistics to manage order fulfillment up to the customer's doorstep. Other than increasing sales, the platform helps brands seamlessly manage product catalogs & multiple sales channels on a single panel and offers a smooth and satisfying experience for a brand's end customers.

Fynd has proven its capabilities by managing 2,300+ brands, 10,000+ stores, contributing to 15-30% additional store sales, syncing 720B+ units of inventory & processing 1.5M+ orders per month.

## ABOUT US

At PwC, our purpose is to build trust in society and solve important problems. We're a network of firms in 152 countries with over 328,000 people who are committed to delivering quality in advisory, assurance and tax services.

In India, PwC has offices in these cities: Ahmedabad, Bangalore, Bhopal, Bhubaneswar, Chennai, Dehradun, Delhi NCR, Hyderabad, Jaipur, Kolkata, Mumbai, Patna, Pune, and Raipur. For more information about PwC India's service offerings, visit www.pwc.in

PwC refers to the PwC network and/or one or more of its member firms, each of which is a separate legal entity. Please see www.pwc.com/structure for further details.

Strategy& is a global strategy consulting business uniquely positioned to help deliver your best future: one that is built on differentiation from the inside out and tailored exactly to you. As part of PwC, every day we're building the winning systems that are at the heart of growth. We combine our powerful foresight with this tangible knowhow, technology, and scale to help you create a better, more transformative strategy from day one.

As the only at-scale strategy business that's part of a global professional services network, we embed our strategy capabilities with frontline teams across PwC to show you where you need to go, the choices you'll need to make to get there, and how to get it right.

The result is an authentic strategy process powerful enough to capture possibility, while pragmatic enough to ensure effective delivery. It's the strategy that gets an organization through the changes of today and drives results that redefine tomorrow. It's the strategy that turns vision into reality. It's strategy, made real.

# FOREWORD ◆ ◆ >>

*Dear Readers,*

Retail in India has truly come of age. And all its drivers—consumption, economy, innovation, technology—are equally powering the spectacular growth of the industry in the world's most exciting, aspirational market. The rise of India-Bharat as a Retail Powerhouse underlines the country's largest retail business event—Phygital Retail Convention (PRC) 2023. Held on 11th-12th May 2023 at the Jio World Convention Centre, Mumbai, PRC 2023 is hosting the who's who—and who's next—in the business of retail in India at a mega, 100,000 sq.ft highly experiential environment. Among many highlights of the event is the launch of India Phygital Index 2023 Report, which covers how Industry leaders offer integrated offline and online experiences to consumers that help them win. PwC Strategy&, the strategy consulting arm of PwC, along with IMAGES Group and Fynd, is creating this year's report.

As you will find in this in-depth report, its foundation is a category-specific survey to understand across analytics, marketing, omni experience, logistics, profitability and many more dimensions of brands and retailers across multiple consumption verticals. The research team has gone all out to gather valuable data and insights from every large and small, major and upcoming, retail and allied company in India. To share some names, Aditya Birla Fashion and Retail Limited, Arvind Fashions Limited, Cravatex Limited, DLF, GOPIZZA India Pvt. Ltd, Liberty Footwear, Kaya Skin Clinics, Landmark Group, Mad Over Donuts, Reliance Brands Limited, TCNS Clothing Co. Limited, Shoppers Stop, Starbucks, Titan Company, Usha Appliances, Da Milano, Rebel Foods, Trent Ltd., are just a handful of the brands and retailers whose phygital prowess and strategies will be unveiled in this remarkable report.

These are invaluable industry insights—what's the latest, what success looks like today and tomorrow, how to ensure you continue winning, among many other topics. The intent is to help organisations get more clarity in the dynamic and rapidly evolving consumer universe of today, and reset their priorities via decision making.

This report is the outcome of truly path-breaking work done by Strategy&, the strategy consulting arm of PwC, and Fynd, along with the team at IMAGES, and I expect it to become a valuable asset for every consumer brand and retailer aiming to win in the Indian market of today and tomorrow.

*Amitabh Taneja*
*Managing Director*
IMAGES Group

# FOREWORD ◆ ◆ >>

*Dear Readers,*

If 2022 taught us anything, it's that myths about the decline of offline retail are just that: myths. Retailers in India leased nearly 4.7 million square feet of space across top cities in 2022 alone.

It's not just a comeback; it's the age to cater to an audience that prefers experiences over products, and big retail brands are globally capitalizing on the trend. While the US is the hub of such stores, India too is on a steady rise.

India Phygital Index 2023 highlights how online-launched D2C brands are now moving offline and readjusting their physical store strategies. They are adopting technologies that facilitate omnichannel experiences, like QR codes, endless aisles, and self-checkouts.

The report also highlights iconic offline brands moving online to serve customers from smaller towns. However, online penetration is limited in categories like beauty and personal care, apparel, and home & furnishing, which require a higher level of look and feel. Retailers need agile and flexible commerce to bridge this gap, and composable commerce is the answer.

The omnichannel buzz can be overwhelming, but to stand out, retailers need to scale up to the right architecture to unify offline and online channels in the truest sense. From headless commerce to in-store experiences, technology adoption is the only key driver to combat changing market conditions, customer preferences, and emerging trends.

At Fynd, it has been a great experience to power the India Phygital Index 2023 by leveraging our omnichannel connection with brands in compiling the report. I hope this report will provide valuable insights into the current and future trends in the retail industry and help retailers prepare for the challenges and opportunities ahead.

*Harsh Shah*
*Co-Founder*
Fynd

# PREFACE

**Ravi Kapoor**
**Partner & Leader,**
**Retail & Consumer,**
PwC India

**Girish Shirodkar**
**Partner, Strategy&,**
PwC India

2022 is the year the Indian retail industry finally put COVID firmly behind. While offline retail has recovered, the consumer's continued embrace of the online world is ensuring that online continues to grow rapidly.

It is hence crystal clear that the present reality of retail is phygital. Customers' purchase journeys hop seamlessly from on-line to off-line and vice versa. Winning in this reality requires a clear focus not just on discovery/access but customer delight, a consistency in service across all channels, and timely fulfillment.

A holistic omnichannel approach is the foundation which seamlessly and consistently integrates all aspects of the retail value chain from assortment selection, showcase, inventory optimization, frontend staff, fulfillment and returns, etc., in order to deliver a consistent, personalized brand experience to customers.

In this report, we examine and answer three key questions likely to occupy retail leaders' minds:
1. How will online penetration evolve in each retail category?
2. How should we try to win in ecommerce? Focus purely on marketplaces or double down on our own website?
3. How can you create an omnichannel right to win in the current online-offline paradigm?

To answer these questions, we reached out to over 100 top Indian and global brands operating in India across categories, using the Images database built over 20 years, for an in-depth survey about the scale of their ecommerce business, their omnichannel readiness across people, analytics, marketing, customer experience, logistics, profitability, and many more dimensions. We analyzed ~3 million ecommerce transactions across 250 brands to derive insights into consumer behavior. We also interacted with more than 50 practitioners and leaders in the industry.

Additionally, our teams reached out to internal Retail Sector experts across the PwC network globally and comprehensively researched the latest developments in ecommerce and retail.

# DISCLAIMER

2022 was the year the retail market has fully recovered with organized retail sales in FY2023 clocking in 34% above pre-pandemic levels (FY2020), with healthy growth across all regions. Driven by the economy's continued growth, the number of households earning over ₹1 million per annum is expected to nearly double to ~78 million by 2030. Consequently, the Indian luxury and premium retail markets are expected to outpace the growth in the mass segments.

**Why ecommerce penetration continues to grow**

Ecommerce has rapidly made inroads into our lives in the last decade and is expected to grow at 24% CAGR by 2025. In order to understand the ever-increasing share of ecommerce, we must understand the underlying drivers:

- **Shifting Consumer Mindset**: Consumers have come to increasingly trust online channels & sellers with an increasing share of their wallets, thanks to consumer-friendly features such as unbiased user reviews, detailed specifications, review videos, and user-friendly return policies. Video/live shopping could attract even more customers by making online shopping more recreational, and interactive.
- **Supply**: Ecommerce has enabled delivery to ~25k serviceable pincodes in the country, as enabled by the marketplace, opening up access to markets otherwise untouched by regular store network. As marketplaces continue to build scale they are reducing entry barriers for new D2C brands/private labels, enabling next-day delivery, and minimal setup cost.
- **Social Media**: Social media has become a brand awareness channel where customers regularly consume hours of targeted advertisements, branded content, and engagement campaigns every week.
- **Infrastructure**: This ecommerce growth is underpinned by consumer adoption of smartphones and mobile internet and the UPI stack.

However, online retail penetration varies across categories—with categories that require touch & feel and lack standardization such as Beauty & Personal Care, and Home & Furniture lagging behind more objective categories such as Electronics & Appliances. The sector where online penetration is the least is Home & Furnishings. This is due to the unorganized nature of the category and deep need for touch & feel. Even in global markets, no profitable Home & Furnishings marketplace has yet demonstrated lasting profitability.

Within ecommerce, marketplaces comprise over 80% of online sales, which is predominantly led by horizontal marketplaces such as Amazon and Flipkart. Vertical marketplaces have made headway only in specific categories—Nykaa has built key category-specific features such as assurance of authenticity, easing trials and try-ons, and an unbiased community of users providing advice. Zomato and Swiggy lead food delivery thanks to their investment in a large hyperlocal logistics network that ensures timely delivery.

The latest growth driver of ecommerce is quick commerce (qcommerce) which is actively looking to cannibalize the neighborhood shopping market. Qcommerce has become a virtual shopping arcade that has expanded from Grocery to Beauty & Personal Care and is adding new categories rapidly.

**How online and offline shopping journeys are converging**

Today, the customer purchase journey moves online-offline and back seamlessly—e.g. customers may research products online, only to go offline to get a demo and buy it.

Consequently, D2C brands are moving offline to monetize their brand, further build customer trust and complete the customer journey touchpoints. However, going offline requires the development of a completely new mindset and capabilities for D2C brands such as mature site-to-store processes, offline assortment planning, visual merchandising, among others. At the same time, legacy offline brands have also started moving online to leverage their loyal customers.

We are pleased to note that almost half the participants in our survey from the Fashion & Lifestyle and Food & Grocery sectors reported >10% online sales.

**How can retailers compete on, and with marketplaces**

Marketplaces present a unique opportunity—with users running into the hundreds of millions, online marketplaces are a low entry barrier sales channel for brands. As a result, D2C and private brands have launched and thrived on marketplaces. Similarly, many new dark and cloud kitchens have launched and thrived on food delivery platforms.

For existing offline retailers, the decision to build the brand's own website is not straightforward. It is dependent upon the product category and the brand salience—consumers are far more likely to buy an expensive mobile phone directly from original equipment manafacturers (OEMs) than a packet of mosquito coils. This issue is exemplified in the Food Delivery space where customers are more likely to open the leading food delivery apps which have the largest restaurant network.

Technology is making hitherto advanced features accessible for a small fee to any organization. AI & AR can help create a differentiated end-user experience by enabling users to virtually place a product in their household or try various fashion accessories on themselves. With the cost of integrating AR reducing drastically over the last few years, its adoption is likely to grow.

