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PROPEL Retail and FMCG sectors

March 2023

Table of contents

Foreword by FICCI	04
Foreword by Deloitte	06
Quote by a leading FMCG player in India and global	07
Executive summary	09
Phygital retail and omnichannel trends	11
Redefining the role of technology in retail	23
Orientation towards health and wellness	33
Positioning of talent in the new normal	37
Embracing sustainable business practices	39
Leveraging Industry 4.0 for supply chain resilience	41
Conclusion	43
Previous reports by Deloitte and FICCI	43
References	44
About Deloitte	45
About FICCI	45
Connect with us	46
Contributors	46
Acknowledgements	46

Foreword by FICCI



Harsha Vardhan Agarwal
Vice President FICCI,
Chair FICCI FMCG Committee
and Vice Chairman & MD,
Emami Limited

At present, India is at a pivotal point. The Indian GDP per capita is around the US$2000 mark. This is seen as an inflection point in an economy, as the disposable income of the population rises. The FMCG and retail sector are the pulse of an economy. We witnessed the resilience of the Indian FMCG and retail space during and post-COVID-19, as businesses rapidly digitised and pivoted towards the Direct to Consumer (D2C) business model.

We are witnessing enormous changes in consumer behaviour. In most cases, today, consumers interact with a brand on a digital medium, and the intelligent consumer researches the product or brand online (online reviews and ratings are a great medium). While the purchase may or may not happen online, we are witnessing an increase in digitally savvy consumers. A combination of factors, such as rising disposable income, low internet costs, rise in D2C brands, UPI (a robust payment infrastructure), improved logistics, and outsourced delivery models have made all this possible.

Most D2C brands target the Tier-I population or are beginning to reach Tier-II. Today, most digital marketing initiatives are carried out in the English language, and we can only imagine the scope once businesses start using vernacular marketing. In addition, we are even noticing the rise of Q-commerce, where consumers get their orders delivered within 10–30 minutes through dark stores, which act as distribution centres. However, this opens a window of new challenges related to demand planning and opportunities for brands to target consumers in new areas. Companies need to continuously evolve and adapt to new circumstances.

In this rapidly evolving environment, continuous interactions between the government and an industry body on various policy interventions that cover FMCG, retail, and e-commerce are necessary. This report brings forth the evolving themes, such as omni-channel trends, the evolution and importance of the health and wellness sector, sustainability initiatives, integrated supply chain, etc., and the corresponding opportunities, challenges, and policy interventions.

I am hopeful that this report will bring forward the evolving themes and areas within the FMCG, retail, and e-commerce sector.



V Subramaniam
Chair FICCI Retail &
Internal Trade Committee

The pandemic brought about significant shifts in consumer preferences and the way businesses operate. As a result, the adoption of new and emerging technologies became a necessary, though not sufficient condition to maintain productive relationships with customers. This impact was felt universally and affected nearly every sector of the economy. Two years in, the integration of technology by businesses across sectors is leading to a rapid evolution in the way we reach out to new and existing customers, and many are in the process of retooling themselves to respond effectively to an evolving market. Small and medium businesses were significantly and severely impacted by the pandemic and continue to experience negative effects. The business environment therefore needs to evolve to keep pace with a changing market and must be empowered with the right policies and frameworks to aid the deployment of technology at all levels, simply regulations to ease operational burdens, and promote

equal opportunities for large and small businesses to thrive in a modern digital economy.

Looking ahead to 2024, the retail sector will be shaped by three key trends: the ascendancy of tailored and customized products and services, omni-channel experiences powered by new technologies, and a steadfast commitment to sustainability. These trends necessitate the development of innovative products, seamless shopping experiences, and sustainable production and packaging. To propel growth in the retail sector, it is imperative to simplify the rules & regulations and consolidate the licenses.

Collaboration between the government and industry is paramount to achieving this objective. The FICCI Massmerize platform offers an exceptional forum for conducting strategic discussions, fostering constructive dialogue, and driving innovation towards a more promising future for all stakeholders. By implementing these measures, the retail sector can achieve sustained growth and meet the ever-changing needs of its consumers.



Arun Chawla
Director General
FICCI

As key drivers of economic growth, the FMCG, retail, and e-commerce sectors are seeing exciting and challenging times globally and in India. The consumption-driven sectors have shown tremendous resilience to the unprecedented disruption caused by COVID-19. Retailers, e-commerce, and FMCG companies are re-aligning business models and strategies to be better prepared for any disruptive events in the future, as customer preferences and habits evolve and change.

For India's consumption market, which had been witnessing steady growth before the pandemic, a significant change in consumer behaviour and sentiment has been noticed in the past two years. The retail and FMCG industries are recovering with consumption and demand reviving across most sectors over the past few quarters. Driven by strong economic fundamentals, a rise in disposable incomes, rapid urbanisation, growth of middle class, and increase in digitisation, India continues to be one of the fastest-growing consumer markets with significant growth potential.

During COVID-19, digital transformation and adoption of online commerce led to the emergence of new trends and practices, bringing a paradigm shift in consumer behaviour and business models of retail and consumer goods companies. Phygital commerce, multi-channel and omni-channel retailing, focus on health and wellness, sustainable business practices, and smart manufacturing are some of the emerging trends.

MASSMERIZE provides the perfect platform to facilitate strategic discussions and initiates a dialogue between the government and industry on issues in the retail, FMCG, and e-commerce sectors. Focused on the theme of PROPEL, the FICCI-Deloitte report brings to the fore latest trends, opportunities, and challenges in these sectors and sets the future growth agenda.

I am hopeful that the report and the deliberations of the conference will help put in perspective the new opportunities in the retail, FMCG, and e-commerce sectors, along with the expectations and evolving needs of customers in a rapidly transforming ecosystem.

Foreword by Deloitte



Rajat Wahi
Partner
Deloitte Touche
Tohmatsu India LLP

The retail sector is finally seeing a resurgence after COVID-19 and other disruptions that had majorly affected the global and Indian economies. Each COVID-19 wave brought its own set of challenges and the FMCG and retail sectors faced massive disruptions across the value chain. Some of these disruptions included manufacturing shutdowns, logistics challenges, and reduced consumption as consumers held back their spending to save for medical and other emergencies.

Many consumer behaviour changes (during the pandemic), including reduced outings and visits to high streets and malls, frequent use of hand sanitizers and face masks, and not socialising, have 'evaporated' as things returned to normal. Today, large-scale weddings and parties across the country, high footfalls at malls and high street stores, long queues and waiting at restaurants as they operate at full capacity, and increasing holiday and work-related travels are normal. After almost three years of disruptions, the country is now fully 'open for business'. FMCG companies and retailers are looking at major expansion plans for the next five years. They plan to develop new routes to market, build new business models (including Direct to Consumer [D2C]), ramp up their offline presence, and continue to invest behind online platforms, expand their urban and rural coverage, etc.

The journey of a shopper is becoming non-linear (enabled by technology and connectivity and is likely to grow with the launch of 5G networks next year), and retailers and FMCG companies will continue to embrace technology and digitisation to make their businesses more agile and bolster their growth ambitions. In addition, they need to adapt their marketing plans to the evolved shopper journey, to create a seamless shopping and consumer experience for their customers across channels.

The Deloitte–FICCI report based on the theme 'PROPEL' highlights how FMCG companies and retailers are taking advantage of this 'revenge' buying and consumption and re-aligning their businesses and business priorities to enhance consumer and shopper experience. They are building agility in their distribution networks, accelerating the adoption of technology and processes to drive omni-channel growth, continuously improving, and digitising the supply chain by focusing on sustainable business practices to operate efficiently and thrive in a new business landscape.

Quote by a leading FMCG player in India and global



Herjit Bhalla
Vice President Canada and AMEA (Asia-Pacific, Middle East, Africa), The Hershey Company

"As companies evolve to keep up with the pace of the emerging times, we will continue to see significant shifts in consumer behaviour. Businesses have taken away several learnings from their successes and failures alike in the past two years, despite the uncertainties and challenges brought on by the pandemic. As we shift back to normalcy, brands must retain the learnings they took away from the challenging times to propel growth through innovation and value creation.

The FMCG sector is poised for a new era of growth and innovation. The industry is witnessing the quick adoption of technologies, such as AI and predictive analytics across functions. This includes supply chain, transportation, and forecasting consumer behaviour thereby, allowing companies to gain an understanding of demand trends and navigate future strategies.

As we look ahead to 2024, we see a future where the FMCG sector is shaped by three key trends: the rise of better-for-you products, omni-channel retailing, and an unwavering commitment to sustainability. With the rise in health-conscious consumers, innovation, and new product development, in the next few years, the better-for-you category will quickly move from just a trend to a mainstay in most aisles. As a category, it has become more accessible and approachable and less daunting for customers to make health and wellness the new normal when choosing products. Omni-channel retailing has created an integrated and seamless shopping experience for customers across multiple channels including physical stores, online stores, mobile apps, and social media platforms. This trend is expected to be imperative in allowing retailers to provide customers with a personalised shopping experience. Moreover, companies are increasingly expected to focus on sustainable production and packaging, which can be a key trend in the FMCG sector in the upcoming years.

