Boston Consulting Group partners with leaders in business and society to tackle their most important challenges and capture their greatest opportunities. BCG was the pioneer in business strategy when it was founded in 1963. Today, we help clients with total transformation—inspiring complex change, enabling organizations to grow, building competitive advantage and driving bottom-line impact. To succeed, organizations must blend digital and human capabilities. Our diverse, global teams bring deep industry and functional expertise and a range of perspectives to spark change. BCG delivers solutions through leading-edge management consulting along with technology and design, corporate and digital ventures—and business purpose. We work in a uniquely collaborative model across the firm and throughout all levels of the client organization, generating results that allow our clients to thrive.

Retailers Association of India (RAI) is the unified voice of retailers in India. A not-for-profit organization, RAI, works with various stakeholders to create the right environment for the growth of modern retail in India. It represents an entire gamut of retailers, from chain store retailers and department stores to independent emerging retailers. RAI encourages, develops, facilitates and supports retailers to modernize and adopt best practices. It works with all levels of the government and stakeholders to drive employment opportunities, promote retail investments, drive thought leadership, enhance customer choice and build industry competitiveness.
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India has seen steady consumption growth for many years driven by strong socio-demographic fundamentals. However, in 2020, the COVID-19 pandemic dealt a heavy blow to the economy and consumption patterns, changing several facets of everyday life of consumers. To understand the changes brought by the pandemic, BCG conducted proprietary research in 2020 across a wide range of consumer segments for India. The research delved into understanding the shifts in consumer purchase behavior across categories and the underlying reasons behind the same.

This report “Retail Resurgence in India: Leading in the new reality” jointly developed by BCG and RAI details these shifts in consumer preferences in four large categories: staples, mobile phones, apparel and food ordering. Our insights suggest that while some of the preference shifts are short term, some of the others will have mid to long-term implications for the supply side. Overall, we are positive about a strong sectoral comeback.

The report also shares a path forward for retailers, both in essential and discretionary segments, to lead and win in the changing demand dynamics. We also lay out some interesting actions undertaken by international and domestic retailers to take advantage of the context. We hope you find this report informative and useful for your business.
YOUR FUTURE HASN'T BEEN WRITTEN YET.
NO ONE'S HAS!
YOUR FUTURE IS WHATEVER YOU MAKE IT.
SO MAKE IT A GOOD ONE!

‘BACK TO THE FUTURE’
Supported by uptick in economy, increased confidence and demographic fundamentals as pandemic recedes.

Driven by shifts in consumer preferences across socio-segments and confidence.

From fighting the pandemic to leading in the new reality.

CONTENTS

01 INDIA CONSUMPTION BACK ON GROWTH TRAJECTORY...
02 ...SIGNIFICANT VARIATION ACROSS DIFFERENT CATEGORIES...
03 ...LEADING TO CLEAR ACTION AGENDA FOR RETAILERS

10 22 54
India has been showing steady consumption growth for several years, and the expectation is that consumption will triple by 2030. Growth has been driven by strong fundamentals - increasing share of affluent and elite households, urbanization, nuclearization of households and increasing Gen-I population with higher appetite to spend. However, with covid-19 hitting the country in 2020, the factors driving consumption came under pressure putting hard brakes on the growth rates. The retail sector saw its first contraction in 2020 after showing double digit growth over the past several years.

Economic revival is on the anvil now. The signs of recovery are visible both on-ground (increasing GST collections, increasing e-way bills etc.) and in the sentiments of consumer and capital markets. We expect India’s retail sector to bounce back to the pre-covid trajectory, with a delay of 1-2 years introduced by the pandemic.

The consumption spend of Indian households has been evolving over the last two decades with share of categories like health, clothing and footwear increasing from the basic categories like food. Additionally, many new categories and channels of spending also accelerated during this time. Now, covid-19 has brought changes in the spending patterns of consumers along with some long-term lifestyle changes. This mix change & more importantly, the underlying drivers of the same, clearly exhibit the direction retailers need to move towards as they accelerate business recovery.
In food staples, the major emerging trends are around reduced need to ‘touch and feel’ products at the time of purchase and increasing focus on brand led quality assurance. Online media is emerging both as a strong influencer as well as buying channel for the category which traditionally has least online penetration in India. In mobile phones, the behavior is different across consumer income segments. While functional needs are pronounced for lower-income consumers, upgrade requirements are more important for higher-income consumers and driving distinctive purchase behavior. Imported value brands are performing strong due to limited competitive options and compelling pricing.

In apparel, comfort wear categories like athleisure are witnessing clear acceleration owing to ‘work from home’ and fitness needs of consumers. Role of traditional media as an influencer has got diminished in this category post-covid with social media and other online channels emerging as dominant influencer. Though the share of online buying has increased, brick and mortar stores continue to be relevant for apparel. In food ordering, need-based ordering has increased instead of celebratory but impulse purchase remains very relevant. Word of mouth recommendations stay equally important a selection driver as pre-covid times. Aggregators & company direct servicing have seen increase in share, but phone ordering still remains relevant in the category especially for low-income consumers.

Some of these trends show characteristics of being more short-term in nature and will revert to the mean once the environment stabilizes. Other trends such as the accelerated digital shift are expected to play out for a longer period. We believe the fundamental service-value equation has got shifted and critical barriers of usage in the past have got broken.

Analysis of key macro economic trends suggests that consumption will recover steadily, and retail sales are poised for a comeback over this year. While disruptions will be a way of life going forward, India’s demand growth will grow be north of 10% over the long term. There is a huge opportunity for retailers to capture a share of the increasing demand in the years ahead. However, they need to cater to the changing demand dynamics and re-evaluate their value proposition basis their target segment anchoring on the evergreen levers of retail relevance.

The chosen value proposition and segment will require retailers to make key business model decisions centered around seven themes a) Adapting store network for omnichannel excellence, b) Providing the relevant merchandise offering c) Pricing and promotions across consumer cohorts, d) Innovating along the purchase journeys, e) Enhancing supply chain agility f) Optimizing customer acquisition cost and g) Creating digital capabilities. Internationally, several essentials and discretionary players have taken such decisions to ride over the pandemic. Lastly, in the long term, locally adapted operating model constructs decisions like low-cost ops, multi-channel, use of flexible labor, alliances and data driven play will be the key to market leadership in the new reality.