**What is the secret sauce of winning in omnichannel**

Only a few mature global brands have been successful in providing a unified and consistent omnichannel experience—with regular & personalized customer engagement, unified pricing & sales events, easy online/offline shopping & returns, and a consistent brand experience across channels. Delivering omnichannel delight requires consistently high operational KPIs for which brands must make thoughtful step-wise investments to enhance the capabilities across people, processes, and technology.

Our survey revealed that brands have started leveraging their omnichannel capabilities to improve profitability by optimizing assortment and omnichannel fulfillment to maximize return on ad spends (RoAS) while setting up dedicated omnichannel teams. This has resulted in 60%+ survey respondents indicating that they earn a RoAS above 4.

**Imperatives for the C-Suite**

CXOs, instead of trying to do everything at once, need to focus on an incremental step-change approach to build the right capabilities and organizational strength to deliver meaningful impact with customers while transforming their organizations to be truly omnichannel ready with the following steps:

**Gain discoverability with the online customers:**

- Leverage the dominance of marketplaces to seed and gain visibility with the online customers.
- CXOs need to turn this visibility and ensure their brand is demonstrating success on marketplaces by developing well-rated best sellers, achieving high RoAS, high availability and fulfillment metrics etc.
- Focus on few but critical set of capabilities to turn online-ready with cataloguing, sourcing & supply chain capabilities.

**Establish direct engagement with customers:**

- As the brand achieves recognition on marketplaces, CXOs need to turn focus on own ecommerce website/apps to create a direct interface and connect with their customers.
- Brands need to start with a strong, compelling value proposition which is clearly articulated and communicated to their target audience.
- Brand ecommerce website & apps should become the cornerstone of delivering the stated value proposition with clear strategies to build traffic at low cost, optimize customer aquisition costs (CAC), achieve differentiation via service and fulfillment performance indicators (KPIs) and others.

**Enable seamless omni-experience:**

- As the brand's connect with digital experience matures, delivering rich and seamless omni-experiences to customers is an imperative for which CXOs need to ensure not just omnichannel feature deployment but also organizational alignment through cross-channel integrated functional planning (for assortment & pricing, marketing, sales events, CRM), frontend employee training and incentivization, adequately tech-enabled omni supply chain and other aspects.
- CXOs of D2C brands on the other hand would need to further double down on customer trust and serviceability by developing and expanding offline presence. To do this successfully, they need to develop critical capabilities to undertake catchment offering fit, identify the right locations, store size, layout, assortment, inventory planning, and visual merchandising.
- D2C CXOs would also have to undertake channel expansion strategy across both modern and general trade while digitizing the channel to ensure a seamless online to offline experience even via channel partners.

**Earn long term customer loyalty & advocacy:**

- CXOs need to develop a set of differential capabilities in customer analytics, feedback-based assortment planning & pricing, etc. to deliver hyper-personalized experience to customers.
- CXOs need to strive constantly to increase customer lifetime value (CLV) by molding an organization that can identify and react to evolving customer needs from their brand/ category in a hyper-competitive space.

## INDEX

# 01

# How will ecommerce penetration evolve?

# Strong domestic consumption will drive healthy growth across retail categories

## Indian Retail Market

*(in USD billion)*

- 2022: **727**
- 2027F: **1,215**
- **+11%**

## Key Growth Drivers

| Economic growth | • **6.5%** projected real **GDP growth** in FY2024<br>• Retail inflation has **declined** to **5.8%** |
|---|---|
| **Private Final Consumption Expenditure (PFCE)** | • **56.9%** of GDP in FY2023<br>• Expected to grow to 57.2% in FY2024 |
| **Growth in online sales** | • **Online** retail market to **grow** at **22%** from 2022-25<br>• Driven by increased buying in tier 2 and 3 cities |
| **Emerging tier 2 and 3 cities** | • **77%** of internet users are from tier 2 and below cities<br>• **50%** of online shoppers are from tier 2 and 3 cities |

## Category-wise Split

### Categories focused in this report

**2022 (640):**
- Beauty & Personal Care: 15
- Furniture & Home Textile: 22
- Apparel & Footwear: 78
- Electronics & Appliances: 68
- Food & Beverage: 457

**2027F (1,046):**
- Beauty & Personal Care: 23
- Furniture & Home Textile: 37
- Apparel & Footwear: 117
- Electronics & Appliances: 129
- Food & Beverage: 740

**CAGR:**
- Beauty & Personal Care: 9%
- Furniture & Home Textile: 11%
- Apparel & Footwear: 8%
- Electronics & Appliances: 14%
- Food & Beverage: 10%

**Legend:**
- Beauty & Personal Care
- Furniture & Home Textile
- Apparel & Footwear
- Electronics & Appliances
- Food & Beverage

# Driven by a rising affluent class, Indian market is witnessing high growth in luxury and premium segments

## Share of elite and affluent households will increase to 22% by 2030 vs 12% in 2019

**% of households by income (in millions)**

**Category Income** (lakhs per annum)

| 2019 (289) | 2030 (354) |
|---|---|
| 3% | 6% |
| 9% | 16% |
| 20% | 26% |
| 45% | 40% |
| 22% | 11% |

- Elite (>20)
- Affluent (10-20)
- Aspires (5-10)
- Next Bn (1.5-5)
- Strugglers (<1.5)

| % Share (in value) | Segment | Growth Rate |
|---|---|---|
| 4.4% | Luxury | ~20-25% |
| 9.7% | Premium & Bridge to Luxury | ~11-13% |
| 37% | Mid Value Fashion | ~7-12% |
| 49% | Economy | ~4-7% |

In Fashion, **premium & luxury segments** are growing at a much higher rate than mid-value and economy segments

**High disposable income & aspirational** shift to premium brands attract **luxury brands &** the need to go **phygital**

### Impact of shift towards premium products

- **90%** y-o-y EBITDA growth in Louis Vuitton's India business in FY2022
- **28%** y-o-y growth in Luxury Goods Retail's* revenue in FY2022
- **50%** Growth in Luxury Time Pvt Ltd's sales in 2022 over 2019

**Go Phygital**

- Experiential Selling
- Emotional Touchpoints
- 4G Rollout

*Luxury Goods Retail Private Limited is a JV of Gucci in India
Source: Euromonitor.com, DCII report: BCG, Matrix Partners, Tofler, Mint, Strategy& Analysis

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# Online penetration is determined by social media reach, consumer mindset, supply and infrastructure

**Online Peneteration**

### SOCIAL MEDIA DRIVERS
- Influencer Marketing[1,2]
- Targeted Advertisements
- Brand Visibility
- Customer Engagement
- Customer Retention

### CONSUMER MINDSET
- Easy Search[1]
- Online Feel/Look[2]
- Accurate Specifications[4]
- Reviews & discounts[4]
- Growth in tier 2/3 cities

### SUPPLY DRIVERS
- Low Entry Barriers
- D2C Brands
- Inventory Management[1,4]
- Low Setup Cost[3]
- Fast Delivery[5]

### INFRASTRUCTURE DRIVERS
- Broadband Penetration
- Smartphone Penetration
- 4G Rollout
- Ease of Payment
- Logistic Management[3,4]

1 - Apparel & Footwear
2 - Beauty & Personal Care
3 – Home & Furnishing
4 – Electronics & Appliance
5 – Food & Beverages

Source: Strategy& analysis

# Online retail will grow at a CAGR of 22% till 2025, led by Food Delivery and Beauty & Personal Care sectors

**Online penetration for selected categories**
(2022 to 2025, USD billion)

**+22%**

74.2

40.9

2022 | 2025F

**22%** | Penetration | **29%**

**Online Growth Drivers**

Smartphone penetration expected to grow by 30%

Number of internet users expected to grow by 35%

Increase in social commerce and consumer awareness

Shift in habit and preferences of consumer

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## Apparel & Footwear
(2022 to 2025, USD billion)

**+17%**

17.6

11.0

Penetration
14%
19%

2022 | 2025F
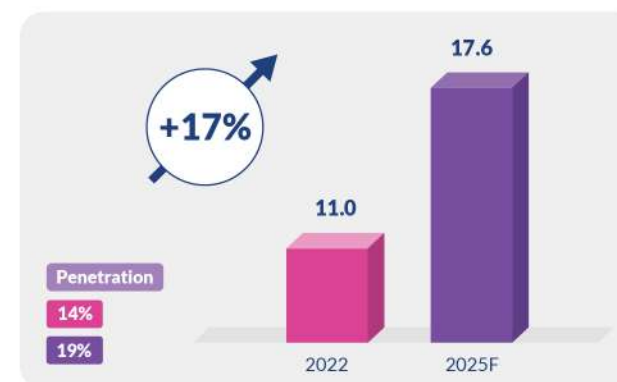
## Beauty & Personal Care
(2022 to 2025, USD billion)

**+30%**

3.5

1.6

Penetration
11%
18%

2022 | 2025F

## Furniture & Home Textile
(2022 to 2025, USD billion)

**+18%**

3.0

1.9

Penetration
8%
9%

2022 | 2025F

## Electronics & Appliances
(2022 to 2025, USD billion)

**+21%**

37.3

21.3

Penetration
29%
36%

2022 | 2025F

## Food Delivery
(2022 to 2025, USD billion)

**+36%**

12.8

5.1

2022 | 2025F
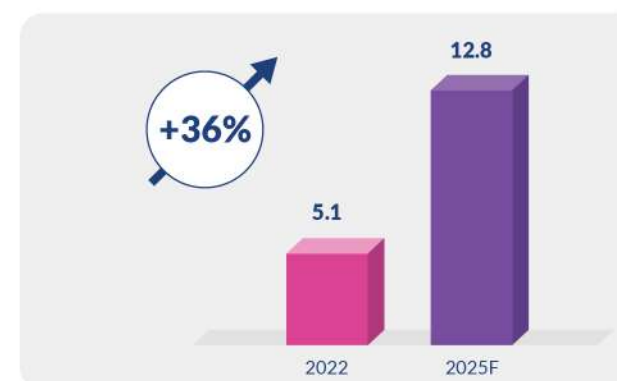
## Food delivery does not cannibalize offline market

Online food delivery market mostly replaces home meal preparation and so has led to incremental growth for the category.