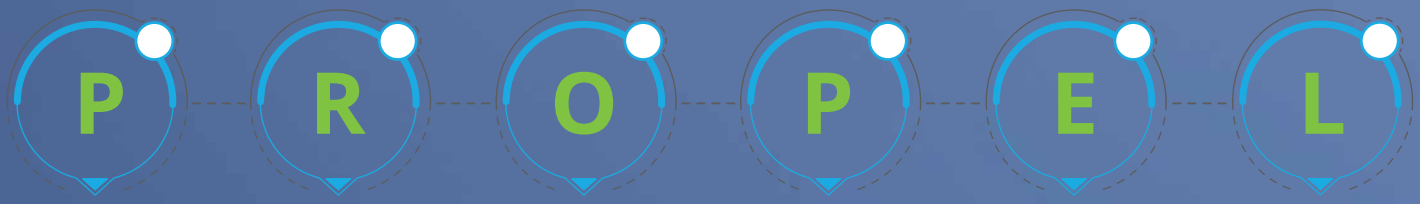
Effective collaboration between the government and industry is an essential prerequisite for propelling growth and progress in the dynamic and ever-changing retail, FMCG, and e-commerce sectors. In this regard, events such as MASSMERIZE serve as an exceptional forum for conducting strategic discussions, encouraging a constructive dialogue, and driving innovation towards a more promising future for all stakeholders."



Executive summary

In the past two years, the pandemic-related disruptions significantly altered the retail dynamics. The technology-led transformation that began in 2007 propelled as consumers and retailers moved to digital to survive in the new normal. With improved mobility, the FMCG and retail sectors are showing signs of healthy rebound as evident from strong consumer goods' sales and rise in demand for consumer durables.[i] At present, the industry's growth looks promising. In addition, the ongoing digital and start-up wave has amplified the proliferation of brands in the country and made the competition for customer acquisition more intense. Hence, most businesses are rethinking strategies to improve their customer experiences and engagements to gain a competitive edge in the changing business landscape.

As consumers and brands continue to be more 'KONNECTED' through technology and the internet/e-commerce ecosystem, brands must realise that today the consumer 'LEADS' conversations and brands need to move from the Business to Consumer (B2C) to Consumer to Business (C2B) mindset. They will have to cater to consumer needs in their product and service offerings and must 'REBOOT' and 'EVOLVE' their business models to succeed. While the FMCG and retail sectors have shown 'RESILIENCE' and rapidly adapted to the new normal, right support and interventions will **PROPEL** the sector to new heights and drive the economic growth of the country.



P	R	O	P	E	L
Phygital retail and omnichannel	Redefining the role of technology in retail	Orientation towards health and wellness	Positioning of talent in new normal	Embracing sustainable business practices	Leveraging Industry 4.0 for supply chain resilience

Each chapter of the report highlights the current trends in the Indian FMCG and retail sectors and the way businesses are growing in the post-pandemic era. We believe that the content and information provided in the report will be beneficial for all stakeholders—consumers, shoppers, companies/corporates, industries, the government, and academia.

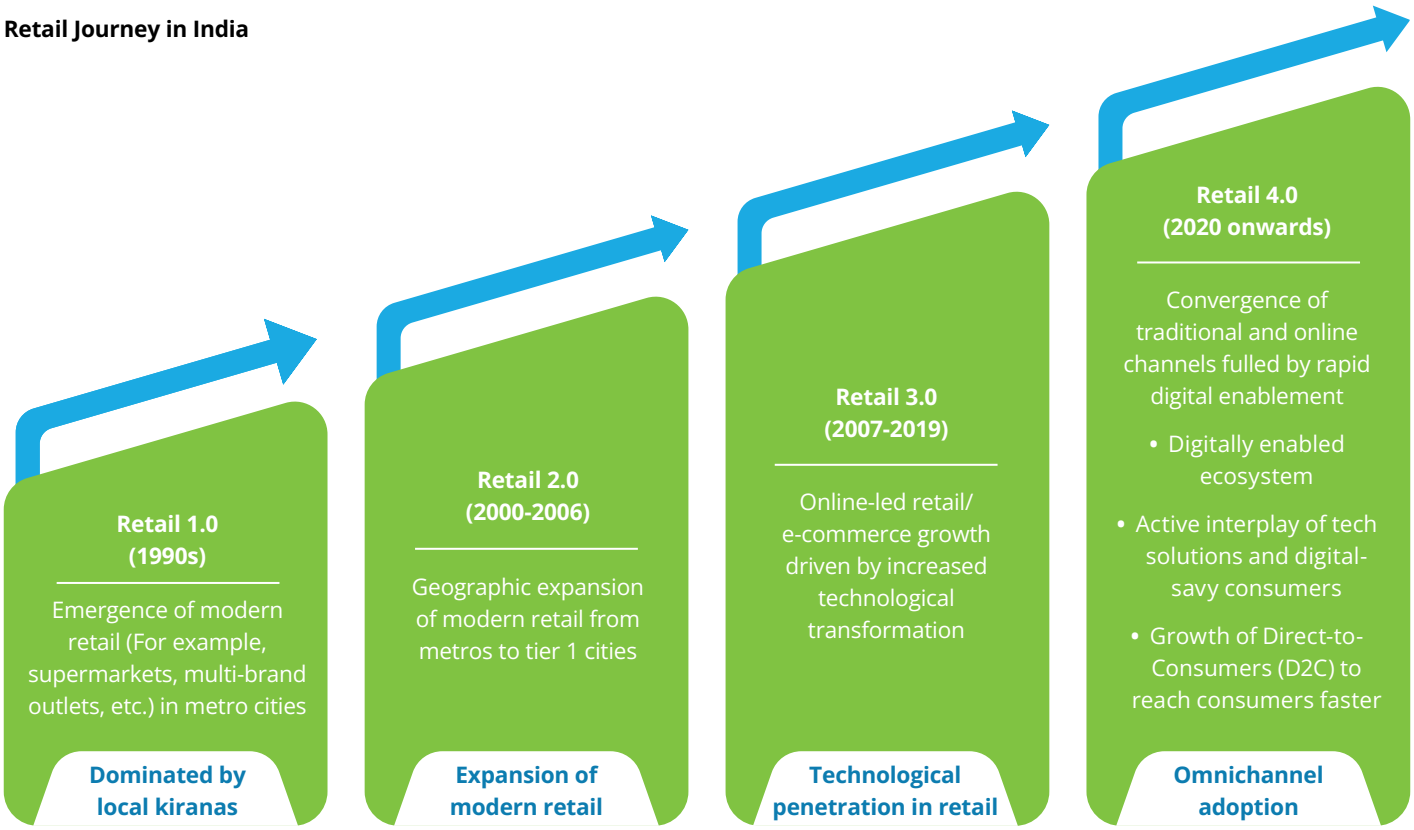


Phygital retail and omnichannel trends

From mandis to malls to mobiles, evolving market dynamics, competition, opportunities, and challenges have transformed the Indian FMCG and retail over the past few decades. Rapid digitisation, increasing internet penetration both in urban and rural India, and the growing scale and scope of online players have changed a consumer's shopping habits (who are spoilt for choices and comfort). Several social factors, such as shifting consumer preferences and demographics, rising awareness about the environment, improved income and ability to spend, have significantly disrupted the industry.

Recognising the evolving trends, retailers are quickly shifting their business models, trying to penetrate the market and stay ahead of competition as much as possible. Earlier offline retail and e-commerce used to compete for customers. Now, the two nemeses are working in synergy as shoppers are looking for a seamless experience across both the channels. The mushrooming of online grocery businesses with services, including delivery at doorstep and scaling up of such businesses into tier 2 and tier 3 regions (unexplored sub-urban and rural areas) is an example of how the modern retail industry is scaling up.

Retail Journey in India



The rise of multi-channel retailing

After the pandemic, customers' shopping habits are shifting again and one can see preferences that are a mix of two eras (before and after the pandemic). With multi-channel retailing options available to customers, they can pick any one of these sales channels to purchase the products of their choice. For instance, Research Online-Purchase Offline (ROPO) or web-brooming is gaining traction amongst consumers as they explore products online and purchase offline. Retailers are now integrating offline and online channels to decode the ROPO behaviour and elevate customer experience to deliver an excellent brand experience both digitally and physically.

How is multi-channel retailing beneficial

- Improved customer reach and enhanced shopping experience
- Penetration into different geographies
- Increased appeal to different demographics
- Improved revenue margins
- Better access to consumer-related data:
  - Understanding of customer purchases and preferences
  - Analysing buying lifecycle and online purchasing behaviour
  - Strategising priorities around products, channels, and geographies

Challenges of multi-channel retailing involves managing the following:

- Demand and supply gaps
- Inventory across sales channels
- Mix of talent to cater both physical and online channels
- Higher cost of investments in building a phygital infrastructure
  - Spending on personalised campaigns and experiences
- Regulatory and tax mandates

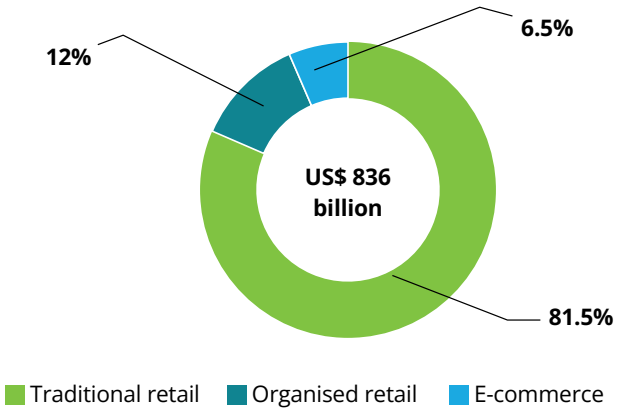
Multi-channel retailing versus omnichannel experience

Retailers are exploring omnichannel selling experiences, which involve marketing, selling, and attending consumers on all channels in an integrated and cohesive manner. Often confused with multi-channel retailing, this refers to customers' use of multiple sales channels to make a single transaction. In multi-channel retailing, users can access any channel options (physical stores or online platforms), but they may not be integrated with each other. Therefore, users will have to choose one channel to transact. Within omnichannel experience, multiple channels are inter-connected and consumers can seamlessly transact across any channel without continually updating information.

