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Role of ICT in the growth of Retail Industry in India

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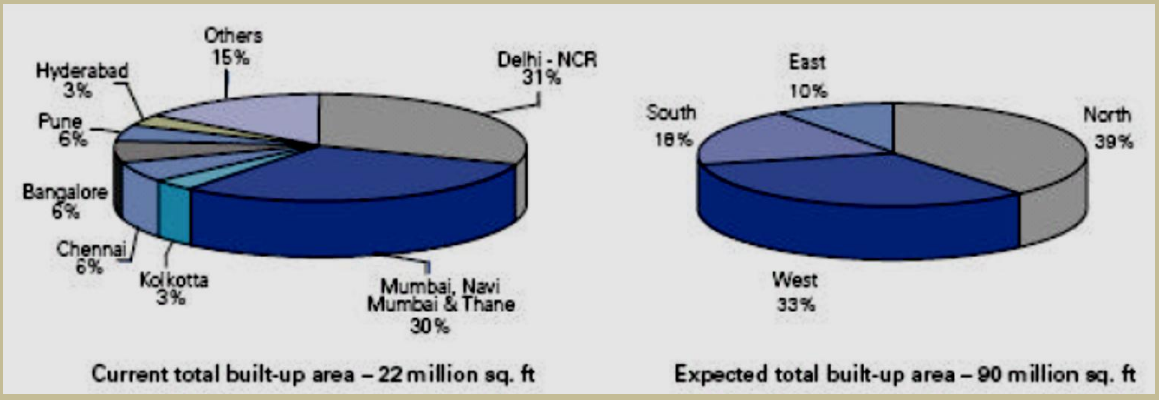
Introduction:

The retail landscape in India is changing rapidly and is being scrutinized by large scale investments by foreign and domestic players. Market liberalization and changing consumer behavior have sown the seeds of a retail transformation. Indian retailing is growing fast and imparting the consumer preferences across the country. A typical retail store has a variety of computing devices on-site, including barcode scanners, laptop computers, PDAs, and voice handsets. Because there are typically no local IT resources, configuration and repair of these devices must be automatic and simple. The wireless LAN deployed at a retail site should support a management system for both the network itself as well as the devices attached to that network that puts tight control of the system in the hands of central operations staff and does not require local personnel to perform diagnostics, reset devices, access management interfaces, or get on the phone to be walked through a procedure.

Challenges in India for Retail Houses:

Property:

Average rental values for ground-floor space are Rs 50-60 per square foot a month, against Rs 100-120 per sq foot a month in the bigger cities. However, a strong demand for retail space has more than doubled rentals in tier-II cities as well. While in the metros, retailers are filling gaps by increasing more stores, in small towns, these malls are way beyond the expectations of the consumers. These cities are untapped markets and retailers find it important to establish their brands there.



Source: www.retailyatra.com

Formats & Commodities:

Out of the total retail market, food and grocery retail is by far the single largest block estimated to be worth Rs.642,200 crore, but more than 99 percent of this market is dominated by the neighborhood mom & pop stores.

Infrastructure:

Infrastructure is poor in terms of accessibility, parking, and other requirements in order to facilitate the booming Retail format, also malls at distant place will not be attractive to Indian scenario due to high fuel price.

Technology Enabled:
On-line shopping is yet to be accepted to the fullest, IVRS (Interactive Voice Response System) enabled retailing is also not in practice to beat the above challenges.

IT & ITeS Challenges:
With the retail sector in India undergoing a transformation, IT managers and CIOs are now looking forward to know how IT can help them achieve the business goals of their organizations, following are some of the areas where technology has a major role to play: Technology challenges & solutions required
1) Theft and Crime: Theft, fraud and crime are issues that faced by all retailers in every country. Retailers in the countryside tend to suffer from lower crime than those in densely populated cities. Be that as it may, to combat or prevent crime, even the most fortunate retailer has to spend money on procedures, training, and security staff and equipment if the business is to keep crime losses low. The overall impact of crime upon retail businesses is massive.
2) Product complexity: The retail sector has a high degree of product complexity, with the number of SKUs in stores running anywhere from the tens of thousands to more than two hundred thousand, a high degree of seasonal and fashionable items, and a lack of standardization of product hierarchies.
3) Supply chain challenges: With so many different outlets and channels, multiple hand-offs, and high frequency of replenishment, developing and managing an efficient supply chain remains one of the primary challenges in the retail sector.
4) Process complexity: The business processes that support this environment are also inherently complex due to the multiple touch points across players in the value chain (manufacturer, distributor, retailer, consumer), the coordination required between the different planning cycles of each of these players , and geographic dispersion.
5) Staff Training: Training on product technical details, especially in case of multilocations, and frequent update in products: high level connectivity required for remote training.
6) Empowered Customer: Customer service will be a challenging area as the competition increases, customer may call up the information/service centre and try to get upfront information on products prior visiting the mall, and this can also be applicable for services on products. A virtual kiosk through ITeS (call centre/BPO) needs to be envisaged.