We hope the report will serve as an inspiration and a call to action for retailers who want to emerge victorious from this unprecedented crisis which our generation has seen.
01

INDIA CONSUMPTION BACK ON GROWTH TRAJECTORY...

Supported by uptick in economy, increased confidence and demographic fundamentals as pandemic recedes
India displaying steady consumption growth pre-2020; size of consumption expected to triple by 2030

<table>
<thead>
<tr>
<th>Year</th>
<th>Total Consumption (INR Tn)</th>
<th>GDP of India (INR Tn)</th>
<th>Consumption as % of GDP</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Covid</td>
<td>35-45</td>
<td>115-125</td>
<td>54.8%</td>
</tr>
<tr>
<td>2010</td>
<td>73</td>
<td>200</td>
<td>60.2%</td>
</tr>
<tr>
<td>2019</td>
<td>115-125</td>
<td></td>
<td>62.0%</td>
</tr>
<tr>
<td>2030 (Pre-Covid)</td>
<td>360-370</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Note: 1. Total household consumption is in nominal value 2. GDP of India is in nominal value
Source: BCG projections and estimates
Affluence, Urbanization, Nuclearization, Gen-I population – key drivers of consumption growth

**Expanding base of affluent and elite households**

<table>
<thead>
<tr>
<th>Year</th>
<th>No of households, Mn</th>
<th>% of households</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>16</td>
<td>0.0</td>
</tr>
<tr>
<td>2019</td>
<td>36</td>
<td>0.5</td>
</tr>
<tr>
<td>2030</td>
<td>79</td>
<td>1.0</td>
</tr>
</tbody>
</table>

**Urban population (% of total population)**

<table>
<thead>
<tr>
<th>Year</th>
<th>Urban population (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>~31</td>
</tr>
<tr>
<td>2019</td>
<td>~34</td>
</tr>
<tr>
<td>2030</td>
<td>~38</td>
</tr>
</tbody>
</table>

**3/4th of total households being nuclear**

<table>
<thead>
<tr>
<th>Year</th>
<th>Nuclear families (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>~66</td>
</tr>
<tr>
<td>2019</td>
<td>~72</td>
</tr>
<tr>
<td>2030</td>
<td>~76</td>
</tr>
</tbody>
</table>

**Increasing Gen-I population with higher appetite to spend**

<table>
<thead>
<tr>
<th>Year</th>
<th>Gen I population (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>~58</td>
</tr>
<tr>
<td>2019</td>
<td>~69</td>
</tr>
<tr>
<td>2030</td>
<td>~77</td>
</tr>
</tbody>
</table>

Source: CCI proprietary income database; BCG projections and estimates; 1. Nuclear households are households comprised of a married couple or a man or a woman living alone or with unmarried children (biological, adopted, or fostered) with or without unrelated individuals; 2. Gen I constitutes individuals who have grown up in the liberalized economy (<14 years of age when economy started opening); Population % with age 0-29 taken for 2010, age 0-39 taken for 2019, age 0-49 taken for 2030;
In 2020, India and the world were hit by the Covid-19 pandemic

- US to lockdown 70 million people in bid to stop coronavirus spread
- India implements strictest lockdown in the world, lags in testing: Expert
- Coronavirus job losses could total 47 million, unemployment rate may hit 32%, Fed estimates
- Rs. 3 lakh crore gone! Sensex tanks 700 points amid rising Covid-19 cases
- Brazil central bank cuts 2020 GDP forecast to -6.4%, warns of uncertain recovery
- Italy announces restrictions over entire country in attempt to halt coronavirus
- In one of world’s toughest lockdown in South Australia, only one family member allowed to leave home.

Source: World map source Bloomberg; Press Articles
Factors that were driving consumption…

- Households’ income on the rise
- Increasing share of Affluent + Elite HHs

- Access to avenues of consumption like malls, shopping complexes, multiplexes etc.
- Information availability through online and offline media

- Positive outlook towards future prospects
- Propensity to increase spends

- Tendency to shop anywhere, anytime
- Increasing discretionary expenses

…came under pressure during the pandemic

- Job losses, salary cuts
- Shutdown of businesses

- Shutdown of commercial establishments, impacted supply chains
- Shrink in advertising by businesses

- Negative outlook towards economy
- Reduction in spends, income crunch

- Safety concerns in going out
- Focus on savings, reduced discretionary expenses

Note: India-specific trends
Retail sector declined for the first time in India in decades

KEY CAUSES

- Supply chain and operational restrictions
- Lower footfall due to lockdown limitations and perceived health risk
- Lower discretionary spends due to income uncertainty

Overall retail sales decreased in 2020 post witnessing double digit growth over the past many years

Overall retail (INR Tn)

Source: BCG projections and estimates
However different formats impacted by varying degree through the year

Brick-and-mortar retailing (especially modern trade) suffered the most, e-commerce got an acceleration

![Diagram showing the impact on different retail formats through the year.

