An Analysis of Survival Strategies for Brick and Mortar Stores in India In View Of Competition from Online Retail Giants.

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Abstract
E-commerce has been the buzzword of the Indian economy since the advent of companies such as Flipkart and Snapdeal in the Indian markets. The entry of retail giants such as Walmart and Amazon have taken competition in this field to new heights. The offline retailersi.e.the brick and mortar stores are feeling the heat for a long time now. These e-commerce companies have changed the entire shopping paradigm of the Indian customers with their heavy discounting and doorstep delivery models. The offline retailers have experienced lack of sales and squeezing profit margins due to this situation and many have either closed down or are on the verge of shutting down their business. Brick and mortar stores are finding it increasingly difficult to compete with these giants who are having access to huge amounts of funding. This paper examines the various changes that are happing in the Indian Retail scenario and suggest some measures for survival for these brick and mortar stores. It is imperative that the brick and mortar stores should survive so as it still supports the livelihood of many families.
*Keywords:*e-Commerce,Brick and mortar stores; Retailing
strategies;Pricing:StartegicAlliance:Collaboration;Futuregrowth;Survival strategies

I. Background Of The Study

Retailing may it be organized or unorganized is one of the largest contributors to a nation's economy both in terms of output as well as job creation. Indian markets have also seen this upsurge since various phases of the economic development of the country. The most positive fact is that the Indian markets are still yet untapped to a large extent by the entire spectrum of organized retailers including both offline as well as e-commerce. The biggest retail spenders belong to the working population of India (in the age group of 15-54 years).The exponential growth in retail sector has followed a phase wise pattern and is fuelled by certain factors such as rise in disposable income, increase of nuclear families ,proliferation of internet and m-commerce,increase in use of plastic money etc. However the growth story for both of these formats has not been equally encouraging as the advent of online e-commerce companies and the discount led model adopted by them has led to a confrontationist situation for both the formats as brick and mortar stores faced steep fall in sales since the year 2014.Government intervention in the retail sector has not been enough to solve these differences by itself and hence the changing scenario demands certain strategic steps to be taken by both the parties to co-exist profitably in the market.

A Brief History and Timeline

The retail companies evolved fairly well with every passing decade since 1990. Retail companies grew at 23% before the year 1990, 34% until 2000 and post the year 2000, the growth has been an impressive 43%. Post-liberalization, the first retail stores that opened up throughout the country were Raymond's, Bombay Dyeing, Titan and the like. After the 80s, India had malls coming up in all major cities; these places gave everyone the 'world-class feeling' and for people from both the urban and rural areas, Big industry players like Shoppers Stop and Pantaloons led the way of organized retail formats, even though they were just primitive versions of what we witness in the malls today.India's first brush with e-commerce was in the year 2002 when the government of India launched a website for online railway ticket booking via IRCTC. This was especially directed for the common man who then didn't have to stand in long queues, waste time and reduced the burden on the ticket bookers overall.This was a remarkable achievement for India. Airlines in India such as Spicejet, AirDeccan.Although retail sales were available online since the year 2000 with Rediff shopping and even eBay, online shopping was, in effect, relaunched in India when Flipkart offered very high discounts on their website. Since then, a great number of other merchants like Amazon and Jabong have jumped onto the online bandwagon, wanting a piece of the e-commerce profits.

Rationale of the Study: It has been evident that brick and mortar stores have been feeling the heat over a period of time both at the level of Big players such as Bigbazar and other small kirana stores and mom and pop retailers. This study is specifically aimed at understanding certain global practices especially in the US and other countries and take cues from them to be able to take preventive steps in a less matured or rather an evolving market like India

Types of study:Descriptive study
Sampling and DataCollection Secondary data collection done through articles and news reports published by various financial newspapers

Precedence of this situation in other places

India isn't the first country where offline and online retailers have clashed. In the US, companies such as Amazon and E-bay faced similar problems from the traditional supply chain when they were fast expanding in the 2000s and they continue to be criticized for steep discounting practices.Most brands are happy to have their products on Amazon because it has the kind of reach and supply chain that they can't match. Brands across many categories probably get lower margins selling online, but it's such a big channel that they can't afford to not have some kind of presence. The resolution in India may not be quick for several reasons. For one, both e-commerce and modern retail are growing alongside. In the US, e-commerce took off when modern retail was already mature. India follows the maximum retail price model, which makes it easier for consumers to see the extent of discount. In the US, prices are not regulated and the price of a product in different retail channels may vary hugely.In fact, the mature US retail environment has created price warriors among bricks-and-mortar stores.India's e-commerce companies, funded by private equity firms, are still in the investment phase.Amazon's experience in the US indicates that while discounting by e-commerce firms in India may decrease in future, their prices will always be comparatively lower and bricks-and-mortar retailers will simply have to find ways to cope with it..