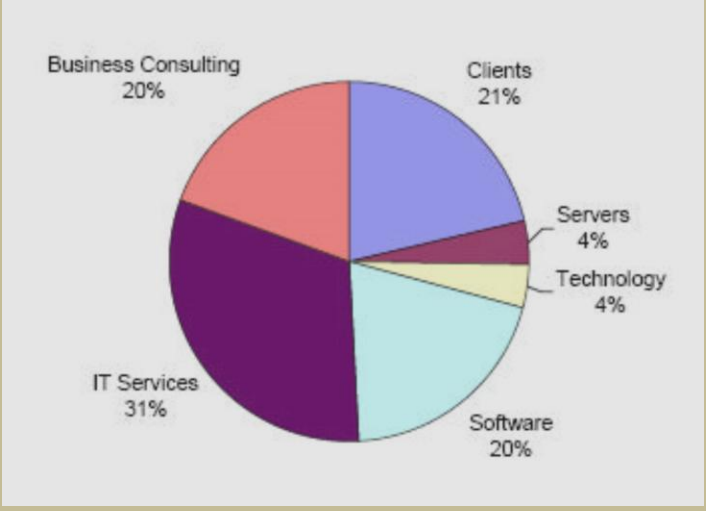
With the increase in globalisation of retailers both in terms of their point – of – sale, as well as their points – of – supply, the information Technology (IT) spend in the retail sector has increased considerably and plays an increasingly important role in managing the complexity of retail operations, however most of retailers do not have integrated IT systems today. Out of the total organised retailers, many have a few IT systems in the areas of supply chain management, vendor development, merchandising and inventory management. Poor data integrity and integration is another challenge to most of the retail houses as these organisations will have to enable web based order services, delivery tracking and customer service in addition to complex supply chain and vendor management.

Role of Information Technology Enabled Services (ITES):
Standards-based architecture and software should address all kinds of mission-critical IT applications for enabling greater efficiency, significant cost savings, and new business value. The critical activities that can be handled by IT are integrated systems: finance and accounting, business intelligence, vendor development and management, supply chain management, merchandising and inventory management, facilities management, stores management, customer

relationship management, branding, marketing, etc., and the IT strategy has to be framed keeping in mind its ambitious growth plans as well and key notes are:

- Create a robust and reliable information infrastructure.
- Consider Call Centre based services
- Customer communication with web based and through video
- Networking and system collaboration / convergence of systems: combine voice, data, and video on a converged network for an integrated cost effective networked productivity
- Connectivity of employee training on new product lines remotely
- Quick billing from pick up point (trolley), for member (platinum) customers
- Keep the large base of customer and financial information secure with no scope of unauthorized access.
- Network all offices and outlets of the company to exchange information in realtime.
- Address security at all levels, meeting regulatory requirements and industry mandates.

Typically, a billing counter takes minimum 10-15 min to bill and release a customer, instead there can be RFID enabled auto counting from the trolley point when the customer picks up items and drop in the trolley after swapping the barcode/id of the product to the reading point fitted in the trolley (might not be possible for all products), or wireless point –of- sales (POS), and as the customer reaches the counter point, his bill is ready and pay and pack out. This might be possible only for customers with some identity number or loyalty card number. In long run this will help speedy shopping and save unproductive and impatient billing time. You can have special counter for such customers if required, and very few products need to be billed at the counter such as loose pack products. As shopping malls face competitions, such things could be a value addition and this may demand good communication network within the mall. In short, store operations must be automated to conduct fast transactions, reduce operating costs, and improve productivity. The retail workplace needs to be well responsive to improve customer satisfaction. Communications between stores, headquarters and supplies must be streamlined and collaborative to provide insight into inventory levels, sales numbers as well as supply chain information. Retail sector will also offer tremendous opportunity to IT & ITeS service providers and below illustration highlights the probable volume of IT and allied service opportunity:



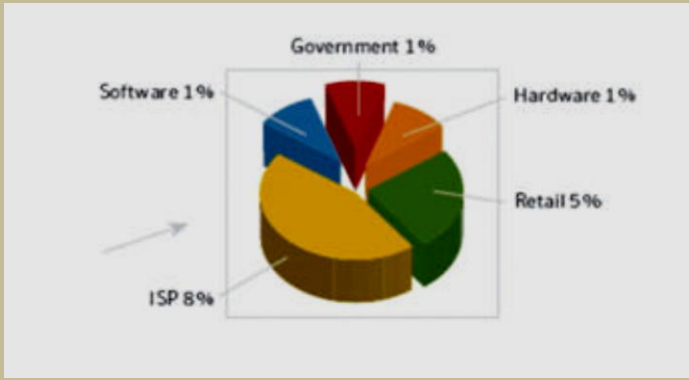
Source: KPEMG.org/retail

E-Customer Service / IT enabled Services:

As fuel prices increase, consumers become more concerned with retail site location, and parking issues. From the supply side, the perishable items we purchase travel more than one thousand miles from its origin on average. Other retail goods move similar distances. Also parking is a major hitch in India unlike US or Europe, therefore long run customer may prefer ordering and other services for regular products through e-enabled systems (web site) and tele-customer service centers for product queries, product service coordination, (customer in India still expect the distributor to co-ordinate for any service in spite of the manufacturers providing the same directly to the end-consumer, eg. LG products etc.), and this is possible with an integrated database, CRM and communication systems with complete transaction cycle of products from sourcing to sales and warranty details. Thus ICT and ITeS have a major role to play in upcoming retail sector.

Security Solutions:

When we look at the need of technology advancement, it is equally important to review the information security as well. The antivirus and security industry has witnessed quite a few changes in the past year – and, most notably, over the final few months leading to 2006. This will be a great challenge to all retail houses since they are on the verge of enabling on-line shopping and other services. One of the major threads is Phishing and it is slowly becoming a household term, with a new scam arriving in users' inboxes as frequently as once per week. But what makes phishing different from viruses and other threats - and why has it become so popular? And most importantly, what can you do to protect yourself against it? is a large topics to discuss, however it is critical for retail houses to consider this on top priority. The below illustration highlights the level of vulnerability of phishing in Retail sectors, it is next to financial sectors:



Researchers have long noted the closing gap between the discovery of a new vulnerability and the time corresponding exploits appear. The association of Certified Fraud Examiners (ACFE) estimates that six Percent of Organizations revenues will be lost this year as a result of occupational fraud. In addition to the direct currency cost of fraud, organizations must cope with a range of indirect cost.

In simple terms, frauds fall into three broad categories: asset misappropriation, corruption or fraudulent statement. Based on the ACFE study, over 85 percent of the occupational frauds review ed involved asset misappropriation, with cash as the targeted asset 90 percent of the time. Corruption scams accounted for nearly 13 percent of frauds studied, for an average loss of more than 4 million per incident. Spy ware programs are a growing threat to corporations today. Reports now show that nearly one in three computers are infected with a Trojan horse or system monitor planted by spy ware. These programs present a serious threat to privacy, security, and network

performance. The following technical note defines the many types of spy ware, explains how they invade the network, and exposes the damaging impact. Hence information security in today's world is a complex job. Timely analysis and use of information makes the difference between optimum yields and total loss.

Information Security requires a holistic approach of three vital elements such as:

People → Process → Technology

The role of IT in information gathering for fundamental and security analysis, use of IT tools for portfolio management, impact of IT on transaction settlement bringing about transparency, security and disintermediation, use of IT for information security and for decision support and the road map ahead are some of the key demanding areas for IT solution providers.

Conclusion:

There is no magic technology that by itself can boost margins, fix operating problems, and guarantee customer loyalty. Only people can do these things, along with a well-executed operational plan – but technology can help. Successful companies today must build technology into their businesses. Wireless technology has a number of innovative uses in retail, as described in this paper, that can improve operational processes, improve the customer buying experience, give better visibility for management into store operations, and ultimately improve the bottom line.

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