<table>
<thead>
<tr>
<th>Quarter</th>
<th>General Trade (GT)</th>
<th>Modern Trade (MT)</th>
<th>E-commerce</th>
</tr>
</thead>
<tbody>
<tr>
<td>1Q'20</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2Q'20</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>3Q'20</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4Q'20</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Illustrative for grocery retail

Source: RAI, BCG projections and estimates; 1. Includes overall traditional and modern retail in India across categories; 2. Includes overall e-commerce in India across categories
Globally, in-store spending was repressed over the year, clear shift in preference for online

In-store spending\(^1\)
vs. pre-Covid-19 levels

-USA: -3%
-France: -4%
-China: -7%

Online spending\(^1\)
vs. pre-Covid-19 levels

-USA: ~36%
-France: ~17%
-China: ~20%

Source: BCG projections and estimates; 1. Total spending captures market size for overall retail, In-store spending captures market size for store-based retailing and online spending captures e-commerce market size changes in the respective countries; comparison of 2020 numbers with 2019.
Economic revival is on the anvil now… recovery visible on-ground…

GST collection reaching pre-Covid level; uptick in logistics and transportation sector

<table>
<thead>
<tr>
<th>Month</th>
<th>Jan</th>
<th>Apr</th>
<th>Jul 2020</th>
<th>Oct</th>
<th>Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td>GST Collections 1</td>
<td>1.11</td>
<td>57</td>
<td>64</td>
<td>1.15</td>
<td>1.5</td>
</tr>
<tr>
<td># E-way Bills 2</td>
<td>0.0</td>
<td>0.5</td>
<td>1.0</td>
<td>1.15</td>
<td>64</td>
</tr>
</tbody>
</table>

Uptick in Manufacturing & Services PMI 3 - signifying expansion in key sectors

<table>
<thead>
<tr>
<th>Month</th>
<th>Jan</th>
<th>Apr</th>
<th>Jul 2020</th>
<th>Oct</th>
<th>Dec</th>
</tr>
</thead>
<tbody>
<tr>
<td>Manufacturing PMI</td>
<td>55</td>
<td>27</td>
<td>52</td>
<td>59</td>
<td>56</td>
</tr>
<tr>
<td>Services PMI</td>
<td>56</td>
<td>52</td>
<td>52</td>
<td>50</td>
<td>52</td>
</tr>
</tbody>
</table>

Source: 1. Includes all components: CGST, SGST, IGST, Cess; Based on data from GST Council; 2. Required to be generated when transporting goods worth >INR50,000, values taken from GST Network; 3. IHS Markit, CMIE
...as well as in sentiment of consumer and capital markets

Decrease in number of people planning to reduce spends

Spends outlook:
I expect my spends to decline in next 6 months (%)

<table>
<thead>
<tr>
<th>% respondents</th>
<th>Mar</th>
<th>Apr</th>
<th>May start 2020</th>
<th>May end</th>
<th>Aug</th>
</tr>
</thead>
<tbody>
<tr>
<td>44</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>47</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>46</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>45</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>40</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Source: 1. BCG Covid-19 Consumer Sentiment Survey, 20th Jul – 02nd Aug’20 (N=3,000); 2. BSE India Website

Sensex touched 50,000 level for the first time

Movement of BSE Sensex

<table>
<thead>
<tr>
<th>'000</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
<th>Q1 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>41</td>
<td>38</td>
<td>28</td>
<td>39</td>
<td>40</td>
<td>45</td>
</tr>
<tr>
<td>50</td>
<td>49</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

On Jan 21, 2021

Source: 1. BCG Covid-19 Consumer Sentiment Survey, 20th Jul – 02nd Aug’20 (N=3,000); 2. BSE India Website
We expect India’s retail sector to bounce back to pre-covid trajectory.

India Consumption as % of GDP

<table>
<thead>
<tr>
<th>Year</th>
<th>Pre-Covid</th>
<th>Post-Covid</th>
</tr>
</thead>
<tbody>
<tr>
<td>2010</td>
<td>54.8%</td>
<td></td>
</tr>
<tr>
<td>2019</td>
<td>60.2%</td>
<td></td>
</tr>
</tbody>
</table>

Total Household consumption are at nominal price 1. GDP of India is in nominal value; Source: BCG projections and estimates

Future projected market size will come with a 1-2 year lag

Total retail market size (INR Tn)

- 2010: 16-19
- 2019: 47-48
- 2030 (F): 580-590
- 2031-32 (F): 130-140

Note: 1. Total Household consumption are at nominal price. 2. GDP of India is in nominal value; Source: BCG projections and estimates
... SIGNIFICANT VARIATION ACROSS DIFFERENT CATEGORIES...

Driven by shifts in consumer preferences across socio-segments and confidence
SIGNIFICANT VARIATION ACROSS DIFFERENT CATEGORIES
Consumption in India showing growth across all categories of household spending

HH Consumption (INR Tn)

<table>
<thead>
<tr>
<th>Category</th>
<th>2010</th>
<th>2019</th>
</tr>
</thead>
<tbody>
<tr>
<td>Food, beverages, tobacco</td>
<td>34%</td>
<td>32%</td>
</tr>
<tr>
<td>Clothing &amp; Footwear</td>
<td>12%</td>
<td>15%</td>
</tr>
<tr>
<td>Leisure</td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Housing &amp; household products</td>
<td>7%</td>
<td>6%</td>
</tr>
<tr>
<td>Other goods &amp; services</td>
<td>17%</td>
<td>16%</td>
</tr>
<tr>
<td>Transport &amp; Communication</td>
<td>20%</td>
<td>19%</td>
</tr>
<tr>
<td>Health</td>
<td>4%</td>
<td>5%</td>
</tr>
<tr>
<td>Education</td>
<td>10%</td>
<td>9.5%</td>
</tr>
</tbody>
</table>

CAGR (2019-2030) (%)

- Leisure: 9.1%
- Other goods & services: 6.5%
- Education: 10.3%
- Transport & Communication: 8.2%
- Health: 9.6%
- Housing & household products: 9.3%
- Clothing & Footwear: 9.1%
- Food, beverages, tobacco: 8.2%

Source: CCI proprietary consumption model, BCG analysis
<table>
<thead>
<tr>
<th>Category</th>
<th>Emerged in</th>
<th>Size, 2019 (INR Bn)</th>
</tr>
</thead>
<tbody>
<tr>
<td>E-ticketing/ online travel</td>
<td>2000</td>
<td>3,300-3,400</td>
</tr>
<tr>
<td>Passenger Air Travel</td>
<td>1932</td>
<td>Size, 2006 (INR Bn)</td>
</tr>
<tr>
<td></td>
<td></td>
<td>350-400</td>
</tr>
<tr>
<td>Ride Hailing</td>
<td>2010</td>
<td>2,200-2,300</td>
</tr>
<tr>
<td>Mobile wallet payments</td>
<td>2004</td>
<td>1,900-2,000</td>
</tr>
<tr>
<td>Smartphones</td>
<td>2009</td>
<td>1,800-1,900</td>
</tr>
<tr>
<td>Holiday rentals</td>
<td>2013</td>
<td>100-150</td>
</tr>
<tr>
<td>OTT¹</td>
<td>2007</td>
<td>50-100</td>
</tr>
<tr>
<td>Cloud Kitchens</td>
<td>2011</td>
<td>30-50</td>
</tr>
<tr>
<td>Wearables</td>
<td>2013</td>
<td>20-30</td>
</tr>
</tbody>
</table>

Note: 1. OTT refer to OTT video; Source: Press search; Analyst reports; Euromonitor

Many new categories and channels of spending have accelerated over the past 2 decades.
The pandemic has brought multiple changes in spending patterns...