An inclusive retail industry

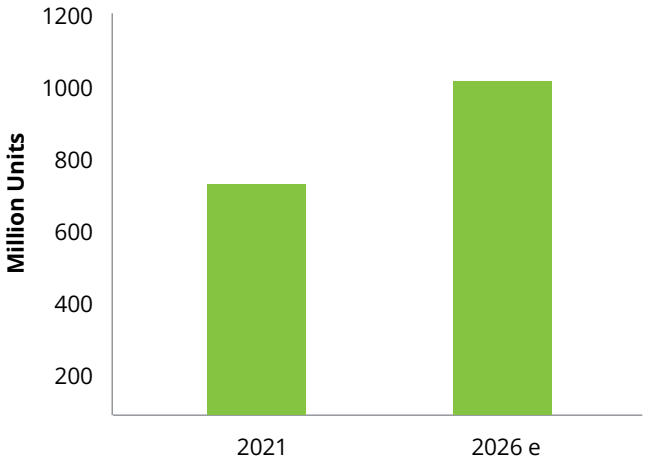
India is currently one of the largest retail markets in the world. According to India Brand Equity Foundation (IBEF), it is expected to reach US$ 1.41 trillion by 2026 from US$ 0.78 trillion in 2019.[ii] Online retail witnessed a significant boost during the pandemic as most offline retailers were shut for longer periods. The country is expected to grow by more than 25-30 percent annually over the next five years driven by increasing penetration of smartphones and e-payment systems.[iii]

Retail industry in India, FY22



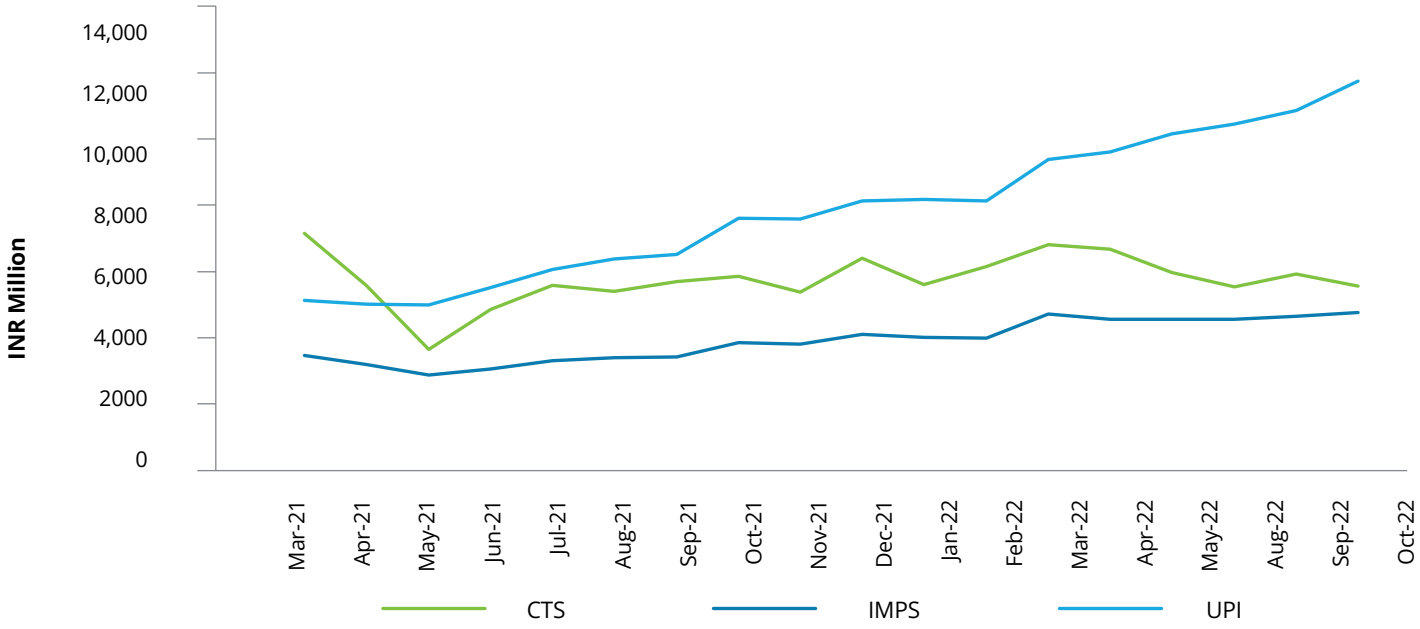
Source: Moneycontrol[iv]

Smartphone users in India



Source: Deloitte Analysis[v]

E-payment systems



Source: NPCI[vi]

The urban sector is the biggest contributor and accounts for 55 percent of the overall revenue generated by the FMCG sector in India.[vii] This is largely due to an increase in disposable income, changes in lifestyle, and continuous growth of young population in metros/tier 1 and tier 2 cities. Retail markets in the semi-urban and rural segments are growing at a faster pace driven by the aspiration levels of consumers. FMCG products currently account for 50 percent of the overall rural spending.[viii] However, the past few quarters have seen a slowdown in semi-urban and rural markets due to inflation and economic pressures.

Large retail giants with multi-brand establishments are continuously penetrating Indian markets. However, this space is still predominantly occupied by smaller mom-and-pop local neighbourhood stores, vendors, and regional chains. These small retail players are the backbone of the Indian retail industry. However, a large segment of this sector—small traders, local artisans, and local grocery *Kirana* stores—has remained out of the modern retail space due to the inherent infrastructure and financial challenges. In addition, the inertia and skepticism of going online and the hassles to deal with policies, tax compliances, and administrative imperatives has reduced eagerness amongst small retailers and artisans to participate directly and compete in the online space. Their limited resources and budget further make logistics and infrastructure a costly affair.

For an inclusive retail industry, the way forward would be to bring these small retailers to the online platform through access to affordable technologies and retail best practices. As more consumers get accustomed to online and tech-enabled purchases (in the post-pandemic era), offline retail shops will have no choice but to jump into the bandwagon of going digital. Adopting the omnichannel strategy will provide access to more customers across a wide geography and improve profitability. In addition, shoppers/consumers will get access to a wide variety of localised and customised products otherwise difficult. The government will benefit from this strategy as bringing smaller firms onto the online platform will aid in formalisation of local businesses, improve data access, tax inclusion, and increase compliances.

With improvements in digital infrastructure and greater use of smartphones, the D2C market with more than 1.35 billion potential customers across regions is expected to grow in India.[ix] In this regard, the retail industry is witnessing an increasing number of start-ups that are disrupting the traditional ways of shopping and enhancing the overall customer experience by targeting D2C online retail and other niche segments. As a result, the FMCG giants that have dominated the Indian market for decades are now competing with several D2C focused start-ups. The government can further encourage this ecosystem by simplifying and rationalising licensing for retail trade, recognising the retail sector as an industry through legislation, and hence, improve access to funds/loans and increase the ease of doing retail business in the country.

Regulatory framework for the retail sector

The Foreign Direct Investment (FDI) policy of the Government of India governs foreign investment norms in different sectors. With specific reference to the retail sector, foreign investment is allowed in an Indian company engaged in such business per the following norms[x]:

1. Manufacture



Foreign investor

100%

Manufacturing company

- Manufactured goods can be sold on B2B and B2C basis.
- Manufacturing includes own and third-party (contract/toll) products.

2. Wholesale



Foreign investor

100%

Wholesale company

- Sales can be made only to registered business users.
- Maximum 25 percent group company sales are permitted.
- Compliance per specified operational guidelines is provided.
- B2B trading through brick-and-mortar stores and online is allowed.

3. Food product retail trading





- The FDI is allowed with prior government approval.
- It is permitted for food products manufactured/produced in India.
- Permitted to sell through own/ online third-party platform.

4. Single Brand Retail Trading (SBRT)

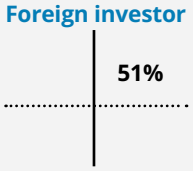




- About 30 percent local sourcing to be done in case of FDI > 51 percent.
- Local sourcing can be met through exports.
- Offline stores need to be established within two years of setting up online stores.

5. Multi Brand Retail Trading (MBRT)



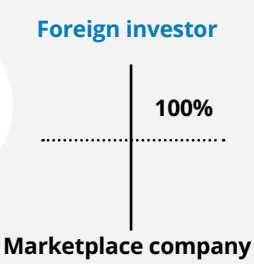


- The FDI is subject to government approval.
- Minimum US$ 100 million capitalisation to be made by foreign investor.
- Stringent conditions are imposed on investment in backend infrastructure.
- E-commerce is prohibited.