Current Market Scenario

The e-commerce has transformed the way business is done in India. The Indian e-commerce market is expected to grow to US$ 200 billion by 2026 from US$ 38.5 billion as of 2017. Much growth of the industry has been triggered by increasing internet and smartphone penetration. The ongoing digital transformation in the country is expected to increase India's total internet user base to 829 million by 2021 from 604.21 million as of December 2018. India's internet economy is expected to double from US$125 billion as of April 2017 to US$ 250 billion by 2020, majorly backed by ecommerce. India's E-commerce revenue is expected to jump from US$ 39 billion in 2017 to US$ 120 billion in 2020, growing at an annual rate of 51 per cent, the highest in the world.Propelled by rising smartphone penetration, the launch of 4G networks and increasing consumer wealth, the Indian e-commerce market is expected to grow to US$ 200 billion by 2026 from US$ 38.5 billion in 2017 Online retail sales in India are expected to grow by 31 per cent to touch US$ 32.70 billion in 2018, led by Flipkart, Amazon India and Paytm MallSince 2014, the Government of India has announced various initiatives namely, Digital India, Make in India, Start-up India, Skill India and Innovation Fund. The timely and effective implementation of such programs will likely support the e-commerce growth in the country.In order to increase the participation of foreign players in the e-commerce field, the Indian Government hiked the limit of foreign direct investment (FDI) in the E-commerce marketplace model for up to 100 per cent (in B2B models).The heavy investment of Government of India in rolling out the fiber network for 5G will help boost ecommerce in India..Under the project 'Internet Saathi', the government has influenced over 16 million women in India and reached 166,000 villagesUdaan, a B2B online trade platform that connect small and medium size manufacturers and wholesalers with online retailers and also provide them logistics, payments and technology support, has sellers in over 80 cities of India and delivers to over 500 cities..The government introduced Bharat Interface for Money (BHIM), a simple mobile based platform for digital payments.

Strategies for Brick and mortar stores to make a comeback

While small time retailers have been definitely affected it has helped major brands increase their retail business. The ones which have been affected are those who have been relying only on the traditional business method. The expectations of the buyers have increased with the boom in eCommerce industry and they expect much more than just buying products. A wholesome experience where the buyer feels pampered is expected in all brick and mortar stores. Options such as placing order over the phone and home-delivery are expected from small time retail stores. The ones which have been able to provide these have thrived well while the rest seem to have been negatively affected.

Majority of the buyers still feel the need to verify the products physically before buying them. It has been said that although more than 200 million people use the internet in India, only about 32 million buy

online.. Many still feel the need to physically visit the stores as it is an overall experience (like a break from the daily routing) which cannot be provided by online stores.The cons of online buying including breakage during transit, delivery of faulty/incorrect products, difficulty in post-sales service, delayed delivery, poor accessibility in remote areas, and mainly the lack of personal attention, are the factors which help retail stores thrive in India.

II. Analysis/Discussion

Strategic Alliances: Brick-and-mortar and online need one other to co-exist. China's largest online retailer, Alibaba, has bought out two physical retailers Hema and Bailan. Similarly, Walmart in China has invested in JD.com. Not only has the former now got a large online sales platform in China, the latter has managed to get a physical store to display its products. It uses these stores as fulfilment centres and has been able to reduce delivery time considerably.Back home, Kishore Biyani, Chairman, Future Group, has announced his company's Retail 3.0 plan, through which he hopes to become a Rs1.5-trillion company by 2022 by blending online and offline retail. He plans to set up 10,000 technology empowered EasyDay stores in the next few years. He plans to have at least 2,000 members per store to whom he will offer the whole works of retail solutions so that those members don't need to go to any other neighbourhood store to fulfil their needs. Future Retail would offer them 10% discount on all products and it will also offer them credit facilities. The EasyDay stores will be like a marketplace, which would enable the consumers to access the company's entire inventory online. On the other hand, Amazon India has picked up a 5% stake in department store chain, Shoppers Stop.