**Trends which are seeing acceleration**
- Increase in spend on health
- Premiumization in food categories, especially by high income groups
- E-commerce, digital payments

**Trends which are seeing reversal**
- Spending on categories like apparel and footwear
- Premiumization in discretionary categories
- High growth in brick-and-mortar modern trade channels

**Recovery from pandemic happening at varying speed across categories - essentials going strong, while discretionary recovering at a slower pace**
SIGNIFICANT VARIATION ACROSS DIFFERENT CATEGORIES
... along with some lifestyle changes that are here to stay...

**Atmanirbhar Bharat: A confectioner in every household**

**Profile**
35 years | Jaipur

**Getting to know**
Sushma lives with her husband and 2 children

**Life before the pandemic**
No formal employment history, but strong grasp of household finances

Depletion in savings, reduced expenditure, to make ends meet post a salary cut

Great cooking skills, “celebrity chef” status in the neighborhood

Comfortable income from husband’s mid-level employment at a reputed firm

Plans to continue and expand the business, even though husband’s salary is reinstated

Initiated a homemade sweets venture to supplement the household income

**The shift in lifestyle**
Digitizing finances: Internet—India’s newest banker

Manoj has a heart ailment history. He is skeptical about online purchase, but has a digitally savvy son.

A deal hunter, negotiating for the best prices at stores.

Finds online products and transactions untrustworthy.

Under strict lockdown due to heart ailment, with no mobility to shop essentials.

Gained confidence in online shopping, turned to e-commerce for non-essentials like apparel too.

Introduced to online shopping & benefits of online payments—risk free, economical, simplified accounting of finances.

Profile
50 years | Mumbai

... impacting purchase patterns distinctly
Deep dive into select essential and discretionary categories to analyze contemporary consumer behaviour.

Category selection based on mix of high and low frequency, ticket size, products and services.

<table>
<thead>
<tr>
<th>Category</th>
<th>Occasions per year</th>
<th>Spend/Occasion (INR)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Essential</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Staples</td>
<td>17</td>
<td>~2,800¹</td>
</tr>
<tr>
<td>Order-in</td>
<td>14</td>
<td>~600</td>
</tr>
<tr>
<td>Discretionary</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Apparel</td>
<td>7</td>
<td>~2,100</td>
</tr>
<tr>
<td>Mobile</td>
<td>&lt;1</td>
<td>10,860</td>
</tr>
</tbody>
</table>

What is the frequency of purchase in a yr? What is the average spend on the <category> in a yr?

1. Spend/month Data of only urban consumers

Source: CCI Survey & BCG analysis
SIGNIFICANT VARIATION ACROSS DIFFERENT CATEGORIES

STAPLES
Indian packaged staples market to reach INR 1,700-1,800 Bn by 2024…

…driven by premiumization, branded products and private labels

Market growth driven by 3 key trends

- Movement towards branded offerings, new players in the market
- Premiumization
- Push on private labels by retailers/wholesalers

Source: 1. Expert discussions, BCG projections and analysis
3 key shifts in Staples post-Covid

1. Reduced need for ‘touch and feel’, increasing focus on brand
   - Will continue in long term

2. Preference to healthier, pure food
   - Expected to continue for high income segments

3. Increasing online share in influence & buying
   - Will continue in long term
Clear shift from the past, consumers have somewhat got past the desire to ‘touch & feel’ staples; higher reliance on brand led quality assurance

Used to buy loose pulses & dal from supermarkets before. But have started to buy from ‘leading fmcg companies’ now. Others might have touched it in the supermarkets.

- Tier 3 city consumer

Increasing share of online as a source of influence and channel of buying

I prefer now online shopping because things are available there. In my grocery store either products are not available or have to stand outside for 30 minutes.

- A Tier 2 city consumer

Focus shifted from ‘touch and feel’ to brand and quality, price still important

Option to touch and feel Quality Reasonable pricing Brand Others

Pre-Covid

26% 16% 27% 14% 17%

Post-Covid

16% 20% 27% 19% 18%

Shift in preference for ‘touch and feel’ in tier 2-3 cities compared to Metros - Tier 1

~3x

Growth in packaged staples in rural vs metro

11x

Online emerging as significant source of influence; increase in e-commerce buyers

% respondents, getting influenced by online for purchase

Pre-Covid

19%

Post-Covid

35%

Increase in online influence ~3x in tier 1 and 2 cities compared to metros

1.4x

Increase in # of ecommerce buyers (indexed to pre-Covid)

1.4x

New users satisfied with experience

70-80%

New users willing to continue in future

50-60%

Shift from family suitability to chemical-free & health promoting products

Low-income groups continue to use physical attributes for quality, high income groups shifting to certified and organic products

Increasing attention on healthier products

Preference shift from family suitability to health promoting products

Organic and chemical free products major quality drivers for high-income groups

Started having organic pulses, sprouts, vegetables. Organic food is vitamin rich and does not have any additives

- A metro city consumer

Source: 1. CCI category consumption survey (Pre-Covid: Period – 2019, N=8,500; Post-Covid: Period – Sept’20, N:1,200); Data of only urban consumers. Strugglers: <1.5L, Elite: >20L (Annual average household income)
MOBILE PHONES
With 38% mobile penetration vs global average of 66%, India has high potential for further growth in the mobile handsets category.