6. E-commerce

a. Marketplace





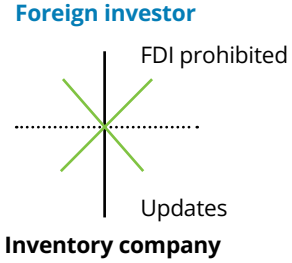
Restriction on inventory ownership and control

- Maximum 25 percent purchase from marketplace/group company by vendor is allowed.
- Companies that have equity from marketplace/group companies are prohibited from being a seller on the marketplace.

Level playing field

- Services to be provided by e-commerce entity to the vendors at arm's length and in a fair and non-discriminatory basis.
- Sale price cannot be directly or indirectly influenced by marketplace entity.
- E-commerce aggregators should not prevent third-party vendors from selling products on different platforms.

b. B2C on inventory basis



Key regulatory updates

Per the constitutional framework of India, the Retail and Consumer sector (R&C) stakeholders need to abide by the guidelines and regulations formulated by both the central and state governments. In addition, these regulations cover product-/segment-specific regulations, the compliance of which would need to be kept in mind by businesses.

Some sector-/product-specific regulatory developments (during the past one year) that affected the R&C sector are summarised below. Consumer education and grievance redressal in the digital economy has been the central theme for adoption of such changes.



Food Industry

The regulations governing the food industry provide rules for licensing of food business operators. These rules include packaging and labelling, recalling procedures, and other compliance requirements that need to be followed by the respective stakeholders. The key regulator for the food sector is the Food Safety and Standards Authority of India (FSSAI).

Food Safety and Standards (Fortification of Foods) Second Amendment Regulations, 2021

- A manufacturer who fortifies any food needs to ensure that the level of added micronutrients specified on the label should be within the range specified in the regulations.
- A tolerance of minus 10 percent of the declared total value on the label may be allowed.

Food Safety and Standards (Organic Foods) First Amendment Regulations, 2021

- Requires the aggregators and intermediaries procuring organic food from small original producers/producer organisations and supplying to consumers to maintain record of traceability

Food Safety and Standards (Import) First Amendment Regulations, 2021

- Authorises the regulator to regulate specific categories of food products intended for imports into India
- Specifies the registration process, which includes the following:
  - Registration with the food authority for a period of two years
  - Manner of inspection of facility
  - Cancellation/suspension of registration in the event of non-compliance

Amendments to Food Safety and Standards (Labelling and Display) Regulations, 2020

- Provides for the flexibility to add the date of manufacture/expiry in the 'DD/MM/YY' format even for products with a shelf-life exceeding three months.
- The minimum height of numeral/letter on the principal display panel with an area between 500 cm^2 and 2500 cm^2 has been reduced by 1 mm.
- Packages with surface area less than 30 cm^2 need not mention the date of manufacture or expiry, except for multi-unit packages.
- Requires the warning statement on pan masala products to cover 50 percent of the front-of-pack of label.

Food Safety and Standards (Vegan Foods) Regulations, 2022

New regulations were announced in June 2022 to regulate the vegan food segment. These regulations define 'vegan food' and requires every person who manufactures, packs, sells, distributes, or imports any food as vegan to comply with the regulations. Some important requirements include the following:

- Vegan food products shall not have involved animal testing for any purpose, unless provided by the regulatory authority.
- Every package of the vegan food shall carry the vegan food logo.
- The seller shall store and display such food in a manner distinguishable from non-vegan food.
- No vegan food product shall be imported without a certificate issued by the recognised authorities of the exporting countries.

Legal metrology

These regulations govern the declarations to be specified on packaged commodities for better education and governance from consumer's perspective. The key regulator for this is the Department of Consumer Affairs, Ministry of Consumer Affairs, Food and Public Distribution, the Government of India.

Legal Metrology (General) Amendment Rules, 2022

Companies with various establishments/branches/units can now nominate an official who has the responsibility and authority for the operations and activities of that establishments/branches/units, including compliance with legal metrology rules.

Amendments to Legal Metrology (Packaged Commodities) Rules, 2011

- It requires the number or units of items in a package to be mentioned when one or more packages intended for retail sale are grouped together to be sold as retail package on promotional offer.
- Unit sale price in INR, rounded off to the nearest two decimal place, needs to be declared as 'INR per unit quantity' for various units of measurements. The declaration of unit sale price is not required when retail sale price is same as unit sale price.
- In case of an electronic product manufactured, packed, or imported after 15 July 2022:
  - Name of the manufacturer or packer or importer shall be declared on the package for a period of one year from such date.
  - QR code containing detailed information (regarding address, common and generic name of the commodity, name, and quantity of each product in a package, size and dimension of commodity and telephone number and email address) needs to be imprinted in case the information is not declared separately on the package.
- The third amendment (shall come into force on 1 January 2023) relates to garment and hosiery, wherein:
  - These are required to be sold loose or open at the point of sale for the consumer to inspect the product before buying.
  - Details including the name and address of manufacturer or marketer or brand owner or importer along with country of origin for imported goods need to be mentioned.
  - Other information to be provided: Consumer care email ID, phone number, sizes with internationally recognisable size indicators, maximum retail price inclusive of taxes in Indian currency must be mentioned.

These information also need to be provided for items sold via e-commerce.

Consumer Protection Act

To safeguard the interests of consumers and for them to make informed decisions, certain amendments have been introduced. The key regulator for this is the Department of Consumer Affairs; Ministry of Consumer Affairs, Food and Public Distribution; and the Government of India.

Consumer Protection (E-Commerce) (Amendment) Rules, 2021
It states that an e-commerce entity shall appoint a nodal officer or an alternate senior designated functionary who is a resident in India to ensure compliance and consumer grievance redressal.

Consumer Protection (Direct Selling) Rules, 2021
It specifies obligations and duties of direct selling entities, including those not established in India but selling goods and services to consumers in the country.

- Provide the name, address, and contact details of the direct selling entity for consumer grievance redressal.
- Provide details of product prices bifurcated into delivery charges, taxes, etc.
- Provide details of refund process, warranty of goods, exchange/ replacement of defective product.
- Provide description of products, purchasers, and sellers.
- Share information of payment methods and details of payment service provider.
- Fulfill customer data protection obligations.
- Appoint a nodal officer for compliance.
- The consumer complaints should be acknowledged within 48 hours and issues addressed within a period of one month.

Consumer Protection (Jurisdiction of the District Commission, the State Commission, and the National Commission) Rules, 2021
It specifies the jurisdiction of district, state, and national commissions in terms of monetary value of goods and services, for the purpose of consumer grievance redressal.

- **District commission –** The value of the goods or services paid as consideration does not exceed INR 50 lakh.
- **State commission –** The value of the goods or services paid as consideration exceeds INR 50 lakh but does not exceed INR 2 crore.
- **National commission –** The value of the goods or services paid as consideration exceeds INR 2 crore.

Guidelines for Prevention of Misleading Advertisements and Endorsements for Misleading Advertisements, 2022
They aim to prevent false or misleading advertisements and protect consumers from being exploited. It further specifies conditions for:

- Non-misleading advertisement - Provide accurate and scientific information, universally accepted claims, etc.
- Prohibition of surrogate advertisements
- Standards for advertisements targeting children
- Conditions to be fulfilled for disclaimers
- Duties of a manufacturer, service provider, advertiser, and advertising agency
- Due diligence required for endorsement of advertisements

Consumer Protection Act

Information Technology [Intermediary Guidelines and Digital Media Ethics Code] Rules, 2021
It expands the scope of KYC and compliance requirements on intermediaries (social media, digital, and print media) and introduces obligations on publishers in relation to online content. A few of these include the following:

- Inform the users, at least once in a year, of the rules and regulations, privacy policy, and user agreement.
- The information collected from a user for registration shall be retained for 180 days after any cancellation of registration.
- Provide information to the government agency for investigation purpose within 72 hours.
- Name and contact details of the grievance officer need to be mentioned along with the mechanism for a user to register complaint. Complaint should be acknowledged within 24 hours and disposed off within 15 days from its receipt.
- With respect to complaints related to objectionable images and impersonation, the intermediary shall remove or disable access to such content within 24 hours from its receipt.
- Appoint a chief compliance officer by a social media intermediary within three months from date of notification.
- Appoint a nodal contact person for 24*7 coordination with law enforcement agencies.
- Appoint a residence grievance officer.
- Publish compliance report every month mentioning the details of complaint and action taken on it.
- Enable the identification of first originator of information on social media.

Agricultural Produce Market Committee Act
The Act provides for development of efficient marketing system of agricultural produce, lays down procedure and systems to establish marketing infrastructure, and aims to promote agriculture processing and exports.

- **Assam Agricultural Produce and Livestock Marketing (Promotion and Facilitation) Act, 2020**
  - The act was notified on 14 July 2022.
  - It allows the state government to declare the whole state as one unified market area for the purpose of regulating agriculture produce marketing.
  - Other provisions in the Act deal with the following:
    - Constitution of market committees and marketing boards
    - Private market yards permissible subject to obtaining requisite licenses
    - Direct procurements from farmers outside the market yard possible subject to license requirements
    - Establishment of electronic marketplace requires licenses

Data protection

To put in place a robust and comprehensive data protection framework, an expert committee headed by the retired Supreme Court Judge, Justice BN Srikrishna was formed in 2018 by the Ministry of Electronics and Information Technology. Based on its recommendations, Personal Data Protection Bill 2019 was introduced in the Lok Sabha. The 2019 Bill was referred to the Joint Parliamentary Committee (JPC), which reviewed it for over a two-year period and assessed the concerns of stakeholders and tabled its report in the Parliament on 16 December 2021.