In FY2023, **40%** of brands achieved growth via online channels

**50%** of brands expected a growth rate via online channels in FY2024

# Online retail penetration lags in categories that require touch & feel and lack standardization

● Supporting factors   ● Inhibiting factors

**Electronics & Appliances**
| | | |
|---|---|---|
| Highly standardized products with complete specifications available | Pre-approved financing options | Digital first brands in certain sub-categories |
| Easy returns and replacement | Reviews and demo videos | Look and feel in case of few appliances |

**Food Delivery**
| | | |
|---|---|---|
| Ease of ordering & cost saving | Solution for groups with varied preferences | Absence of dine-in experience |
| Trust in getting fresh and high-quality food | Fast-paced life and lack of time | |

**Fashion & Apparel**
| | | |
|---|---|---|
| Personalized product offerings | Penetration in tier 2 and 3 cities | Online sale via MPs reduces engagement with the brand |
| Reduction in search costs, product reviews | Discounts, free deliveries, easy returns | Absence of look, feel |

**Beauty & Personal Care**
| | | |
|---|---|---|
| Offline-like experience with AR | Genuine feedback from community | Online skin tests & AI-based suggestions |
| Authenticity issues, sale of fake products | Absence of look, feel, and smell of products | Therapeutic retail experience |

**Home & Furnishing**
| | | |
|---|---|---|
| Deep discounting | Lack of end-to-end design & planning services | Logistics maturity & assembly network |
| Showrooming & virtual product visualization | Lack of customization & product uniqueness | |

# Ecommerce is dominated by marketplaces which corner over 80% of online sales

**Indian Retail Ecomm Market Share (2022)**

Market Size: USD 51 billion



Pie chart: 38%, 35%, 8%, 19%

■ Flipkart   ■ Amazon   ■ Myntra   ■ Others
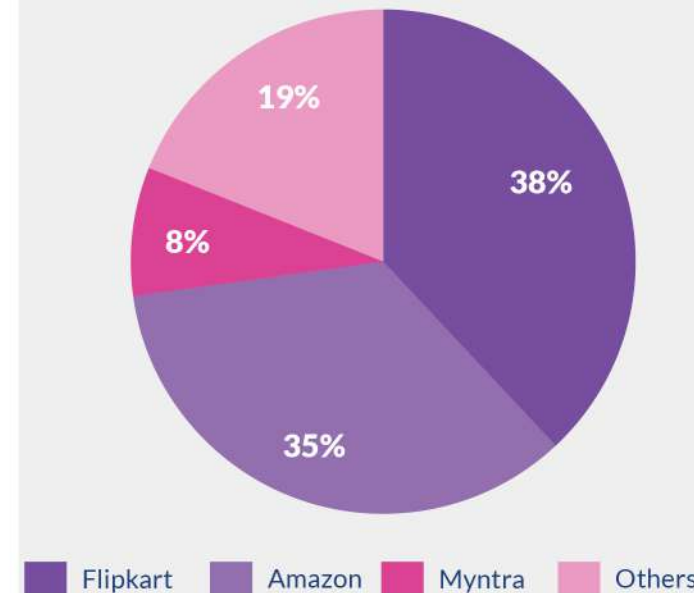
**84%** Responders are listed on Amazon

**74%** Responders are listed on Flipkart

**87%** Fashion & Apparel Brands are listed on Myntra[1]

**Major objectives of sellers on Marketplaces**

| | |
|---|---|
| Ensuring availability and reach | 72% |
| Customer acquisition and building brand awareness | 63% |
| Profitability | 58% |
| Targeting new customer segments | 49% |
| Sales | 33% |
| Old stock liquidation | 32% |
| Selling longtail items | 26% |
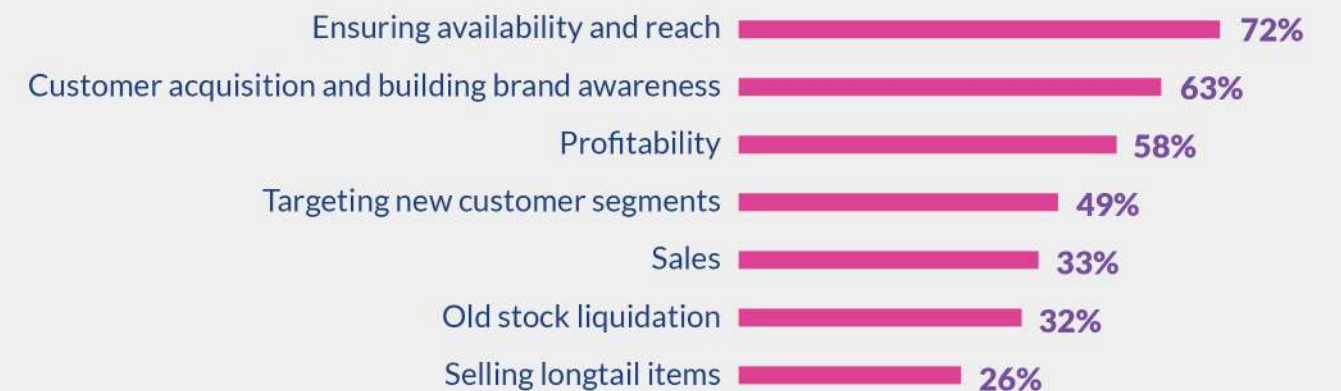
Based on survey responses

[1]Considering only Fashion & Apparel responders
Source: Euromonitor

**What makes Marketplaces succeed?**

**1 Awareness** — Large customer base: 200 million monthly active users on Flipkart

**2 Discovery** — Personalized recommendations of products listed by Amazon's 1.1 lakh sellers

**3 Evaluation** — Details of product features, ratings and reviews

**4 Purchase** — Additional discounts using credit cards and best prices

**5 Loyalty** — Amazon Prime bundle of services; Discounts via Amazon ICICI co-branded credit card

**6 Servicing Quality** — Same-day delivery with slots by Amazon

Source: Amazon, Times of India, Strategy& Analysis

# Nykaa accounts for 38% of the online beauty & personal care market by making trials & try-ons easy, unbiased recommendations & assured authenticity

**Vertical marketplaces attract customers by solving category-specific customer anxieties**



**Product and review authenticity is assured**

Every product listing mentions that Nykaa is an authorized seller

Research firms like Ventura, Motilal Oswal, ICICI appreciate Nykaa's unique inventory model: Buying from Nykaa assures that products are 100% genuine

**Easy trials to understand how a color looks**

Pick a trial-sized product, get a coupon to buy the final product

Virtually try different lipstick shades

Buy from a nearby store or deliver to your home

**Community Building + Customer Loyalty**

Loyalty Program

Different tiers in the loyalty program and user's journey

Live influencer sessions

Axis Capital: Nykaa Network is India's first beauty user forum to hit 3.6 Mn users

Source: Authenticity Certificate, Nykaa Army, Nykaa Virtual Trial, Loyalty Program, Influencer Sessions, Virtual Try-On Report, Try & Buy example, ICICI, Ventura, Motilal Oswal, Axis Capital, Statista, Strategy& Analysis

# After consolidation, Zomato and Swiggy have emerged as the biggest platforms in the organized online food delivery market

### Supply-side drivers for consolidation

| Hyperlocal logistics muscle | Restaurant network | Promotions |
|---|---|---|
| High capital required to sustain volume<br>No. of delivery partners: Zomato 285k, Swiggy 300k | Provide a wide range of options to customers<br>No. of active restaurants: Zomato 180k, Swiggy 228k | Restaurant-specific offers<br>Lower prices than competitors |

### Demand-side drivers for consolidation

| Large customer base | One-stop solution |
|---|---|
| Large number of reviews leads to easy decision making<br>No. of active users: Zomato 16Mn, Swiggy 20Mn | With a market share of 54% and 46%, Zomato and Swiggy, respectively, are preferred since food is a category in which variety and timely delivery are paramount |

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**Funds raised (USD)**
Zomato: 2.6Bn
Swiggy: 3.6Bn

**These investments funded losses**

Zomato and Swiggy have recorded more than USD 1.2Bn in losses each, since their inception

**Heavy investment in the acquisition of Food Delivery platforms as last-mile delivery is the most critical factor**

**Acquisitions were due to the loss-making nature of the business**

## Food Delivery startups acquired by Swiggy

| 48East | Scootsy |
|---|---|
| 2017 | 2018 |
| Food delivery startup in Bangalore | Delivery-based startup in Mumbai |

## Food Delivery startups acquired by Zomato

| Sparse Labs | runnr | Tech Eagle | Uber Eats |
|---|---|---|---|
| 2016 | 2017 | 2018 | 2020 |
| Hyperlocal delivery startup | Hyperlocal delivery startup | Drone-based delivery startup | Food delivery platform |

# Marketplaces are continuously pushing both strategic & operational levers in search of profitability

| | Non-Food Retail | Food Retail |
|---|---|---|
| **Scaling up private labels** | Myntra has been pushing private labels to bring their share to 30-35% of GMV | Swiggy operates private labels like Bowl Company, Breakfast Express and Homely |
| | Launch of Amazon Basics for high-quality electronics products at a low price and Solimo for Home & Kitchen segment | "Zomato Everyday" services to diversify Zomato's offerings. "Hyperpure" provides best-quality ingredients to restaurants |
| **Backward Integration** | Marketplaces operate through preferred 3rd party seller | Swiggy experimented with "Swiggy Access" and rented out kitchen spaces |
| **Logistics Cost Optimization** | Marketplaces look to cut down on delivery costs by optimizing warehouse operations | Both Zomato and Swiggy have acquired multiple startups to optimize last-mile delivery |
| | To reduce returns-related losses, returns management is a key priority area | Platforms like Zepto and Blinkit plan dark store locations to optimize delivery times and costs |

Source: The Hindu Business Line, Economic Times, Amazon Solimo, Benchmark Six Sigma, CNBC, Eshopbox, Money Control, Crunchbase, Business Outreach, Forbes India, Zomato, Hyperpure

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# Online marketplaces have substantially reduced entry barriers & costs for D2C brands

**KEY DRIVERS**

| Large customer base | Build trust through user reviews | Seamless user experience |
|---|---|---|
| Product display and cataloging | Supply chain & logistics support | No hassle in receiving post purchase payments |

| | Identifying White Spaces | Products | Growth | Online Revenue* |
|---|---|---|---|---|
| **mCaffeine** | Ingredient-based differentiation, not concerned about fair skin tone | Body care, face care & hair care products based on coffee, cappuccino, espresso, latte, choco, and green tea | • Majorly online sales, sold via offline channel after 6 years, no exclusive brand outlets<br>• Directs customers to the website from Instagram using influencer marketing | $16 million (FY 2022) |
| **boAt** | No brand in mid-range wearable and headphone category | Wired and wireless headphones, home audio equipment, TWS, smartwatch, trimmers | • Built its presence through marketplaces<br>• Started offline distribution in 2019 through distributors and retailers | $140 million (FY 2021) |
| **Libas** | Identified the need for casual ethnic wear. Brands focused on ethnic occasion wear | Women's ethnic wear | • Launched own website after around 5 years of launch on marketplaces<br>• Acquired customers through marketplaces and diverted them to the company website | $66 million (FY 2022) |

Disclaimer: Brands mentioned are examples of companies across different industries. The brands shown are not exhaustive
*Online revenue amounts to ~90% of the total revenue
Source: boAt DRHP, Inc42 reports, Business Standard, Images Group, Economic Times, Finology, Strategy& analysis

# Similarly, many new dark and cloud kitchens have launched and thrived on food delivery platforms

## Cloud Kitchen Market in India
*(2019 to 2023, USD million)*

**+27%**

400 — 2019
1,050 — 2023

## Drivers for growth

**Low operating costs**
Reduction in overhead costs, improved efficiency, lower initial investments

**Experimentation with menus**
Innovation in food items, portion size and pricing possible due to low menu costs

**Emergence of the consumer segments**
Usage of data analytics, segment specific offerings and marketing

## Cloud kitchens in India

| HEALTH CONSCIOUS | COMFORT FOOD | EXOTIC CUISINES |
|---|---|---|
| Salad Days | Oven Story | Mandarin Oak |
| EatFit | Behrouz Biryani | Terra Gourmet |
| Nude Bowls | Speak Burgers | The Good Bowl |

Disclaimer: Brands mentioned are just some of the examples of Cloud Kitchens in India. The list represented is not exhaustive
Source: Rebel Foods, The Hindustan Business Line, IBEF, Entrackr