India expected to lead global handsets market growth.

Incremental growth opportunity for India due to low saturation, as compared to countries with scope for only replacement/transition.

With ~9% value growth, India expected to achieve a faster growth rate than other countries.

<table>
<thead>
<tr>
<th>Country</th>
<th>Sales Value CAGR (2015-2024)</th>
</tr>
</thead>
<tbody>
<tr>
<td>India</td>
<td>+8.9%</td>
</tr>
<tr>
<td>USA</td>
<td>-0.5%</td>
</tr>
<tr>
<td>China</td>
<td>+0.8%</td>
</tr>
</tbody>
</table>

Source: Forrester Research (ForecastView Global Mobile, Smartphone, And Tablet Forecast, 2019 To 2024; Covid-19 Update) IDC sales data by value (USD Mn)
3 key shifts in Mobiles post-Covid

- **Functional and upgradation needs drivers of purchase**
- **Polarization in purchase motivations – Price vs brand**
- **Imported value brands continue to dominate**

**Future Perspective**
- **Short term change due to income uncertainty**
- **Medium to long term, varying by segment**
- **Expected to continue due to limited alternatives**
Functional needs have become important for low income consumers

High income consumers driven towards upgrading current device

Imported value brands performing strong despite recent pro-local sentiment – pricing & limited alternates being the key reasons

Everyone is using Chinese phones only; if there is a good feature phone at a good price from China – how can I say no that?

- Recent smartphone purchaser

---

**Imported brand sales by volume continue to grow in 2020 by 17%**

<table>
<thead>
<tr>
<th>Sales Volume %</th>
<th>China</th>
<th>India</th>
<th>Others</th>
</tr>
</thead>
<tbody>
<tr>
<td>2019</td>
<td>24%</td>
<td>17%</td>
<td>47%</td>
</tr>
<tr>
<td>Apr - Dec ‘20</td>
<td>30%</td>
<td>7%</td>
<td>58%</td>
</tr>
</tbody>
</table>

**Leading countries in market by % share of value (Q3 2020):**

- China: 64%
- South Korea: 27%
- USA: 7%
- India: 1%
- Finland: 1%

**Limited alternatives in the market for consumers looking for value for money products**

---

**ificação de variância significativa entre diferentes categorias**
Lower income groups express higher price sensitivity...

...while brand trustworthiness gains importance for high income segments

<table>
<thead>
<tr>
<th>Income Segment</th>
<th>Pre-Covid</th>
<th>Post-Covid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Strugglers</td>
<td>31%</td>
<td>37%</td>
</tr>
<tr>
<td></td>
<td>25%</td>
<td>14%</td>
</tr>
<tr>
<td></td>
<td>37%</td>
<td>35%</td>
</tr>
<tr>
<td></td>
<td>13%</td>
<td>12%</td>
</tr>
<tr>
<td>Strugglers</td>
<td>16%</td>
<td>41%</td>
</tr>
<tr>
<td></td>
<td>44%</td>
<td>35%</td>
</tr>
<tr>
<td></td>
<td>1%</td>
<td>2%</td>
</tr>
<tr>
<td>Next Billion</td>
<td>30%</td>
<td>40%</td>
</tr>
<tr>
<td></td>
<td>26%</td>
<td>43%</td>
</tr>
<tr>
<td></td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td></td>
<td>4%</td>
<td>5%</td>
</tr>
<tr>
<td>Affluent</td>
<td>31%</td>
<td>38%</td>
</tr>
<tr>
<td></td>
<td>26%</td>
<td>35%</td>
</tr>
<tr>
<td></td>
<td>14%</td>
<td>5%</td>
</tr>
<tr>
<td></td>
<td>2%</td>
<td>2%</td>
</tr>
<tr>
<td>Affluent</td>
<td>43%</td>
<td>43%</td>
</tr>
<tr>
<td></td>
<td>14%</td>
<td>35%</td>
</tr>
<tr>
<td></td>
<td>9%</td>
<td>3%</td>
</tr>
<tr>
<td></td>
<td>5%</td>
<td>3%</td>
</tr>
<tr>
<td>Elite</td>
<td>29%</td>
<td>29%</td>
</tr>
<tr>
<td></td>
<td>23%</td>
<td>23%</td>
</tr>
<tr>
<td></td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td></td>
<td>3%</td>
<td>3%</td>
</tr>
<tr>
<td>Elite</td>
<td>44%</td>
<td>44%</td>
</tr>
<tr>
<td></td>
<td>9%</td>
<td>9%</td>
</tr>
<tr>
<td></td>
<td>31%</td>
<td>31%</td>
</tr>
<tr>
<td></td>
<td>3%</td>
<td>3%</td>
</tr>
</tbody>
</table>
Indian apparel market most hit by covid, making a gradual comeback in recent times

Despite a 25-30% drop in 2020, market expected to come back steadily in the current year driven by multiple consumer and supply side factors

Indian apparel market projected to show strong growth after seeing downturn in 2020

Market growth driven by 4 key trends

- Premiumization
- E-commerce and Digital
- Focus on private labels (entry level as well as retailer brands)
- Entry of international brands

Source: Press Search, BCG estimates and projections
3 key shifts in Apparel post-Covid

Social media/ websites dominant source of influence

Increasing e-commerce but brick and mortar to stay relevant

Casualization of wardrobe, focus on athleisure

Future Perspective

Will continue in long term

Will continue in long term

To continue in near term
Large share of apparel commerce has shifted online, other channels relevant based on income groups

For high-income groups, modern retail still the biggest channel for purchase

Price conscious low-income groups have moved towards local shops/ boutiques post-Covid

**Increase in online buying, differences seen in income groups on priority of buying channel**

1.2x Increase in # of ecommerce buyers (current users indexed to pre-Covid users)\(^1\)

**Source:** 1. BCG Covid-19 Consumer Sentiment Survey Jul 20-02 Aug, 2020 (N = 3,000); 2. CCI category consumption survey (Pre-Covid: Period – 2019, N=8,500; Post-Covid: Period – Sept’20, N=1,200); Data of only urban consumers. Strugglers: <1.5L, Affluent: 10-20L (Annual average household income)
Growth of categories like athleisure fast-tracked during Covid