Considering such recommendations, a revised Bill - the Data Protection Bill, 2021 (2021 Bill), was tabled by the JPC that focused on non-personal data in addition to personal data. The 2021 Bill was withdrawn from the Lok Sabha and the Parliament in August 2022 with an aim that a 'more comprehensive version of the data protection laws will be introduced' by the government. It will include and address all the aspects of privacy concerns given the ongoing digitalisations/ technology requirements by the industries.

Over the past 12 months, the committee and the government has obtained stakeholder comments to understand the industry concerns. They are planning to form a robust and extensive framework around collection and usage of consent, assessment of datasets and its localisation requirements, data flows and transfers of personal data outside India, rules around handling and using non-personal data, regulating social media intermediaries, addressing privacy concerns of individuals/customers, etc. The government intends to amend the Information Technology Act, 2000 and align it to the proposed privacy regulations.

Digital payments

Digital payments include transactions made through banking cards, such as credit and debit cards, Unified Payment Interface (UPI), prepaid cards, mobile wallets, Point of Sale (PoS), internet banking, mobile banking. To regulate these payment gateways and ensure the customer's data security, the RBI issues regulations and directions for both banks and non-bank entities.

The RBIs Card-on-File (CoF) tokenisation norms

Prohibit merchants from storing customer card details on their servers and replace that with a 'token' unique for a combination of card, token requestor, and device. It aims to prevent misuse of card and make online transactions safe and easy. Some details include the following:

- Instead of a customer entering his/her credit/debit card details during each transaction, a token shall be generated during the transaction.
- In addition to mobile phones and tablets, the facility has been extended to laptops, desktops, and wearables.
- No entity in the card transaction/payment chain, other than the card issuers and/or card networks, shall store the CoF data.

Facilitate small value digital payments in offline mo

The RBI permitted pilot scheme to encourage technological innovations that enable small value digital transactions in offline mode. This is the on-device wallet feature for UPI users called UPI Lite.

- The upper limit of an offline payment transaction shall be INR 200. The total limit for offline transactions on a payment instrument shall be INR 2,000 at any point in time.
- It requires explicit consent of the customer.
- It shall be made in proximity mode only (face to face).
- It may be made using any channel or instrument, such as cards, wallets, mobile devices.

The RBI circular on mobile wallets

- It allows interoperability of mobile wallet, wherein a user who has fulfilled all KYC norms is allowed to send and receive money from different mobile wallets, i.e., they can now transfer funds to beneficiaries of other Prepaid Payment Instruments (PPIs) or banks.
- Mobile wallets (full KYC PPIs of non-bank PPI issuers) can also be used for cash withdrawals up to INR 2,000. At present, cash withdrawal facility is allowed only for full-KYC PPIs issued by banks.
- The wallet limit for full-KYC PPIs has been increased from INR 1 to 2 lakh.

Regulations related to credit cards

This was made effective from 1 July 2022.

- To prevent credit card frauds, the RBI rule states that in the event of non-activation of card for a period of 30 days from the date of issuance, the issuer must obtain OTP based consent to activate it. In case the customer rejects the request to activate the card, the account shall be cancelled within seven working days without levying any charges.
- To enhance the credit limit, customer must provide a written permission.

Key government initiatives to promote the FMCG and retail sectors in India:[xi, xii]

- The Union Budget 2022-23 allocated US$ 27.82 billion to the Department of Food and Public Distribution and US$ 222.19 million to the Department of Consumer Affairs.
- The government approved a Production Linked Incentive (PLI) Scheme for the food processing industry with an outlay of US$ 1.4 billion in the FY2021-22 to boost domestic manufacturing and exports of food products.
- The country's retail trading sector attracted US$ 3.96 billion FDIs between April 2000 and March 2022.
- The government has approved 51 percent FDI in multi-brand retail and 100 percent FDI in the cash and carry segment and in single-brand retail. Moreover, 100 percent FDI through automatic route has been allowed in online retail of goods and services.
- A new consumer protection bill has been drafted by the government with a strong focus on building an extensive mechanism and assuring timely and affordable delivery of justice to consumers.
- Several FMCG products, such as hair oil, soap, toothpaste, now fall under the 18 percent tax bracket compared with the previous tax rate of 23-24 percent. In addition, the GST on hygiene and food products has been reduced to 12-18 percent and 0-5 percent, respectively.
- In November 2021, one of the country's leading e-commerce giants signed an MoU with the Ministry of Rural Development of the Government of India (MoRD) for its ambitious National Rural Livelihood Mission programme to bring local businesses into the e-commerce fold.
- In October 2021, the RBI announced plans to introduce a new framework for retail digital payments in offline mode to enhance digital payment adoption in the country.
- The minister of Micro, Small and Medium Enterprises (MSME) announced inclusion of retail and wholesale trades as MSMEs and provided the benefit of priority sector lending to retail and wholesale trade under the RBI guidelines.


SMART
RETAIL

Redefining the role of technology in retail

The technology-led transformation of retail accelerated over the past two years as the consumers and retail industries went phygital to survive the offline retail lockdowns in the new normal. As we enter the endemic stage of COVID-19 and with the economy gradually recovering, more retailers are expected to fast-track the adoption of digitally-enabled omnichannel strategy to operate proficiently and mitigate the supply chain disruptions and increasing competition.[xiii] Large retail giants with multi-brand establishments have remained the early adopters of the omnichannel business model. However, MSMEs also focus on technological integration of physical presence and online channels to offer consumers a wider shopping alternative and enhance customer experience and loyalty.[xiv] The following are the key technology-based omnichannel models gaining prominence in India:



1. Targeted digital marketing:
The rising proliferation of e-commerce and social media integration have led to an expansion in data availability of customer attributes. These include products purchased, the timing of purchase, context of buying, and mode of purchase. Retailers use data analytics, Artificial Intelligence (AI), and cloud computing solutions to analyse these buying attributes and provide targeted promotions to customers through their online platforms. The digitally enabled promotions and merchandising are traditionally linked to e-commerce sales, but offline retailers are using these strategies to shift from mass targeting to micro-segmentation of customers and drive in-store sales.

2. Personalised customer interactions:
In this digital era, individualisation and interactivity are the two major themes that retailers should focus on. These are forcing companies to rethink their in-store and online infrastructure and digital investments to be agile and adaptive. With improved mobility and increasing footfalls across malls and high streets, retailers have been employing digitally enabled in-store processes to elevate shoppers' experience. This is largely because the product-centric approach is no longer the only factor in driving sales. Brands are increasingly using cloud-based retail solutions to analyse consumer behaviour and improve interactions. Different engagement techniques through AI, Augmented Reality (AR), and Virtual Reality (VR) are gaining momentum and transforming customer interactions at a rapid pace. These technologies are helping customers to virtually experience the actual look and feel of in-store products while browsing from home at their convenience. The pandemic has highlighted the importance of touchless interaction in stores, 'curb-side order pickups', and collection at a storefront or parking lots. These will continue to be widely adopted in the coming years.

With the continuous proliferation of online retailing, vernacular commerce has emerged as another major growth area. It allows customers to search and purchase products online through voice commands, especially in local languages and dialects for consumers not literate or able to type/use keyboards. Social media platforms have also emerged as a vital component for shaping consumers' buying perceptions. This is particularly true for Gen Z, who are often influenced by networking websites for their purchasing decisions.[xv] Brands are using chatbots, gamification, social badging, and the Internet of Things (IoT) to make customer engagement easier and more convenient. The increasing focus on digital marketing has motivated luxury retailers to start experimenting with complex online platforms, such as Metaverse to increase brand recognition and engage tech-savvy consumers.[xvi]

Engaging customer interactive models

- **Digital kiosks/virtual shelves/endless aisles** to enable virtual browsing of products within stores
- **Smart beacons** to track the in-store customer movement and deliver the targeted product information/discounts
- **AR-based in-store navigation** to allow shoppers easily find items within stores
- Seamless integration of **brand websites and mobile apps** to ensure a complete digital experience
- **Social commerce** to create an interactive customer experience on networking websites
- Addition of **vernacular languages** to e-commerce platforms to widen customer accessibility
- **Local language translation** for consumers ordering online to boost regional commerce
- Automatic product customisation based on **AI-/ML-based recommendation engine**
- **Virtual mirror/trial rooms/AI try-ons** to enhance product selection experience in stores

- Multi-nodal purchase options – click and collect, mobile Point-of-sale (POS), and e-wallets/UPI
- Attractive omnichannel pricing strategy using AI-based precision marketing
- Self-checkout machines to help reduce wait time in stores
- Chatbots/mobile assistants/wearable tech to act as integrated touch points in online purchase



3. Seamless payment and pricing strategies:
Traditional payment systems in retail stores caused long queues and severely hampered the overall customer experience. However, the recent technological developments for financial transactions and the explosion of alternative online payments and digital wallets have enabled customers to use electronic-based payment systems at both offline and online channels. It enhances the overall buying experience. Technology is helping companies to adopt dynamic pricing strategies based on market trends. The AI-and-cloud-based price comparison engines are used to analyse competitors' pricing, track pricing over time, and forecast changes to offer customers the best value for their money.