## Rebel Foods Revenues
*(FY2019 to FY2022, USD million)*

**+37%**

44 — 2019
113 — 2022

## Growth Journey

| 2011 | Founded |
|---|---|
| 2015-16 | Started opening through cloud kitchen model |
| 2016-18 | Launched 7 cloud kitchen brands |
| 2020 | Expanded network to tier 2 cities |
| 2021 | Opened the first offline food court for omnichannel experience |
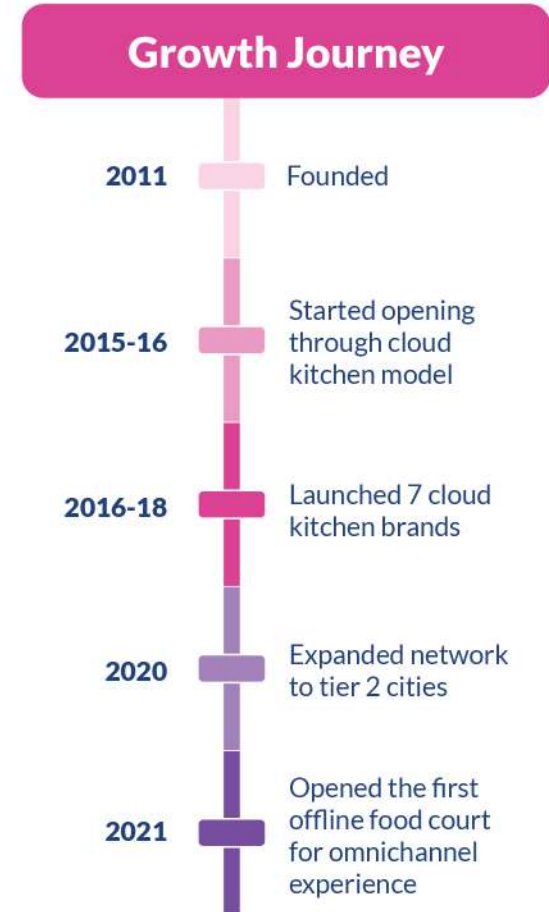
## Large network

**World's largest internet restaurant company**

20+ brands

10 countries

**Multi-brand single kitchen operations**

450 cloud kitchens

70 cities

Source: Rebel Foods, The Hindustan Business Line, IBEF, Entrackr, Exchange Rates 2019, Exchange Rates 2022

## Starting with groceries, qcommerce has created a virtual shopping arcade comprising grocery, Beauty & Personal Care, & now consumer durables

| Qcommerce is expected to become a **$5 Bn** market by 2025 | Qcommerce has **cannibalized offline spending** in metro and tier 1 cities and is set to **include most retail categories** | These companies can either **grow in quick commerce** or offer **logistics, payment, and entertainment services** |

**Quick Commerce Market in India (in $ Bn.)**



```
              5.3
              1.5
              0.8
        3.1
0.1
CY2020   CY2025E
```
Conservative Case / Base Case / Aggressive Case
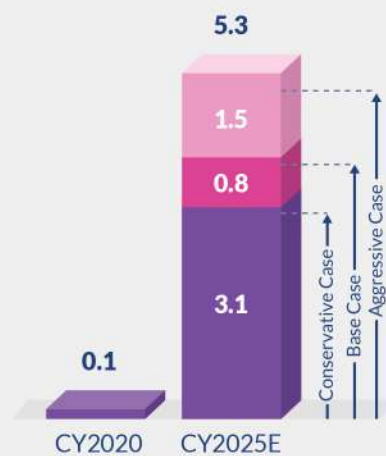
**Penetration of online consumables**

2.6%    10-17.5%

**Maximizing wallet share**
- Over time, the core audience transacts more and more on the qcommerce app, maximizing the share of wallet

**Cannibalizing kiranas**
- Quick commerce initially replaced urgent neighborhood milk runs
- Having built a habit, it has begun to displace quick fill in grocery & beauty/personal care visits too

**Cannibalizing shopping arcades**
- Quick Commerce has expanded into Electricals, Consumer Electronics, and Consumer Durables
- Non-FMCG Brands like Philips/ Eveready/Nippo (lighting), boAt/Nu Republic/Portronics (electronic), Atomberg, and Havells (fans) have been listed on Blinkit

**How categories can participate**
- Companies selling packed/ instant food mixes via D2C channel can list themselves
- Beauty and personal care brands that offer daily use mass products can list on qcommerce apps
- Utility electronics products like headphones can be bought via qcommerce apps

**Increasing offerings**
- Qcommerce firms can utilize their core hyperlocal logistics engine to offer food/medicine delivery, transportation, mechanic, supermarket shopping, FMCG distribution

---

## Online penetration in Home & Furnishings lags other sectors due to the unorganized nature of the category and deep need for touch & feel

### Furniture & Home Décor have low amenability to online channels

|  | Furniture | Home Décor | Home Furnishing | Homeware |
|---|---|---|---|---|
| **Amenability to online channels** |  | | | |
| **Characteristics** | | | | |
| Average product price | | | | |
| Susceptible to damage | | | | |
| Customization | | | | |
| Selection assistance | | | | |
| Quality assurance | | | | |
| Assembly assistance | | | | |

### Why is the home & furnishings market so unorganized and fragmented?

| **Low regulatory compliance** | Cost advantage gained by not adhering to labor laws, GST laws, etc. |
| **Low quality material** | Usage of sub-standard material to save cost |

People in low-income bracket prefer local carpenters over branded product retailers

As per Euromonitor, players including **Godrej Interio & IKEA** account for **less than 3%** of the market share in homewares and home furnishing stores category

○ Low    ● High

## Platforms have struggled to succeed in Home & Furnishings...

Heavy marketing investment gives uncorrelated outcomes

Customization, assembly and delivery needs are not met completely

High-ticket, high-touch & low repeat purchase frequency of this category

Return logistics is complex and expensive

High inventory management costs due to bulkiness and weight of the products

- **Urban ladder** has been profitable only twice since its inception in 2012
- **Pepperfry** has raised over $285 Mn in 10 rounds since its inception in 2011 and is unprofitable to-date

**CHALLENGES**

High CAC and inventory management cost

Offline presence is needed to provide touch and feel to online-first customers

Stiff competition from horizontal marketplaces like Amazon and Flipkart, and offline players like IKEA, and Homecentre

**...hence, in India, Home & Furnishing companies desirous of selling online need to build & scale their own website presence**

---

# Even in global markets, Home & Furnishing marketplaces have struggled to build a sustainable story

**CASE STUDY: Wayfair, founded in 2002, is an ecommerce company that specializes in furniture and décor. It has grown to become one of the largest online retailers of home goods in the world.**

**Wayfair**

**Funding Raised $1.7 Bn in 4 rounds**

## Business Model

Wayfair has an inventory light business model. It sources products directly from suppliers and ships directly to customers.

## Financial Performance
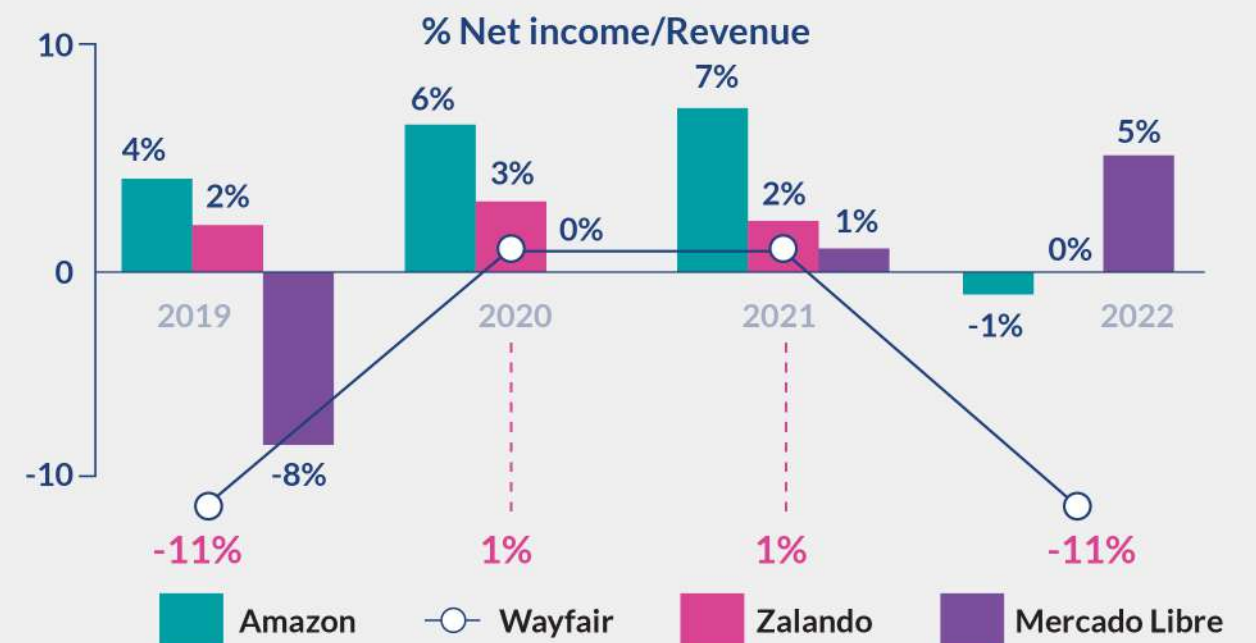
% Net income/Revenue



| | 2019 | 2020 | 2021 | 2022 |
|---|---|---|---|---|
| Amazon | 4% | 6% | 7% | -1% |
| Wayfair | -11% | 1% | 1% | -11% |
| Zalando | 2% | 3% | 2% | 0% |
| Mercado Libre | -8% | 0% | 1% | 5% |

## While Wayfair has its strengths...

**Technology** – Pioneer in implementing several AR/VR-based solutions to increase customer engagement

**Supply chain** – Efficient logistics network, CastleGate, delivering orders within 2 days to 97% of the customers

**Social media presence** – Effective use of multiple social media platforms

## ...it faces several category specific challenges

- **High CAC**
- **Low repeat frequency due to the nature of industry**
- **Competition with horizontal marketplaces (Amazon), and offline retailers (Walmart, Target, etc)**

## Way ahead

**Increasing AOV and repeat customers along with foray into offline channel under the brand AllModern can pave a way towards Wayfair's profitability in the future**

# Marketplaces have launched social commerce/ video shopping to create an interactive/ recreational shopping experience

**KEY DRIVERS**

| | | |
|---|---|---|
| Users spend most of their time on their phone | Benefits of in-store shopping (recreation, window shopping) are reduced online | Teleshopping viewership has reduced as OTT & short video consumption rises |
| Live shopping can provide urgency to purchase | Increasing prominence of review videos before purchase | |

## Live shopping/social commerce adds an element of authenticity & recreation to ecommerce

### Current scenario

Experimental phase in India

Myntra, Amazon, Flipkart and Meesho are among the marketplaces that have launched video shopping features

### Sector-specific foray in Social Commerce

Amazon Live showcases a few live streams in all sectors

| Apparel & Footwear | Beauty & Personal Care | Home & Furnishing | Electronics & Appliances | Food & Groceries |
|---|---|---|---|---|
| Outfit styling | Makeup tutorials | Ways to decorate rooms | Popular smartphones | Deals on consumables |