20-25% expected CAGR for athleisure category over next 4-5 years¹

Category growing faster than the overall market

- Increased work-from-home (wfh)
  - Expectation of partial wfh continuing even after pandemic
- Rising spends on health and wellness percolating to apparel
  - Shifting focus towards fitness needs
- Consumers increasingly dressing for comfort

Influence of online channels increased significantly post-Covid, diminished role of traditional media

<table>
<thead>
<tr>
<th>% respondents²</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pre-Covid</td>
</tr>
<tr>
<td>TV/ print/ radio</td>
</tr>
<tr>
<td>Online³</td>
</tr>
<tr>
<td>Word of mouth</td>
</tr>
</tbody>
</table>

Source: 1. BCG estimates and projections; 2. CCI category consumption survey (Pre-Covid: Period – 2019, N=8,500; Post-Covid: Period – Sept’20, N:1,200); Data of only urban consumers. 3. Includes reviews/ ratings on shopping websites/ Apps (Flipkart, Amazon), Social Media (Facebook, WhatsApp, Instagram, etc.) and search websites like google

Wardrobe getting casualized, fast growth of categories like athleisure

Consumers preferring casual comfortable clothing over formal

“We have wardrobe full of clothes for going to office and hanging out with friends. But we didn’t have enough for wearing at home. So, I bought myself Tracks and short pants and Night suits recently…”

- A consumer working from home

Social media/ websites/ apps emerging as a dominant source of influence
FOOD ORDERING
Food Ordering in India expected to grow at 15% to 945 Bn market by 2024, adjusted for Covid

- **Revenue (INR Bn)**
  - 2018: 401
  - 2020(F): 657
  - 2022(F): 832
  - 2024(F): 946

- **Total Users (Mn)**
  - 2018: 138
  - 2020(F): 204
  - 2022(F): 244
  - 2024(F): 271

**Rapid recovery from Covid impact, as industry innovates to meet requirements**

Case in Point: Leading QSR player
- 2020 Q3 for the company saw a +18.5% growth in delivery and +64.3% in takeaway year-on-year
- Highest ever App downloads at 7.4 mn
- Online ordering as a % of delivery sales increased from 87% in Q3 FY20 to 98% in Q3 FY21

Source: Statista (Forecast adjusted for expected impact of Covid-19), September 2020; Online Food Delivery Market in India 2020 - Part-I, Netscribes, Pg 19, 20; Q3 2020 Press release

**Food ordering on a strong growth trajectory at 15% CAGR, on a rapid recovery track**

**Strong growth trajectory driven by..**

- Urbanization and acceptance of online food delivery in Tier 1 and 2 cities
- Smartphone and internet adoption, driving higher penetration (expected growth from 12% in 2019 to 19% in 2024)
3 key shifts in Food ordering post-Covid

- Spontaneous buy still strong; needs based order replaced celebratory
- Word of mouth still a significant factor
- Aggregators gaining traction; tele calling still relevant

Future Perspective

- Short term, till household help starts returning
- Medium term
- Medium term, till internet penetration increases
Spontaneous buying remains strong, but functional needs replace celebratory reasons to order

<table>
<thead>
<tr>
<th>Category</th>
<th>Pre-Covid</th>
<th>Post-Covid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Functional</td>
<td>6%</td>
<td>19%</td>
</tr>
<tr>
<td>Societal/Celebratory</td>
<td>29%</td>
<td>18%</td>
</tr>
<tr>
<td>Spontaneous</td>
<td>36%</td>
<td>32%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Income Segment</th>
<th>Pre-Covid</th>
<th>Post-Covid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Overall</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Functional</td>
<td>3%</td>
<td>12%</td>
</tr>
<tr>
<td>Societal/Celebratory</td>
<td>27%</td>
<td>24%</td>
</tr>
<tr>
<td>Spontaneous</td>
<td>41%</td>
<td>34%</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Income Segment</th>
<th>Pre-Covid</th>
<th>Post-Covid</th>
</tr>
</thead>
<tbody>
<tr>
<td>Elite</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Functional</td>
<td>6%</td>
<td>30%</td>
</tr>
<tr>
<td>Societal/Celebratory</td>
<td>33%</td>
<td>7%</td>
</tr>
<tr>
<td>Spontaneous</td>
<td>33%</td>
<td>44%</td>
</tr>
</tbody>
</table>

Contrary to popular belief, spontaneous food ordering increased, particularly in high income groups.

Spontaneous buying gains prominence in higher income groups as ordering becomes one of the few outlets to break monotony.

Functional needs increase across income groups due to lack of domestic support to cook, while celebratory occasions decreased post-Covid.

Strugglers: <1.5L, Next Billion: 1.5-5L, Aspirer: 5-10 L, Affluent: 10-20 L, Elite: >20L.
Word of mouth continues to dominate as a selection driver

Restaurant ratings gaining marginally post-Covid

Promotions and discounts become important in lower income segments

While online increases as preferred channel across segments...

... Lower income groups still rely heavily on calling to order”

Word of mouth remains significant across income segments, promotions gain importance for lower income segments

- Word of mouth gains significance due to higher trust factor, and lower internet penetration amongst lower income segments
- Pricing also gains importance for this segment due to income instability post-Covid

Online sees a significant increase in share, but calling still significant for lower income groups

To synthesize, key changes in consumer choice has some common tenets and many specific to category drivers

Common themes emerging across categories

Brand consciousness increased, particularly in health related categories
Online growth as a sales channel and source of influence accelerated
Higher value for money orientation as price sensitivity has increased
Need based buying increased across discretionary categories

Staples
- Preference to packaged, quality staples, from earlier need for ‘touch and feel’
- Health food gains relevance

Mobile
- Polarization in purchase drivers – Price and brand
- Imported value brands continue to dominate

Apparel
- Casualization of wardrobe, focus on athleisure
- Increasing e-commerce sale, but brick & mortar still high

Food Ordering
- Promotional buying increased in lower income groups
- Tele-calling still important, but aggregators gaining
CEO Speaks

**Vishak Kumar**  
CEO, Madura Fashion

Business is coming back for sure. While consumers today feel a lot more comfortable walking into stores now, there is still a clear skew in preference of high street stores. I expect two important usage occasions that will provide the next quantum of business recovery. The first is the return of weddings – which is expected to see a surge in April. The second is the “return to office”, we expect a large part of the work force to return to physical offices over the next few months- fueling the need for work wear.