4. Enhancement of customer loyalty programmes:
Consumer preferences around loyalty programmes are rapidly changing with increase in penetration of brands in the country. Customers opt for a seamless cross-channel experience, where they can view and redeem their reward points across multiple channels. In this regard, retailers are increasingly using technology-enabled loyalty programmes that enrich user experiences in ways that create value beyond traditional product discounts. Blockchain technology has significant potential in transforming customer loyalty programmes as it can allow retailers to reduce costs, control programmes in real time, enable a frictionless system, and assign certain benefits to individual users.[xvii]

Bundling services/products, automated **discounted pricing, and subscriptions** offered to loyal customers

Blockchain-based cross-channel loyalty programmes to enhance customer retention

Privacy and protection of customer information

Need for data security

At present, retailers mine large customer data to evolve in this digital era. As a result, they are increasingly becoming prone to cyber threats, ransomware, and skimming. The overall attack surface is rising with increased e-commerce sales, growing third-party plugins and collaboration, digitisation of processes and digital payments, etc. Hence, stringent data security standards and privacy laws, particularly around customer insights and personalisation, will be highly imperative in retail evolution over the next few years.

Important cybersecurity considerations
The Indian government is working to bring a new Data Protection Bill, akin to Europe's General Data Protection Regulation (GDPR). The retailers can focus on the following cyber security measures to protect the customer and company data:

- Continuous cyber security incident monitoring to evaluate risks and identify assets that require protection
- Multi-layer protection of online channels to prevent attacks on available services
- Audit and testing of third-party software to identify vulnerabilities
- Cyber trainings for employees and even supply-chain partners
- Protection of PoS devices, which is highly important but often overlooked





With innovation at its core, Deloitte is trying to solve multiple issues faced by our clients with various technology assets and solutions. Following are five of these assets that directly cater to multiple challenges faced by the retail sector as a whole

Deloitte India: Forecast decision nerve centre

Context and overview

- There are many challenges with the existing demand forecasting solutions and businesses seek accurate forecasts to improve cost-effectiveness and availability in the supply chain.
- Our solution is an end-to-end forecasting framework that accelerates engagement delivery with forecast feasibility analysis for different hierarchies, anomaly detection and forecast variance analysis, comprehensive library of forecasting algorithms including deep learning for intermittent demand, root cause driven accuracy tracking, what-if-analysis along with forecast correction, and intelligent forecast level recommendation.

Key asset features

- Data cleaning and merging
- Exploratory data analysis and statistical tests
- Forecast hierarchy selection
- Comprehensive library of algorithms
- Validation of forecasting groups
- Algorithm and error metric selection
- Model training and validation
- Ability to explain forecast

Key different iators

- Ability to evaluate forecast at different hierarchy levels
- Scenario manager to simulate different cases and adjust forecasts accordingly
- Attribution of impact of different variables on the demand and ability to explain their impact on the forecasts
- Forecast intermittent demand more accurately

Threshold requirement

- Any client with the requirement of demand/order/ shipment forecasting, sales forecasting, revenue forecasting, cash flow forecasting, or to improve their existing forecast performance

Delivery model

- [x] Managed services
- [ ] Software as a service
- [ ] Stand-alone deployment

Commercials

- The pricing will be a one-time implementation cost; annual maintenance charges applicable, if requested

Deloitte India: Integrated pricing and promotion simulation tool

Context and overview

- The rising commodity prices along with the uncertainty brought by COVID-19 affected the integrated cost of goods. Hence, organisations are being forced to strike a balance between the price of their goods to ensure minimal negative impact on their bottom line and the growth margin, especially in price sensitive markets.
- Our solution provides a visibility for revenue, margins, average selling price discounts, price stagnancy, etc., across multiple business dimensions (geography, brand, customer, channel, etc.). The simulator will help in determining the volume and value impact for price changes for different products across verticals and focus on analysing probable leakages and pricing discrepancies across corridors to find the optimal pricing level.

Key asset features

- A plug and play analytics dashboard
- Product price simulator powered by artificial intelligence/machine learning models
- Price elasticity that measures the responsiveness of the quantity demanded at different price points
- Identifies the optimum price at which the revenue and profit is maximised
- Identifies product cannibalisation and Halo effect
- Detailed view of key performance indicators giving a 360-degree performance view of the product portfolio

Key differentiators

- Industry agnostic solution
- Simulation of future price and promotion activities
- Data visualisation
- Intuitive analytics dashboard
- Customised per tech infra and business requirement of the client

Threshold requirement

- Any Business to Business (B2B) or Business to Customer (B2C) client offering products or services

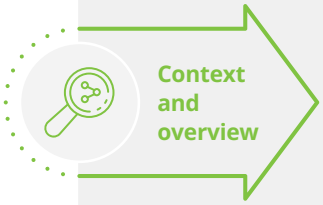
Delivery model

- [ ] Managed services
- [ ] Software as a service
- [x] Stand-alone deployment

Commercials

- The pricing will be a one-time implementation cost; annual maintenance charges applicable, if requested

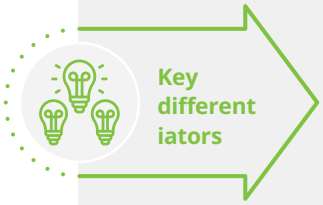
Deloitte India: Supply chain track and trace system



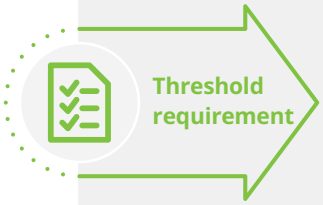
- Supply chains across the world face several issues: (i) Fake and counterfeit products in circulation, (ii) product recalls on field failure, (iii) costly product warranties, (iv) complex root cause analysis of quality issues, (v) intricate multi-party transaction settlements, and (vi) enablement of sustainable supply chains and circular economy.
- Conventional track and trace systems that can solve these challenges have issues in ensuring trust, accountability, and integration between multiple Enterprise Resource Planning (ERP) systems of different entities in the supply chain.
- Our solution is a unique low-code no code solution that aims to solve the above-mentioned pertinent challenges faced by conventional track and trace systems.



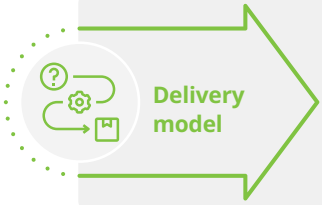
- Customisable: Per the native business requirement
- Low code no code: Post implementation, client can itself create/modify/change logics
- Sandbox environment for validating hypothesis
- Internet of Things Powered: Enables the usage of Internet of things, active devices data as inputs
- Non-intrusive: Product would just create a layer of ledger connecting all the separate ERP systems, doing away with elephantine transformation requirement



- Reusable building blocks (such as Legos) that can be used to create different types of use cases
- Low code no code
- Quick validation of hypothesis: Sandbox for proof of concept
- Time to hit the running stage is 70–80 percent lower than the conventional rollout timeline



- Clients dealing with challenges, such as counterfeit products in supply chain, intricate reconciliation process, and absence of end-to-end traceability across multiple stakeholders



- [x] Managed services
- [ ] Software as a service
- [x] Stand-alone deployment



- Consulting fees
- Upfront implementation fees
- Customisation fees
- Managed services fees

Deloitte India: MLOps implementation low code platform

Context and overview

- MLOps implementations are complex and face several challenges resulting in poor Return on investment. Setup and integration of applications are manual and laborious. Machine learning models' development is fragmented across different product lines/regions/ customer segment, which leads to low reusability and non-standard development and deployment practices.
- Our solution is a low-code platform, targeted at enterprises and Small to medium-sized businesses to address their MLOps implementation challenges. It will enable the automation of MLOps implementation: Setup and integration, Machine Learning Model orchestration (experimentation) and testing, deployment and monitoring.

Key asset features

- Ready to deploy and use
- Integration with opensource applications such as GIT, Kubernetes, Docker, etc.
- Automated retraining and monitoring of deployed machine learning models
- Highly scalable and reusable framework
- Standardisation of machine learning model development
- Simpler, faster, and controlled implementation

Key differentiators

- 30–40 percent reduction in the overall implementation effort
- Ready to use machine learning models for specific industries – churn, customer segmentation, campaign recommendations, contract renewal propensity, etc.
- Reduction of human efforts

customer segmentation, campaign recommendations, contract renewal propensity, etc.

Threshold requirement

- Companies that are working on machine learning proof of concepts/minimum viable products and are on cloud platform

Delivery model

- ☐ Managed services
- ☐ Software as a service
- ☑ Stand-alone deployment

Commercials

- The pricing will be a one-time implementation cost based on the use case; annual maintenance charges applicable, if requested

Deloitte India: OrderFulfil Pro

Context and overview

- Organisations that plan and execute orders on disparate systems face several challenges during order fulfilment. Significant manual effort goes into maintaining optimal inventory levels, managing fulfilment, and mitigating stockouts.
- This leads to inefficient decision making, which adversely affects costs and service levels.
- Our solution proposes to provide a complete supply chain visibility, optimises and helps manage inventory levels, and supports real-time decision making through proactive data driven recommendations.