### Growth

| Market Growth | Strategies based on customer personas |
|---|---|
| **$4 Bn** Live Commerce (2025) predicted GMV | Goal: Deeper customer engagement & driving urgency to shop<br>Photos, Short Videos ←→ Livestreams<br>More money, less time / More time, less money |

# 02

# How online and offline shopping journeys are converging

# Today, the customer purchase journey moves online-offline and back seamlessly

| | Food & Beverage | Beauty & Personal Care | Fashion & Lifestyle | Home & Furnishing | Electronics & Appliances |
|---|---|---|---|---|---|

**Research/ Product Selection**

*Physical*
- Restaurants
- Shopping Mall/Kiosks
- Stores/Outlets

**+**

*Digital*
- Zepto Zomato / BigBasket Swiggy
- Nykaa Myntra / Flipkart Amazon
- Flipkart Homecentre
- Brand Websites/ Apps

**Compare Price/ Review**

*3rd Party Reviews*
- Google Amazon YouTube
- Social Media/Influencers
- Expert Reviews

**Purchasing**
- In-store/Restaurant
- On a PC
- On a mobile

**Delivery**
- Home Delivery
- Physical Checkout
- Delivery to Store

**Installation**
- Home Installation

**After Sales Support**
- Incorrect Delivery/ Taste not good
- Returns or Exchange — Yes / No
- Repair/Warranty

**Feedback**
- Physical Feedback Forms
- Marketplaces
- Social Media

Source: Strategy& analysis

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# D2C brands are moving offline to monetize their brand and complete the customer journey

| ADVANTAGES | Increase user engagement | Improve brand visibility | Increase product awareness |
|---|---|---|---|

| | Identifying Whitespaces | Products | Offline Distribution |
|---|---|---|---|
| **The Souled Store** | A one-stop store for pop culture merchandise | Casual wear, activewear, footwear, and accessories | FY2022 Revenue: $18 Mn<br>• Online: 85%<br>• Offline: 15% (12 stores)<br><br>Key offline revenue metrics<br>• ₹70,000/sqft vs industry standard of ₹ 10-20,000/sqft<br>• 60% revenue is from outside of top 10 cities |
| **Sugar** | Economical products with premium quality & packaging, designed for Indian skin tones | Skincare, lips, eyes, face & nails cosmetics, and cosmetic accessories | 125+ owned stores<br><br>40,000+ retail touchpoints<br><br>FY2022 Revenue: $29 Mn<br>• Offline: 50% (expected to increase to 70%)<br>• Online: 50% |
| **Noise** | Good quality and economical wireless earbuds and headphone | Wireless earbuds, headphones, smartwatches | • Available in 8,000 outlets<br>• Started offline expansion to increase reach in tier 2 and 3 cities<br>• FY2022 Revenue: $97 Mn |

Source: Yourstory, Economic Times, Souled store, Entrackr, indianretailer.com, Inc42, The Hindu, Strategy& Analysis

# Going offline requires development of a completely new mindset and capabilities for D2C brands

**Strategy**
- Identify area clusters for target segments
- Select locations to maximize footfall
- Research competition and develop a marketing plan
- Negotiate rental agreements with landlords

**Site to Store**
- Hire interior designer agency for store design
- Develop layout plan based on target audience and products
- Finalize fixtures that align with brand aesthetic
- Allocate capex investment for POS systems and security

**Operations and Marketing**
- Manage SKU width and depth to optimize product selection
- Train staff on customer engagement, including cross-selling and upselling techniques
- Develop integrated marketing/loyalty program to promote traffic
- Manage shelf display to maximize product visibility and rotation
- Establish customer service protocols, including returns and exchanges, and feedback management
- Fulfill ecommerce orders from the offline store, including click-and-collect and ship-from-store options

**Infrastructure (logistics and technology)**
- Invest in technological support for omnichannel experience
- Establish supply network for offline operations, including storage and transportation logistics
- Develop returns process for online purchases returned in-store
- Onboard distributors and logistics partners

---

# Legacy offline brands have also started moving online to leverage their loyal customers

## % sales from online channel for legacy offline players

### Fashion & Lifestyle
- 0-10%: **50%**
- 10-20%: **39%**
- 20%+: **11%**

■ % total responders

### Food & Grocery
- 0-10%: **60%**
- 10-20%: **0%**
- 20%+: **40%**

■ % total responders

**50%** companies report more than 10% sales coming from online channel in Fashion & Lifestyle segment

**40%** companies report more than 10% sales coming from online in Food & Grocery segment

### Omnichannel at Fabindia

**Delivery facilitated through online orders**
Order can be placed on its website for seamless home delivery

**Reward Points**
Fabfamily Program – registered mobile numbers can earn and redeem reward points either in store or online

**Order Fulfillment**
- Fulfillment of brand website orders takes place either through stores or warehouses
- In case of color/size unavailability in store, order placed with the help of store staff can be delivered at customer's home or shipped to store endless aisle option available

### Omnichannel at McDonald's

**Delivery facilitated through apps**
Based on your location, food can be ordered online or on McDonald's app

**Reward Points**
Orders & reward points can be activated on the app and redeemed at offline stores

**Tech solutions to avoid long queues**
- Orders can be placed on the app and collected at the counter
- Order can be placed through in-store kiosks

Based on survey responses

Source: Strategy& Analysis, Fabindia, Fashion Network, McDonald's, IREC Wire, Economic Times

# 03

# Can retailers chart their independent online path

# The online channel strategy (marketplace vs. own website) is dependent upon the product and the brand's customer value proposition

## D2C Category Fit

**Consumer Purchase Behavior**
- Do consumers purchase category as stand-alone products or as basket of products?
- Do I have a wide portfolio to address consumer needs through D2C?

**Unit Economics**
- Does the average order size justify D2C unit economics, especially high cost of logistics & operations?

**Customer Lifetime Value**
- Does the customer lifetime value justify high cost of acquisition in D2C?
- Can the lifetime value be increased through recurring revenue streams (e.g., subscription, community building)?

## D2C Brand Fit

**Brand Positioning**
- Does my brand have differentiated positioning?
- Does my brand require communicating a unique brand experience through D2C?

**Consumer Proposition**
- Do I have a strong consumer proposition for own D2C?
- Can I improve consumer proposition through additional features (e.g., customer support, videos)?

### Direct-to-Consumer Evaluation Framework: Illustration in Innerwear Segment

High potential for own websites

Calvin Klein

Tommy Hilfiger

Jockey

Lux Industries — Lux Cozi, ONN, one8

High dependence on marketplaces

D2C Category Fit (High / Low)

D2C Brand Fit (Low / High)
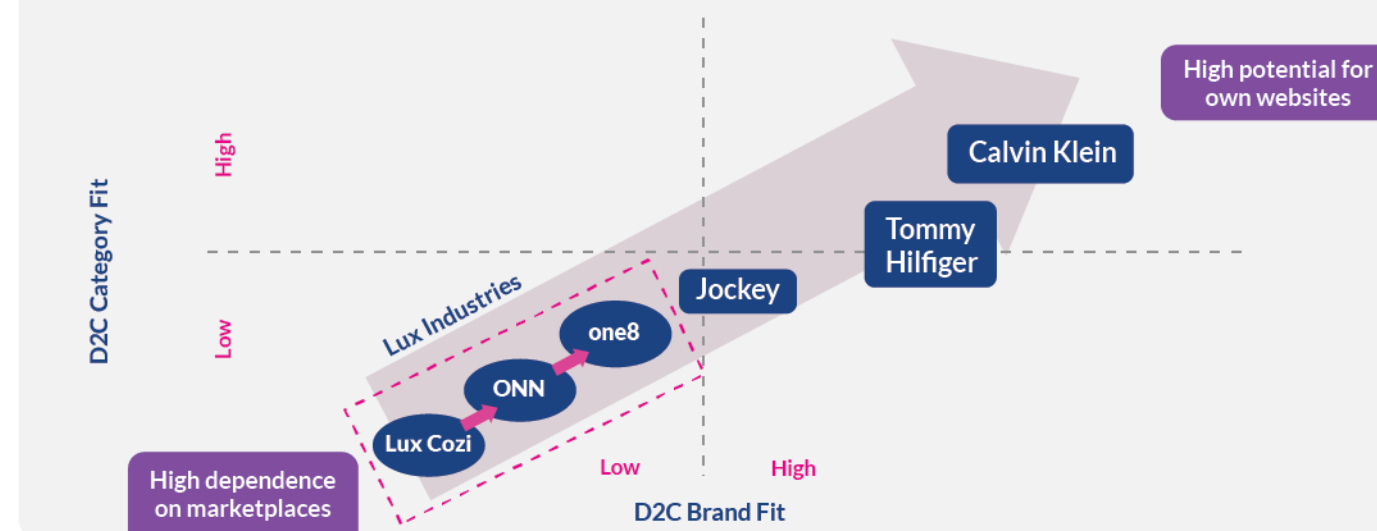
Disclaimer: Brands mentioned in the Direct-to-Consumer Evaluation Framework are examples of organizations in the innerwear industry. The list represented here is not exhaustive. Brand fit is based on average sale price points (SMIFs research report) and social media followership. The positions of all the brands mentioned are approximate indiications of where they stand. Please note that these are not precisely located. Source: SMIFs Limited, Strategy& Analysis

# Brand websites and apps face an uphill task in the Food Delivery space

## Major challenges for individual websites/apps

| Consumer habits | Consumer expectations: platform | Consumer expectations: logistics |
|---|---|---|
| Consumer habits and brand association is a moat for marketplaces | Consumers expect marketplace level sophistication in UI/UX | Consumers expect quick delivery and logistics equivalent to marketplaces |
| Zomato and Swiggy are the first choice of customers when it comes to food ordering | Consumers expect offers equivalent to marketplaces all the time | Consumers expect highly accurate delivery predictions (~99%) just like marketplaces |
| Food ordering is inherently a high discovery, low stickiness, high variety activity where marketplaces are the natural preference | Consumers expect endless variety from platforms - repeat orders are very limited | Accuracy is clearly lesser for most 3rd party logistics providers, especially during peak demand hours |

## Ordering System: a complex stack that is super hard to build

Consumer facing order taking **website** (LimeTray/Jungleworks)

+

**Order management system** to route order to back-end cloud kitchen (LimeTray/Jungleworks)

+

Ubiquitous last mile **logistics** system (Dunzo/ShadowFax)

Customer care + Loyalty

+

Payment offers + Payment Gateway (Razorpay)
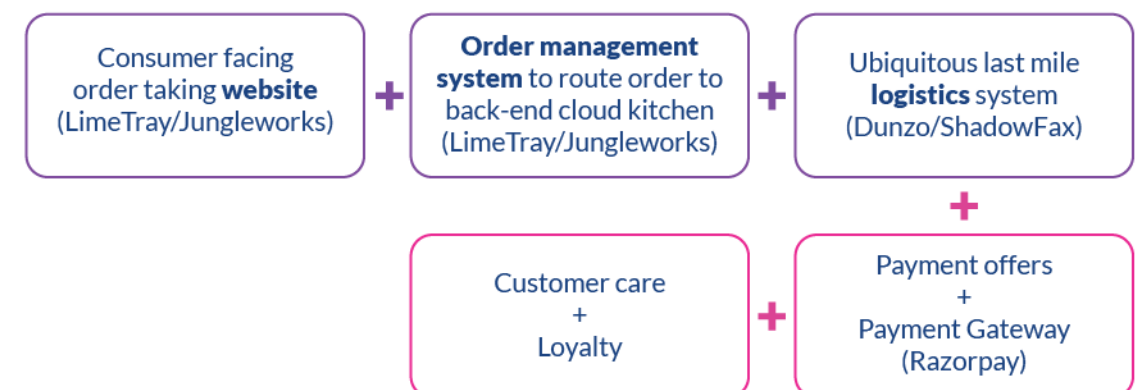
Source: Strategy& analysis