**Adarsh Menon**  
Senior Vice President and Head  
Flipkart Wholesale and Walmart India

The pandemic has accelerated the use of online channels for shopping and we have witnessed a surge in e-commerce adoption across the country, especially in tier 2 and tier 3 cities, where even small kiranas in towns such as Meerut, Agra, Kota, Guntur, Karimanagar, Amravati etc, have taken to e-commerce as a preferred mode to do business. We expect consumption to shift towards e-commerce even further and will continue investing in technology and infrastructure to bring small businesses in Bharat online and enable prosperity and growth for the retail ecosystem.
Devendra Chawla
CEO, Spencer’s Retail

Our e-commerce operations which were negligible pre-Covid increased significantly during lockdown, stabilizing now but still higher than pre-Covid; role of stores still very important for us – 95% of our target segment in value apparel prefer offline channels for the experience of it; ROBO – Research online and buy offline is gaining traction among users; so we have increased presence on social media to influence customers; categories like athleisure, loungewear and value apparel seeing high growth along with our private labels; we are focusing on omni-channel, brand & product differentiation and digital & analytics for growth.

Lalit Agarwal
Chairman and MD, V Mart

We see more preference towards items related to health, and believe this trend and shift will continue in the long term too. Consumers are now more aware of ‘value’ that products and services provide- Its not about lower prices, but the VALUE she/he is expecting at a particular price. Moreover, we believe the consumer will increasingly trust brands. Relationships and engagement with brands will matter more than before.

Neelendra Singh
Managing Director, Adidas

Post-Covid, people are moving towards buying more packaged products, than loose items. We have seen increase in the sale of packaged staples over last 2-3 quarters compared to last year. People have also started preferring healthier foods like organic products. We have increased the portfolio of such products in our stores. Our omni channel offering has also been very appreciated by consumers as our out of store (OOS) business has grown multiple times than pre Covid period. Times ahead are clearly exciting & challenging.
From fighting the pandemic to leading in the new reality

...LEADING TO CLEAR ACTION AGENDA FOR RETAILERS
The pandemic has had a distinct impact on forces that shape the retail landscape.

Covid emerged as a Black Swan event, with impact across the board:
- Shifts in consumer behaviour driven by economic and access issues
- Supply chain disruptions
- Technology creating consumer awareness and commerce disruptions

**Consumer Shifts**
- Attitude and demographic changes

**Supply side Innovations**
- Disruptions and irregular supplies

**Data and technology driven disruptions**
- Data & tech to shape shopping preferences

**New competitive forces**
- Blurring omnichannel boundaries seeing a new set of players

**Regulations**
- Local based sourcing, labour laws and store ops
As consumption recovers steadily, retail sales poised for a comeback in 2021...

...presenting an opportunity to capture a healthy share of the pie

Potential for dominant players to consolidate market share in fast growing sector

<table>
<thead>
<tr>
<th>Country</th>
<th>Size of Retail Market ($ Tn)</th>
<th>Market size CAGR</th>
<th>Top 5 Players Market Share</th>
</tr>
</thead>
<tbody>
<tr>
<td>USA (2018)</td>
<td>~3.3</td>
<td>3%</td>
<td>25-30%</td>
</tr>
<tr>
<td>UK (2018)</td>
<td>~0.5</td>
<td>0%</td>
<td>30-35%</td>
</tr>
<tr>
<td>India (2019)</td>
<td>~0.7</td>
<td>4%</td>
<td>&lt;5%</td>
</tr>
<tr>
<td>India (2030)</td>
<td>1.8-2.0</td>
<td>10%</td>
<td>10+%</td>
</tr>
</tbody>
</table>

Source: Euromonitor, Company annual reports, BCG analysis
Retailers need to evaluate pivotal changes in their consumer value proposition and clearly link their positioning choices

<table>
<thead>
<tr>
<th>Consumer value proposition</th>
<th>Positioning options</th>
</tr>
</thead>
<tbody>
<tr>
<td>Target Segment</td>
<td><strong>Responsible Retail</strong></td>
</tr>
<tr>
<td></td>
<td>Conscious play</td>
</tr>
<tr>
<td></td>
<td>Focus on mainstream sustainability, localized sourcing, fair trade and align with consumer values</td>
</tr>
<tr>
<td>Pricing</td>
<td><strong>Alternate Retail</strong></td>
</tr>
<tr>
<td></td>
<td>Non traditional offerings</td>
</tr>
<tr>
<td></td>
<td>Focus on new business models, e.g. subscriptions, renting of products, or solutions based retailing</td>
</tr>
<tr>
<td>Brand Promise</td>
<td><strong>Personal Retail</strong></td>
</tr>
<tr>
<td></td>
<td>Individual is important</td>
</tr>
<tr>
<td></td>
<td>Focus on individual level personalization, customization of product / service</td>
</tr>
<tr>
<td>Service</td>
<td><strong>Spectacular Retail</strong></td>
</tr>
<tr>
<td></td>
<td>Experience led retail</td>
</tr>
<tr>
<td></td>
<td>Focus on Retailtainment (entertainment, gamification, experiences and/or additional services) to engage &amp; involve consumers in shopping experience</td>
</tr>
<tr>
<td>Range &amp; assortment</td>
<td><strong>Omnichannel Retail</strong></td>
</tr>
<tr>
<td></td>
<td>Seamless Channels</td>
</tr>
<tr>
<td></td>
<td>Focus on creating uniform, smooth and integrated omnichannel experience across both in-store and online channels</td>
</tr>
<tr>
<td>Experience</td>
<td><strong>Convenient Retail</strong></td>
</tr>
<tr>
<td></td>
<td>Quick &amp; Easy</td>
</tr>
<tr>
<td></td>
<td>Focus on ultra-convenience in in-store experience, delivery and/or online shopping journey; focus on reaching the customer through small stores in urban locations</td>
</tr>
<tr>
<td>Design &amp; quality</td>
<td><strong>Value Retail</strong></td>
</tr>
<tr>
<td></td>
<td>India values “value”</td>
</tr>
<tr>
<td></td>
<td>Focus on low pricing</td>
</tr>
</tbody>
</table>
Equally important will be to design the operating model with chosen direction of proposition.