Key asset features

- The solution supports stakeholders with necessary inputs for demand fulfilment.
- Compute optimal inventory norms trough Multi Echelon Inventory Optimization (MEIO) using genetic algorithm and simulation
- Proactively manage stockouts through inventory alerts and demand sensing
- Use prescriptive recommendations to address supply chain disruptions and serve through alternate routes/modes

Key different iators

- Comprehensive solution for demand fulfilment covering inventory optimisation, inventory replenishment and data driven recommendations to address supply chain disruptions
- Customisable for client specific business considerations
- Quickly deployable (2–3 months) in any cloud environment

Threshold requirement

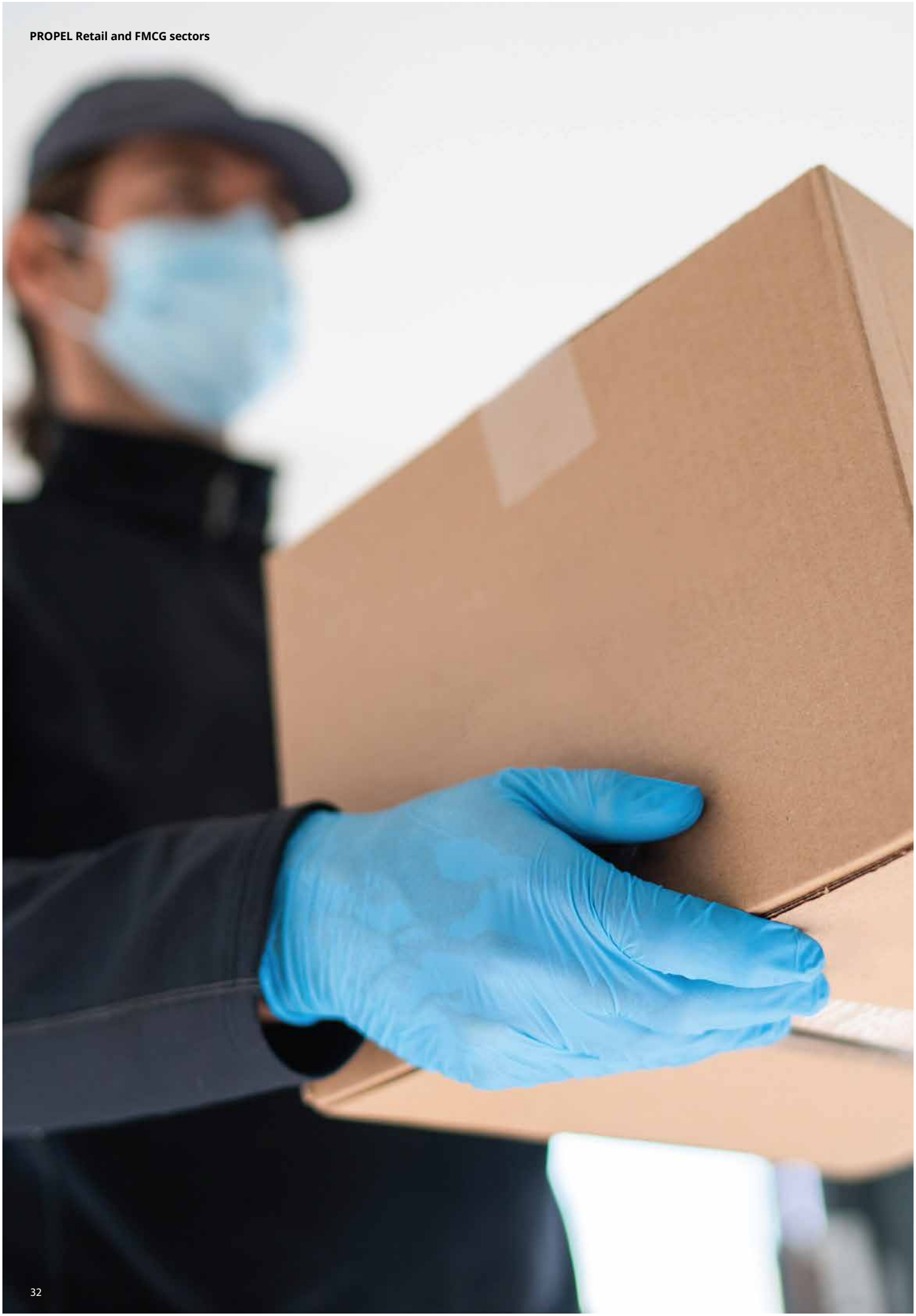
- Availability of clean and structured transactional data from ERP systems and availability of planning data
- Subscription to cloud services (such as Amazon web services/ Google cloud platform/ Azure) for deployment

Delivery model

- ☐ Managed services
- ☐ Software as a service
- ☑ Stand-alone deployment

Commercials

- One-time setup/ configuration charges (initial deployment)
- Annual subscription fee



Orientation towards health and wellness

Health and wellness have gained significant interest over the past couple of decades. The past two years led to a rise in stress levels at work and lack of work-life balance. The lifestyle, social, and family structures have changed, making it difficult for individuals to cope with pressure and anxiety. For instance, with the rising number of nuclear families and urbanisation, support mechanisms consisting of companionship and emotional support are reduced. Recent studies suggest that people who live alone or as couples are more likely to suffer from loss of wellness.[xviii]

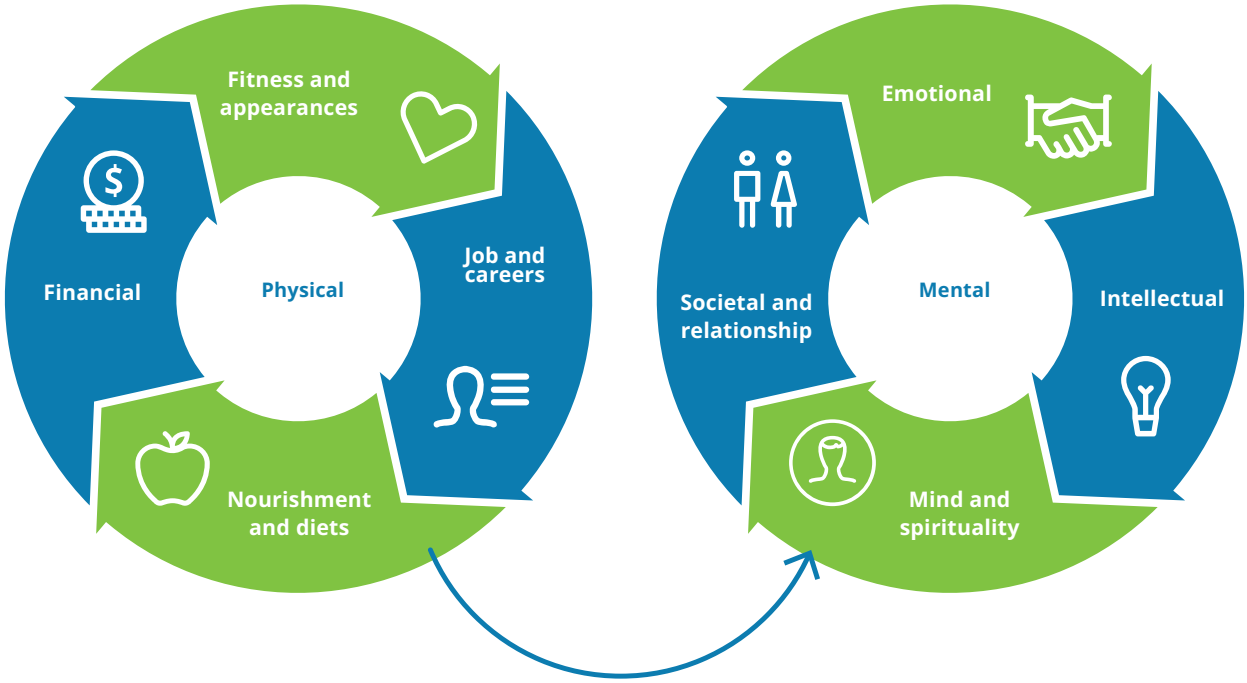
In addition, the rising indulgence in social media activities is resulting in social isolation, insufficient self-care, and relationship failures, causing depression and anxiety. An MIT study highlights that access to social media platforms led to an increase in severe depression by 7 percent and anxiety disorder by 20 percent.[xix]

However, people around the world face difficulties in ignoring the impact of the changing environment, social structure, and technology on their lifestyle, health, and wellness. Today, people are willing to change their attitude and behaviour to achieve wellness. The definition of wellness is constantly evolving and becoming broader. It includes better mental well-being, self-awareness, relationships, and spirituality.

During COVID-19, disrupted work-life schedules have further accentuated the need for emotional balance to deal with worries associated with jobs, finances, and relationships. Besides, physical well-being is probably the necessary, if not the sufficient condition, for mental well-being.

Given the rising awareness and emerging opportunities in the health and wellness sector, the whole ecosystem has been evolving with businesses, adjoining sectors, enablers, the government, and consumers playing an important role in growth of the sector. The government has given a huge impetus to this sector through the 'Make in India' initiative, which is helping in the growth of domestic companies. Such initiatives aid the FMCG businesses and retailers to increase consumer preferences towards the purchase of natural and healthy food options, along with several wellness products (such as smart wearables, health-monitoring devices).