# Faasos' continued losses show how hard this market is, even for multi-branded cloud kitchen companies

**Despite 104% revenue growth, costs still grew 79%**

**Despite being in business since 2015, Advertising, Promotion & Commissions grew from 35% to 38%**

### Rebel Foods Financials
(FY2021 and FY2022, USD Mn)



- FY2021: Cost 105, Profit/Loss -49.7
- FY2022: Cost 188.2, Profit/Loss -74.3

■ Cost   ■ Profit/Loss



| | FY2021 | FY2022 | |
|---|---|---|---|
| Advertising & Promotion | 17% | 22% | |
| Commission | 18% | 16% | |

35% → 38%
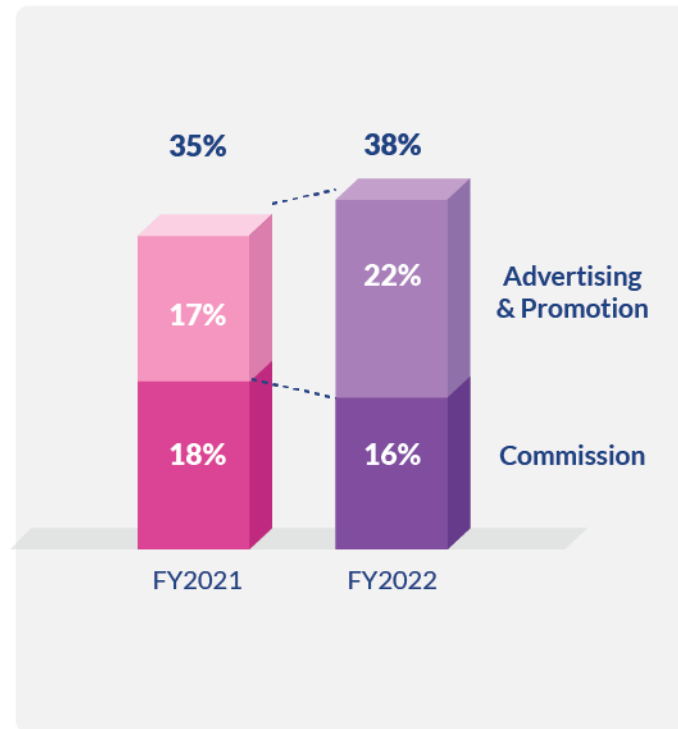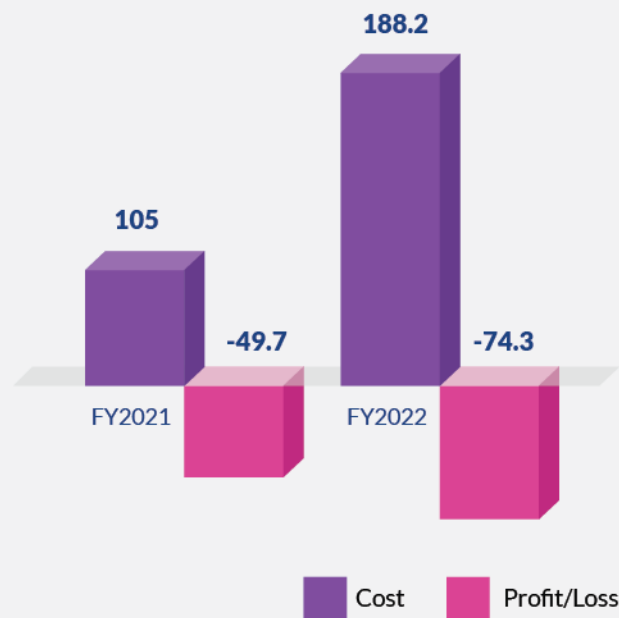
**Low-profit Red Ocean**

**Low profit margins**
Discounts are a key in food delivery market and it leaves lesser room for profit

**High cost of logistics**
Zomato spends over $250 Mn per year on delivery partners

**High CAC**

**Digital marketing**
High cost to acquire customers because of competition

**High short-term costs**

**Building a tech stack**
Higher upfront costs to build online restaurant network

Source: Entrackr, Zomato, Feedough, Economic Times, Exchange Rates 2021, Exchange Rates 2022, Strategy& analysis

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# Features that determine the success of own websites comprise of widely adopted ones as well as new game-changers

**Current scenario**

- Brands are building their own website to enhance customer engagement
- Goal: Divert customers from MPs to the brand's own website

**23%** of online revenue is driven by own websites & mobile applications

**57%** brands are listed or planning to do so on Open Network for Digital Commerce (ONDC)

**68%** brands don't have their own mobile app

**38%** of own-site orders are on COD

**Brands are creating their own websites**

**Tools used to build the website**

Most companies prefer building their website on Shopify or on their own
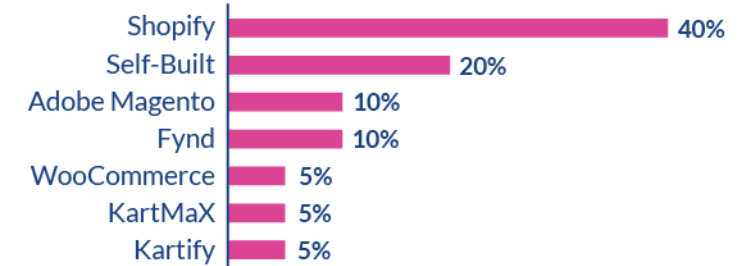
**Tools used by Responders**



- Shopify: 40%
- Self-Built: 20%
- Adobe Magento: 10%
- Fynd: 10%
- WooCommerce: 5%
- KartMaX: 5%
- Kartify: 5%

**Features provided by brands on their websites**

**Game-changing features**

50% of our responders are saying that these features are a bare minimum requirement for their own website:

Less than 20% of the responders are using the following features

**Product Recommendations**

**One-click login via social media**

**O2O – Cross-sell engine**    **Wishlists**

**Automatic reminders for items in the cart**

**Interactive Product Display**

**AR Trials**

**Live Demonstration**

Survey Results specific to Apparel & Footwear companies

# Companies are leveraging AI/AR tools to create differentiation and enhance customer experience

## Lenskart

- Virtual product trials via applicatio
- Suggests frames that best suit your face shape and size
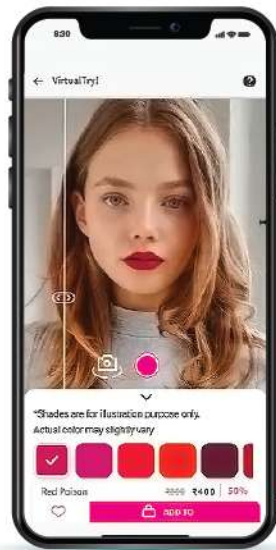
## Nykaa

- Virtual product trials
- Hygienic & contactless option

## IKEA

- Use AR to view products in customer space
- Check product aesthetics and fit before purchase
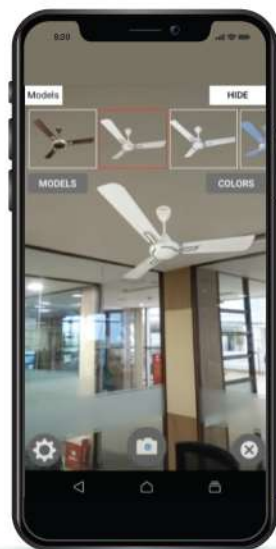
## Havells

- Product rendering through application
- Product aesthetics & fit can be checked

Image Source: Medium, Havells (Youtube Page), Lenskart, Architect Magazine, Source: Strategy& Analysis

# AI/AR technologies have so far been hard to implement, and most respondents aren't strongly positive that they are driving sales yet

### Two major impediments for brands to implement advanced AR on their website are cost and technological complexity

| | |
|---|---|
| Cost | 63% |
| Technology complexity | 63% |
| Lack of off-the-shelf solution | 25% |
| Lack of appropriate human capital | 19% |
| Low demand | 6% |
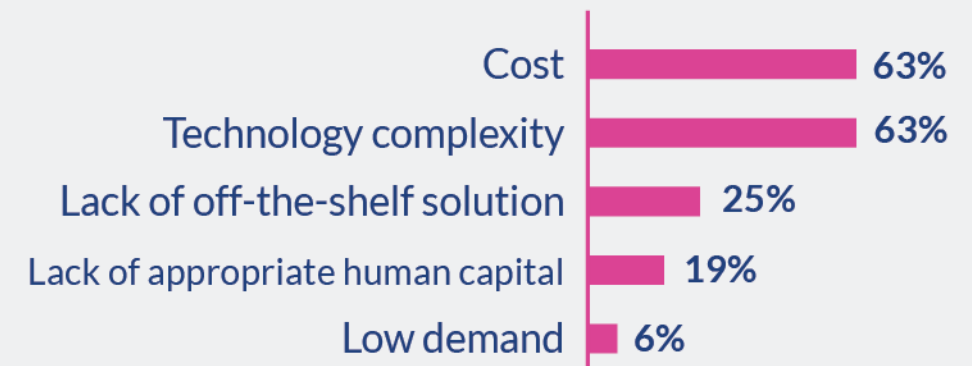
### 64% of the companies are unsure if their AR solution is driving sales

- 36%
- 64%

- Neutral - Can't say
- Strongly Positive
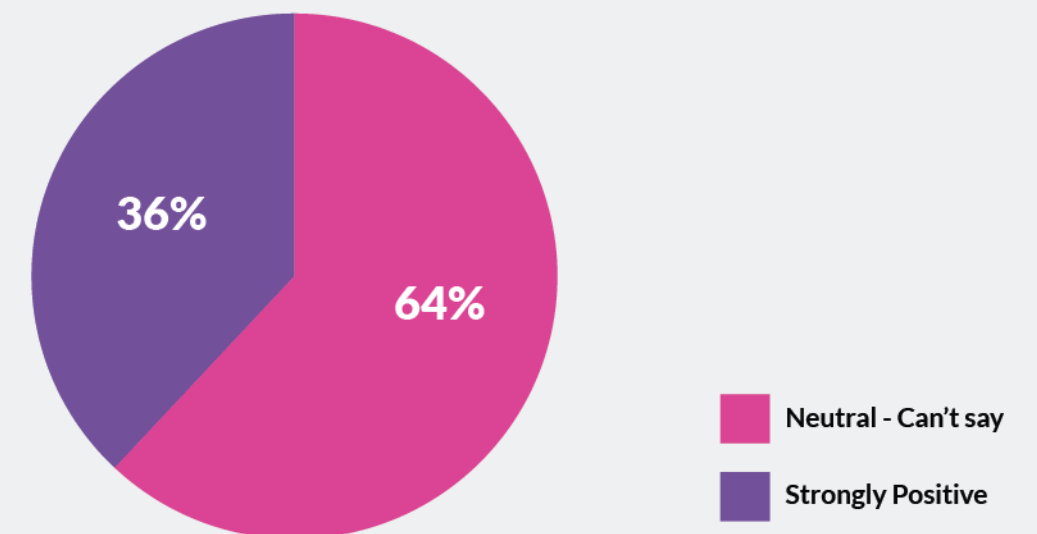
Based on survey responses