<table>
<thead>
<tr>
<th>Business model decisions</th>
<th>Priority impact on nature of retail</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adapt store network for safety and omnichannel excellence</td>
<td>Essentials</td>
</tr>
<tr>
<td>Align offer through merchandising, SKU optimization and investing in private labels</td>
<td>Essentials</td>
</tr>
<tr>
<td>Adapt pricing and promotions to reflect new customer needs and expectations</td>
<td>Discretionary</td>
</tr>
<tr>
<td>Innovating purchase journeys through click-&amp;-collect, curbside pickup, store layout redesign</td>
<td>Discretionary</td>
</tr>
<tr>
<td>Supply chain agility through planning analytics and strategic partnerships</td>
<td>Essentials</td>
</tr>
<tr>
<td>Optimize customer acquisition cost by digital personalization, channel allocation &amp; value communication</td>
<td>Essentials</td>
</tr>
<tr>
<td>Develop the digital capabilities to execute all actions successfully</td>
<td>Discretionary</td>
</tr>
</tbody>
</table>
Internationally, many essentials based retailers have undertaken various actions across these operating model elements

1. **Adapting network**
   - UK supermarket chain explored fluid formats to improve access
     - Initiated several formats in different geographies
     - Click and collect, express delivery through app, dark stores with increased timings were some of the changes

2. **Aligning offering**
   - Leading US supermarket launched private labels for pivoting their consumer proposition
     - Witnessed high revenue growth for its private label products in Q2, 2020
     - Launched 50+ new private label products by end of 2020

3. **Innovating purchase journeys**
   - US food retailer offering safe journeys to grab market share
     - Increased curbside pickup to 3X post Covid
     - Offering it across 150 stores now, covering > 30% of total US stores

4. **Ensuring supply chain agility**
   - Italy supermarket chain leveraged partnerships to build delivery capabilities
     - Reported a 10-fold increase in sales via its partnership with logistics start-up, Glovo
Similarly, discretionary led players developing new strategies to ace the new game

1. Adapting network
   - Leading US mobile brand transforming store layouts to offer seamless experience
     - 20+ Express stores launched across the country
     - Other stores designated to Curbside pickup option

3. Defining pricing & promotion
   - Korean mobile brand drove sales recovery by offering discounts through partnerships
     - Partnered with an OTT provider, providing bundled offering of access to its digital media subscription

4. Innovating purchase journeys
   - Leading Indian QSR building omnichannel capabilities to stay consumer relevant
     - Takeaway and Pick-n-Drive offered on app
     - Increased online ordering as % of total delivery by 11% yoy

6. Optimizing customer acquisition cost
   - Chinese cosmetics company leveraged social platforms for customer acquisition
     - Trained store employees to host livestreams
     - Increased sales by 45% vs. the same period in 2019
In the long term, locally adapted operating model decisions will be key to market leadership

High Tech
Data driven play
Focus on automation; leverage AI, predictive tech, digital supply chain, Voice tech, digital payments

Many Indias
Regional play
Focus on customizing operating model based on needs, preferences of different regions across India to better penetrate regional markets

Alliances
Collaboration is key
Focus on creating partnerships/alliances with other players, incl. unorganized retail to create own ecosystem and more economically penetrate the market

Gig
Flexible labour
Focus on leveraging Gig platforms – flexible labour (day of week, time of day, location)

Multichannel
Be present everywhere
Focus on presence in both physical stores and online channels to serve all types of customer bases

No frill
Low Cost Ops
Focus on providing bare minimum shopping experience & keeping costs at a minimum; can potentially leverage Gig economy
Resilience in adversity will be a core ability for retailers to succeed in a more unpredictable environment in the future.

**Recovery scenario planning**
Due to the uncertainty post-Covid, only one definitive recovery plan may prove insufficient. A scenario-based recovery plan and the strategies for each of the scenarios is needed for any disruptions in the future.

**Agile & resilient organization**
Build innovative organization and creative collaboration models with dedicated, cross-disciplinary teams to respond to problems in an agile way.

**Big bets in Technology**
Technology is going to drive purchase journeys going ahead. Retailers need to focus on an end-to-end digital presence from product discovery to post-purchase.
FOR FURTHER READING

Boston Consulting Group publishes reports on related topics that may be of interest to senior executives. Some examples include:

- **Retail 4.0: Winning the 20s**
  A report by Boston Consulting Group, February 2020

- **How India Spends, Shops and Saves in the New Reality?**
  A report by Boston Consulting Group, December 2020

- **Demystifying the online food consumer: An $8 Bn opportunity**
  A report by Boston Consulting Group in association with Google, January 2020

- **Ten Trends That Are Altering Consumer Behavior in India**
  An article by Boston Consulting Group, October 2019

- **Going for gold by creating customers who create customers**
  A report by Boston Consulting Group, February 2019

- **Decoding value creation in retail**
  A report by Boston Consulting Group, February 2018

- **Digital Consumer Spending: A $100 Bn Opportunity**
  A report by Boston Consulting Group, February 2018

- **Fashion Forward 2020**
  A report by Boston Consulting Group in association with Facebook March 2017

- **The New Indian: The Many Facets of a Changing Consumer**
  An article by Boston Consulting Group, March 2017

- **Decoding the digital opportunity in retail**
  A report by Boston Consulting Group, February 2017
NOTE TO THE READER

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