Creating a seamless experience by harnessing technology.

Some retailers have already started down this path to move beyond established, though still rudimentary, personalization practices. At American cosmetic brand Covergirl's new flagship store, an AI-powered program, enabled by Google's conversational Dialogflow platform, directs customers, while augmented-reality glam stations let customers "virtually try" products—by altering the customer's image as if the product has been applied. But this doesn't mean the end of the salesperson or stylist. These virtual experiences still need the human touch. Covergirl's glam stations still need customers to tell stylists what products they'd like to try. As AI evolves, systems can generate recommendations based on analyzing a customer's skin tone, facial features, and emotions in real time to tailor what to recommend or avoid offering.

Famous brands such as Macy's(American departmental Store), Starbucks(Coffee outlet), and Sephora (French multinational beauty product's company) are using GPS technology and company apps to trigger relevant in-app offers when customers near a store. Amazon has patented new features that will enable its Echo device to detect when someone is ill—such as nasal tones that indicate a stuffed nose..Affectiva (emotion measurement technology company),is using machine learning to develop emotion-recognition algorithms to classify and map facial expressions, such as anger, contempt, disgust, fear, and joy.In time, these advances could help marketers communicate with customers in a way that's tied to specific moods.

Creation of Personalized experiences People still like going to a physical store to have an experience and learn about products, but now that can be decoupled from the act of taking possession of a product because there are better and cheaper ways of doing that. Malls are going to increasingly transform into places for experiences, not just for taking inventory home. The whole point of the retail experience is not to sell the product, but to introduce you to the brand in a way that can be shared with others through social media. There are special areas in the store that are set up for selfies, where you can take a picture of yourself and share that on social media. They might serve a small number people during a pop-up experience, but if those people send that message out on social media, the effect is an exponential multiplier. Brands such as Glossier's (Skincare and cosmetics company) expectation is that you will move your purchasing to the digital space after visiting the pop-ups, so it's not meant to be a channel of distribution. A brand like Warby Parker (an American online retailer of prescription glasses and sunglasses) also has photo booths in some of their stores, where you can try on the glasses and take pictures of yourself. What's brilliant about this is that it gives you this theatrical experience but with some operational benefits: If you want to receive the picture, you have to give them your email address. And when you are browsing frames, they offer to send you a link with the frames you have seen. They present this as a service but it's also very valuable data, because they can link offline and online, and they know that you were in the store on a particular day and what frames you saw, and they can follow up with an email saying, "Do you want to buy this now?"

Working out a proper pricing strategy: For multichannel retailers—those who sell both in physical stores and online—pricing is a particularly prickly problem. And when it comes to self-matching pricing policies, retailers have differing strategies. Some American brick-and-mortars, including Best Buy, Target, Staples, and Sears, will gladly match their online prices in-store if a customer asks for them. However, others, like Home Depot, Bloomingdale's, and Macy's, are usually quite firm about refusing.. In some cases, however, self-matching is the best strategy to earn higher profits, says Harvard Business School studies.Indian companies

can take a cue from here as well and ensure that they offer both online as well as offline prices so that customer does not feel cheated after knowing the price differential and form a negative opinion about offline retailers.

The Future Road Ahead

The Indian e-commerce industry has been on an upward growth trajectory and is expected to surpass the US to become the second largest e-commerce market in the world by 2034. Technology enabled innovations like digital payments, hyper-local logistics, analytics driven customer engagement and digital advertisements will likely support the growth in the sector. Collaborative strategies can be really helpful for various retailers in order to survive the onslaught of venture capital funded e-commerce companies. Significant investments are also required to be made in technologies that can help in understanding customer requirements so that experiences can be designed to delight the customer who comes to retail store. India still not being a mature market there is still a lot of room to accommodate small changes to be ready for the coming growth in the retail landscape as government is rolling out a phased manner of internet penetration and it also has become pretty clear that legislation is also going to be in favour of brick and mortar stores.

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