# Developing better awareness of the latest cost-effective technologies could help organizations in better leveraging AR technologies

## Current scenario

**64%** Firms believe that AR is a costly affair

**50%** Brands are of the opinion that technological complexity is a major obstacle in enabling AR

## Cost & Technology are no longer barriers to set up AR

### Until two years ago

Expensive cameras, studios required for photoshoots

Unavailability of cost-effective softwares

### Present-day scenario

Phones have high-resolution cameras

Cost-effective versions of softwares are available

**Reality Capture** (convert images to a 3D model)

**Unity3D, Unreal Engine** (integrate AR with the brand's app)

### Issues faced by brands in 2023

Lack of awareness

Brands don't know how to develop the technology for their use case and explore other use cases that AR has to offer

Redundant knowledge of technology

Unable to integrate the technology in the app in a cost-effective manner

Survey Results specific to Apparel & Footwear companies
Source: AI Multiple, Strategy& Analysis

# 04
# What is the secret sauce of winning in omnichannel

# Only a few mature global brands have been successful in providing a seamless and integrated omni experience

**Leading Global Sports Retailer: same pricing across all channels; 104 stores selling 6,000+ products for 60+ sports**

| Seamless Online Customer Journey | Frictionless in-store Customer Journey | Pricing & Community Building + Customer Loyalty |
|---|---|---|
| Shop at home from designated store and either opt for in-store pickup or home delivery | Avoid long checkout queues | Experiential marketing for the Phygital Age |

**Seamless Online Customer Journey:**
- Download the online shopping app (10Mn+ downloads)
- Choose product and store
- Pickup products from a store or get them delivered anywhere in India within 24-36 hours

**Frictionless in-store Customer Journey:**
- SCAN ME
- Download the shopping app via signs near the entrance
- SCAN & GO
- **35%** of all orders are through Scan and Pay
- Scan product's barcode and pay. The bill is generated directly on the phone
- OR
- Scan RFID tags directly in self-checkout kiosks
- Security check

**Pricing & Community Building:**
- **Coach** (5 Mn+ downloads) — Free personalized workout routines
- **Connect** (500k + downloads) — Connect devices purchased from the retailer to your phone
- **Play** (100k+ downloads) — Book events, coaching, playgrounds

Source: Moengage, Strategy& Analysis

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# Organizational level enhancements are required to offer omnichannel features to the customers

| Features offered to customers | Enablers | Organizational readiness |
|---|---|---|

**Omnichannel experience**

| Features offered to customers | Enablers | Organizational readiness |
|---|---|---|
| Fast and easy checkouts, endless aisle | • Staff training | • Improved coordination between logistics, marketing, IT and product management teams |
| Personalized customer service | • Advanced inventory management systems | • Seamless flow of customer data across channels |
| Same day delivery, easy exchanges/returns | • Installation of self-checkout systems | • Data standardization (product codes and customer ids across channels) |
| | • Omnichannel CRM (chatbots, phone support, helpdesks) | |

**Marketing**

| | | |
|---|---|---|
| Personalized product recommendations | • Customer behavior tracking (across channels) | • Software integration for online and offline channels (for checkout, billing, return/exchange, etc.) |
| Social media engagement | • Ads based on customer behavior | • Allocation of resources towards personalized content creation and marketing |
| Enhanced brand identity | • Live demonstration of in-store experience | |
| | • Consistent brand message | |

**Technology**

| | | |
|---|---|---|
| Easy decision-making process via AI/AR | • Data collection at all customer touchpoints | |
| Enhanced customer journey | • Data analysis using engagement metrics | |

Source: Strategy& analysis

# In an omnichannel world, legacy brands need to ensure high operational KPIs to ensure a seamless customer experience

**Delivery***

**92%** Received orders are shipped

**87%** Deliveries happen within the set turnaround time

**9%** Received orders return to origin

**2.4** Average days taken to resolve customer queries

| Fashion & Apparel brands | Seller-driven cancellations |
|---|---|
| Marketplace | 2.5% |
| Own website | 8.6% |

## % responders that have an omnichannel feature

| | |
|---|---|
| Same/next day delivery | 69% |
| Endless aisle | 58% |
| Buy online, pickup in store | 46% |
| Buy online, return offline | 42% |
| Self-checkout in stores | 38% |
| Try & Buy (online orders) | 31% |
| Buy offline, return online | 31% |

0%    25%    50%    75%

**69%** deliver orders within a day

**42%** allow you to buy online and return to any offline store

**58%** have endless aisle feature

**31%** offer *Try & Buy* on online purchases

*Based on data provided by Fynd
Source: Strategy& analysis

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# Omni experience at stores can be improved by using tech and by training & incentivizing store employees properly
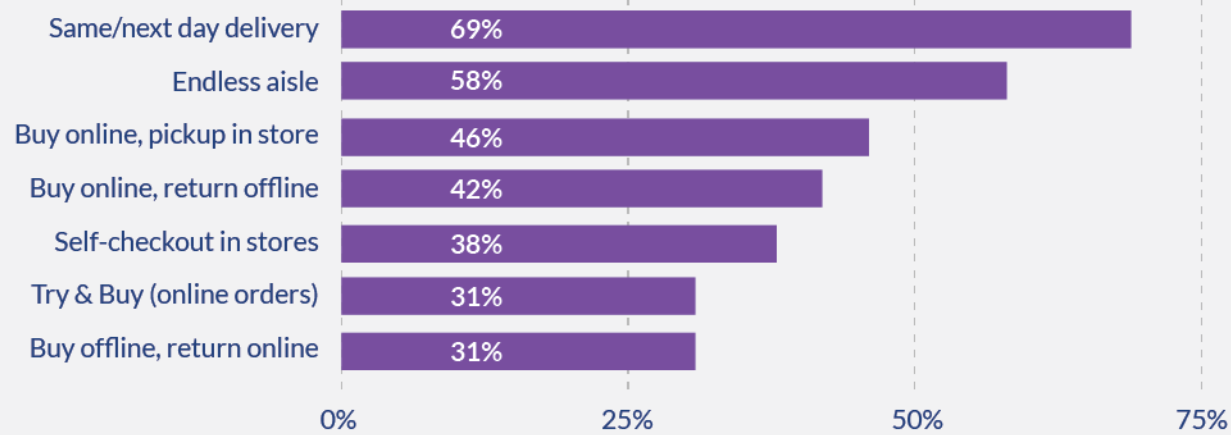
## Employee's incentive alignment based on KPIs & assortment management

- Online + Offline KPIs: **72%**
- Offline KPIs: **17%**
- Not aligned: **11%**
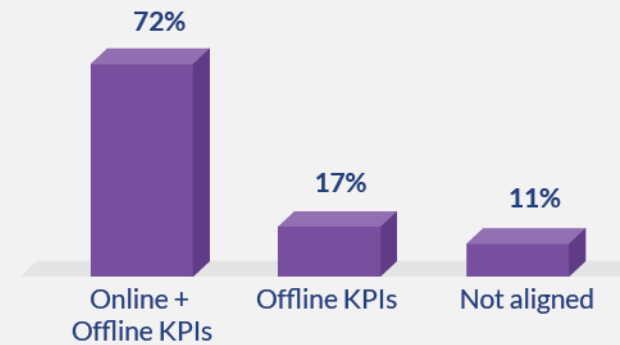
72% of respondents have store employees' incentives aligned with omnichannel KPIs

62% update their online assortment weekly

64% have special SMUs/SKUs for online

## Store employees facilitating online experience to customers

- Every time: **26%**
- Often: **39%**
- Sometimes: **22%**
- Never: **13%**
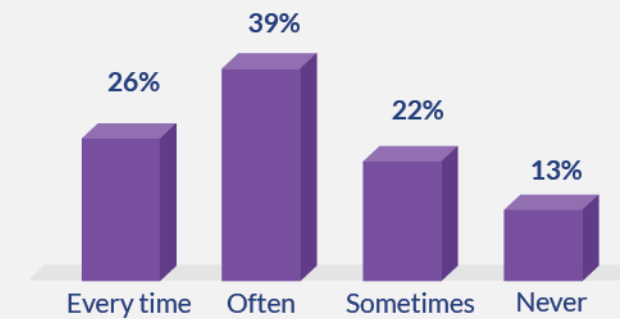
For 65% respondents, employees assist their customers for complete omnichannel movement

58% train their employees regularly for facilitating omnichannel experience

## Features facilitating omnichannel experience

- Signs: **48%**
- QR codes: **52%**
- Endless aisle: **52%**
- Kiosks: **17%**
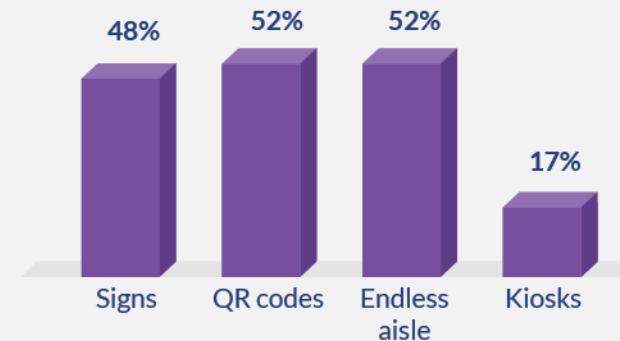
Nearly 50% respondents have signs, QR codes and endless aisle

Only 17% use kiosks to facilitate omnichannel experience

*Based on data provided by Fynd
Source: Strategy& analysis

# Companies can achieve their omni vision by synchronizing online-offline capabilities and effectively using analytics

## How well synchronized are online-offline capabilities

**100%** respondents have synchronized pricing and sales events either moderately well or extremely well

Brand-wise rating (scale: 1-5): 4+ (extremely well), 3 (moderately well), <3 (synchronized)

### Number of responders that have synchronized capabilities extremely well

| | |
|---|---|
| Pricing | 82% |
| Sales events | 71% |
| Assortments | 65% |
| CRM journey | 59% |
| Media spends | 54% |

### Online-Offline capabilities synchronized extremely well - per responder

| | |
|---|---|
| Four or more capabilities | 36% |
| Three capabilities | 24% |
| Two capabilities | 20% |
| One capability | 12% |
| None | 8% |

## Online-offline handshake

**74%** list products online based on their offline performance

**83%** analyze MP performance to plan their own website views/assortment

**68%** plan SKUs based on MP performance/trends

## How effectively is analytics utilized by respondents

**14%** analyze more than 4 parameters effectively

**41%** can analyze only upto two parameters effectively

### Number of brands that have effectively utilized analytics various parameters

| | |
|---|---|
| Offer effectiveness quantification | 38% |
| Customer segmentation | 37% |
| Marketing spend allocation | 36% |
| Personalized offers & page views | 28% |
| Pricing | 25% |

Based on survey responses

Source: Strategy& analysis
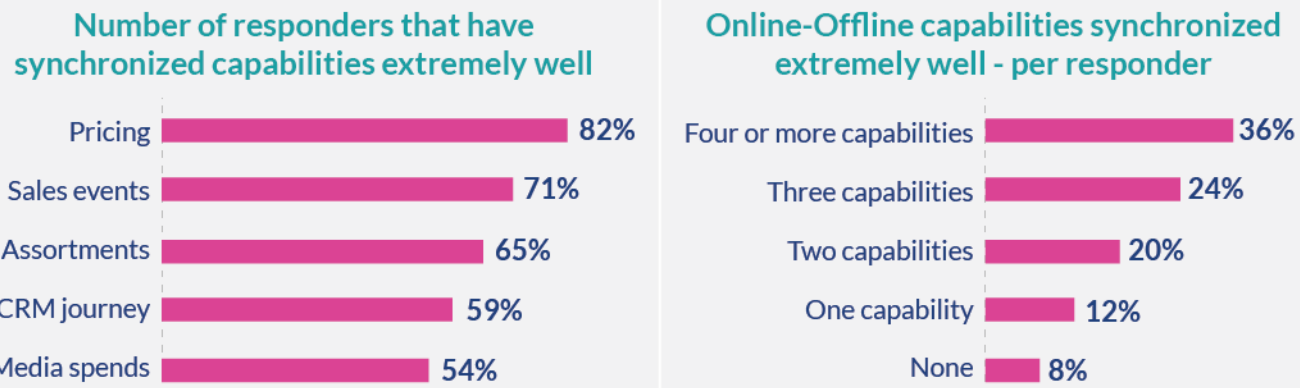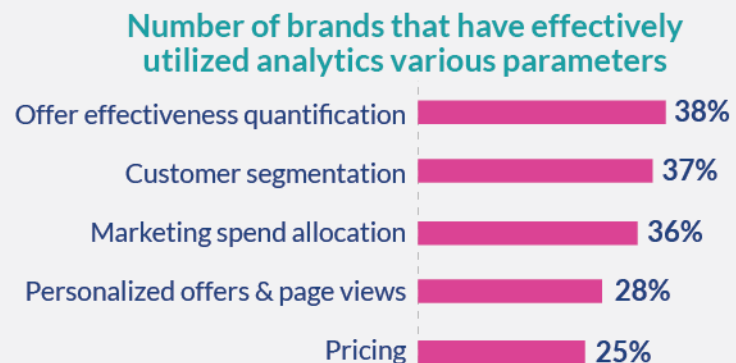
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# Brands have started taking concerted actions across the value chain to improve profitability

## Actions

**92%** respondents have same pricing in online and offline channel

**94%** advertise on social media

**79%** work with social media influencers

**74%** advertise product listing on search engine

**56%** advertise on YouTube

- Targeted performance marketing and creating bestsellers
- Removing low priced products to increase basket value on marketplaces
- Bundling of products to increase cart value and reduce logistics cost per unit
- Negotiating commissions based on the brand value and quantum of sales
- Using own stores for deliveries to reduce logistics cost

## RoAS[1]

In Home & Furnishing, respondents have achieved higher RoAS on own website as compared to that on marketplaces

**58%** companies achieved >4 RoAS on marketplace[2]

| | |
|---|---|
| 0-2 | 14% |
| 2-3 | 14% |
| 3-4 | 14% |
| 4-5 | 5% |
| 5-8 | 20% |
| 8+ | 33% |

■ % respondents
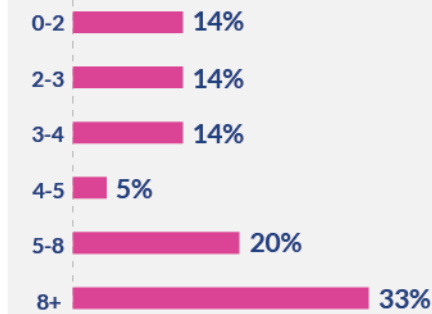
**73%** companies achieved >4 RoAS on own website[2]

| | |
|---|---|
| 0-2 | 16% |
| 2-3 | 11% |
| 3-4 | 0% |
| 4-5 | 31% |
| 5-8 | 16% |
| 8+ | 26% |

■ % respondents
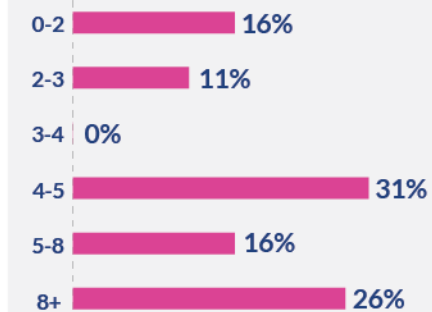
## Profitability

**81%** companies maintain separate P&L for online and offline channel

**55%** companies are profitable in online channel while 41% do not wish to respond

| | |
|---|---|
| Under loss | 4% |
| 0-5% | 4% |
| 5-10% | 4% |
| 10-15% | 15% |
| >15% | 0% |
| Profitable (do not want to reveal) | 32% |
| Do not wish to respond | 41% |

■ % respondents
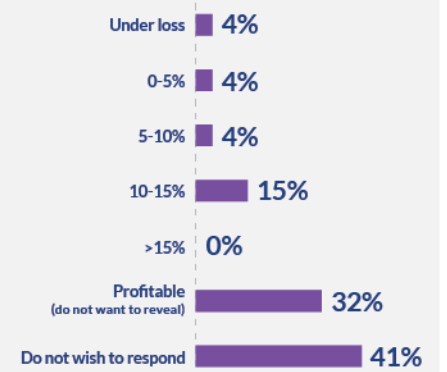
**62%** companies have a designated head for omnichannel business

Based on survey responses

[1]RoAS = Return on Ad spend, [2]For medium/low funnel spend
Source: Strategy& Analysis

# 05
# Imperatives for the C-Suite

# CXOs need to focus on building organizational capabilities to drive transition from a marketplace-led model to an omni-enabled brand to deliver on customer promise & delight

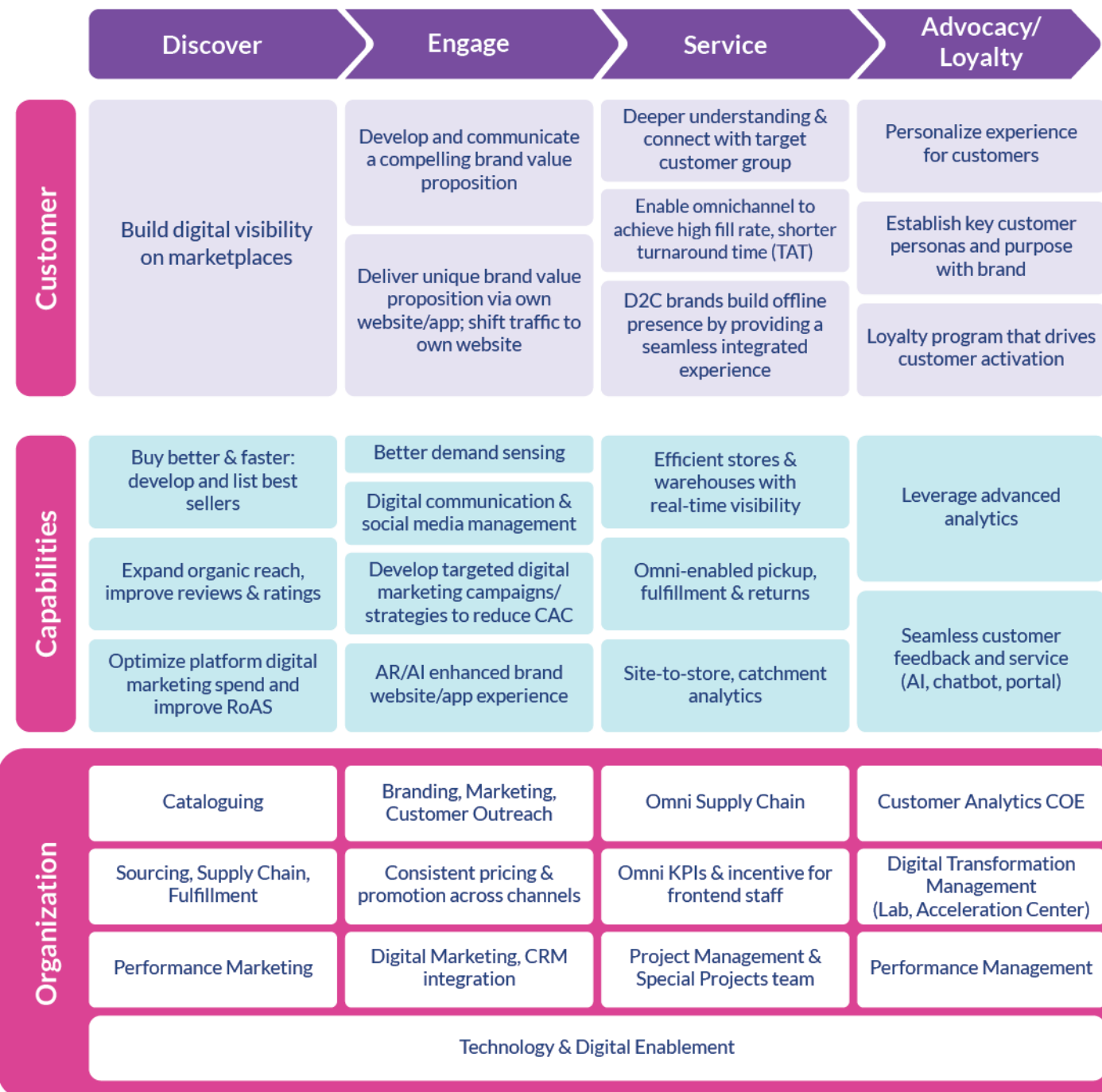| | Discover | Engage | Service | Advocacy/ Loyalty |
|---|---|---|---|---|
| **Customer** | Build digital visibility on marketplaces | Develop and communicate a compelling brand value proposition | Deeper understanding & connect with target customer group | Personalize experience for customers |
| | | | Enable omnichannel to achieve high fill rate, shorter turnaround time (TAT) | Establish key customer personas and purpose with brand |
| | | Deliver unique brand value proposition via own website/app; shift traffic to own website | D2C brands build offline presence by providing a seamless integrated experience | Loyalty program that drives customer activation |
| **Capabilities** | Buy better & faster: develop and list best sellers | Better demand sensing | Efficient stores & warehouses with real-time visibility | Leverage advanced analytics |
| | Expand organic reach, improve reviews & ratings | Digital communication & social media management | Omni-enabled pickup, fulfillment & returns | |
| | Optimize platform digital marketing spend and improve RoAS | Develop targeted digital marketing campaigns/ strategies to reduce CAC | | Seamless customer feedback and service (AI, chatbot, portal) |
| | | AR/AI enhanced brand website/app experience | Site-to-store, catchment analytics | |
| **Organization** | Cataloguing | Branding, Marketing, Customer Outreach | Omni Supply Chain | Customer Analytics COE |
| | Sourcing, Supply Chain, Fulfillment | Consistent pricing & promotion across channels | Omni KPIs & incentive for frontend staff | Digital Transformation Management (Lab, Acceleration Center) |
| | Performance Marketing | Digital Marketing, CRM integration | Project Management & Special Projects team | Performance Management |
| | Technology & Digital Enablement | | | |

Source: Strategy& analysis

# Contributing team

**strategy&**
*Part of the PwC network*

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# Fynd

Powering delightful omnichannel shopping
experiences for everyone, everywhere