Different dimensions of health and wellness and their interacti n

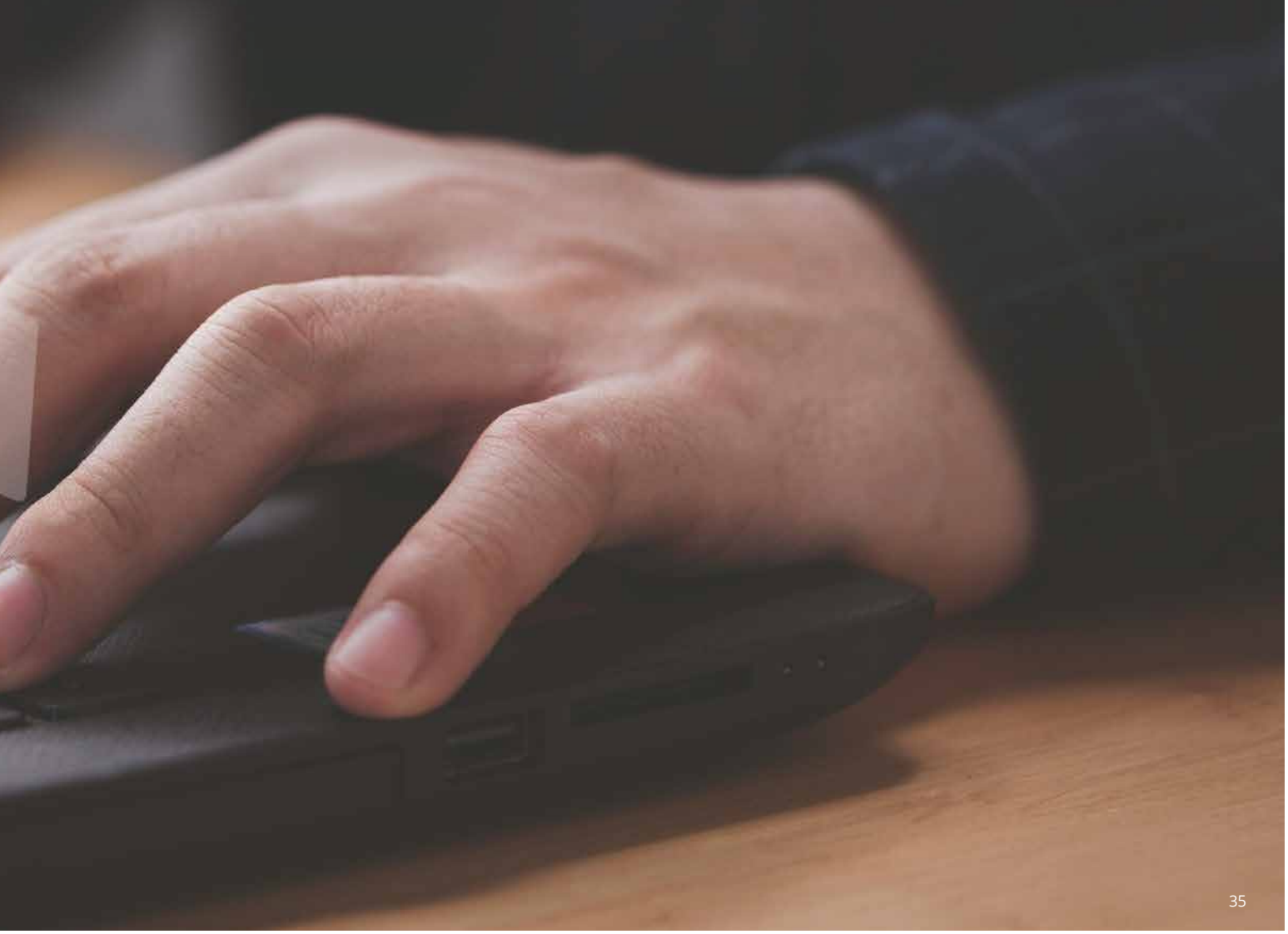


Further, wellness businesses will have to adapt to the shifting needs and focus of such consumers from traditional offerings (such as curative health care, mass offerings) to newer strategies (offerings that are preventive and customised). Domestic companies collaborate with international players, who have more experience working on newer wellness areas and even use franchise options to scale up the business. In the future, the sector must imbibe newer technologies to improve consumer experience. Likewise, the thriving demand for wellness tourism, health spas, mineral springs, etc., are opportunities one can tap into. The divergence towards providing planet-friendly products and services, building health care infrastructure, and shifting towards traditional medicinal techniques will need to increase pace for the sector to grow. According to FICCI's latest estimates, the current wellness market in India is about INR 490 billion; wellness services account for 40 percent and are likely to grow at a 20 percent CAGR to reach INR 875 billion (during the next three years) with evolving consumer preferences towards preventive health care.[xx]



Health and wellness ecosystem

Businesses	Adjoining sectors	Enablers	Government	Consumers
• Health care • Medicines • Wellness products	• Media (gaming, social media) • Education (edu-tech) • Hospitality (medical tourism)	• Financial services (banks, NBFCs, insurance providers) • NGOs	• Centre and states • National health Associations	• Individuals • Corporate





Positioning of talent in the new normal

The FMCG and retail sectors are the biggest employer in India; the demand for professionals to sell merchandise, execute logistics and supply chain, and manage information and stores, is also increasing. The retail sector, for instance, accounts for about 8 percent of the country's employment.[xxi] There is a huge demand for talent with analytics, business management, and execution skills.

However, talent-related challenges have not spared this sector as well. Technology, demand for customised products, and fierce competition from new entrants have made it difficult for retail businesses to hire, develop, and retain talent. The shortage of skilled and experienced talent has been a persistent problem for the sector that suffers from a high attrition rate. As businesses require high interactions with customers that could be geographically and demographically diverse, communication is key to the success of operations.

The need for talent that is agile and constantly innovating with process, products, and technologies has added a new dimension to that problem. For instance, digitisation is now entrenched in each aspect of the FMCG and retail business models and culture, and technological disruption is affecting business functions. Therefore, acquiring talent that is digitally adept and can adapt to changing organisational capabilities is extremely important yet challenging in a highly competitive environment. Higher demand for skilled talent has resulted in the demand-supply mismatch and accentuated the problem of attrition. In addition, it has resulted in demand for higher wages adding to cost pressure.

Incorporating talent management strategies into the business development programme is important to survive this talent crunch. Talent strategies can include attracting and identifying the right professionals, building on their skills through training, providing them clear objectives and growth paths, retaining them with rewards and compensation, and ensuring overall wellness and development. Businesses must build a culture that respects employee values and builds trust, along with encouraging entrepreneurialism and innovation. Hence, retailers need to build an organisation structure, which is flatter, nimble, and flexible.

Data analytics can be an important tool to recognise talent trends and assess the skill gaps to provide insights into talent-related decision making. Such insights can help the FMCG and retail industries to plan workforce, forecast talent needs, and map job requirements (across geographies) with talent supply-demand gaps.

To create an appeal to the right talent would require providing enhanced opportunities to grow and explore, connecting with the brand, and providing them flexible work arrangements. The pandemic has taught that it is possible to work remotely and professionals are demanding flexibility with respect to the place of work and number of hours. Further, retailers will need to consider the emerging needs of the young workforce while making decisions. In addition, providing a healthy and safe environment will help retain employees.

The retail industry highly depends on human professionals because of the high customer interaction requirement. The right talent may not be available and therefore, the industry will have to invest in on-the-job training and development of skills to meet the knowledge and communication gaps and enhance competitiveness. In addition, talent must be provided right coaching and mentoring to encourage more professionals view retail as a career and not just a job.


Warehouse management
Dashboard
Overview
Client order
Stockchecks
Replenishments
Machine State
Monthly Summary
32.04%
PICKS ON GOING
23
Orders by week
Receivals
Machine State
25%
67%
Fine

Embracing sustainable business practices

FMCG companies and retailers worldwide are redirecting their investments towards building sustainable credentials for their products and the overall brand. This is largely because awareness around sustainability is rising at a rapid pace, especially amongst millennials and Gen Zs, who are opting for products marketed with better environmental profiles.[xxii]

Per *Deloitte's Global State of the Consumer Tracker Survey 2021*, 55 percent consumers opted for sustainable products/services in October 2021 (refer to Figure 1) and 32 percent paid a significant premium for sustainable purchases compared with alternatives available in the market.[xxiii] Food and beverages accounted for 42 percent sustainable purchases by consumers, followed by everyday household goods at 25 percent.

Indian companies are in tandem with this changing consumer trend and have accelerated their efforts towards building a healthier and cleaner future over the next decade. They are facing pressure from their investors and other shareholders to adopt sustainable strategies, as stakeholders are becoming highly conscious about how their reputations are affected by the companies they support.

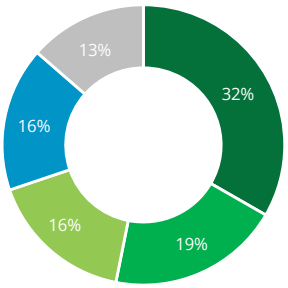
The Indian government is gradually taking strong steps to foster the Environmental, Social, and Governance (ESG) ecosystem in the country and has pledged to achieve the target of net-zero emissions by 2070.[xxiv] Based on this target, the Securities and Exchange Board of India (SEBI) has introduced the *Business Responsibility and Sustainability Report (BRSR)* framework and mandated sustainability reporting for the top 1,000 listed companies (per market capitalisation) from FY2023 onwards.[xxv] This new mandate establishes links between the financial results of a business with its ESG performance and makes it easier for regulators, investors, and allied stakeholders to obtain a fair estimate of stability, growth, and sustainability of various businesses.

Consumer demand sparks sustainability movement in retail

55% of consumers purchased a sustainable product or service within the past four weeks

Of those surveyed....

- 32% paid significantly more than an alternative
- 19% waited longer for delivery or to obtain it
- 16% bought a used or upcycled product
- 16% accepted a lower quality product/service
- 13% agreed to participate in a special progress to dispose of it



Key sustainable strategies gaining prominence amongst FMCG businesses and retailers in India and worldwide

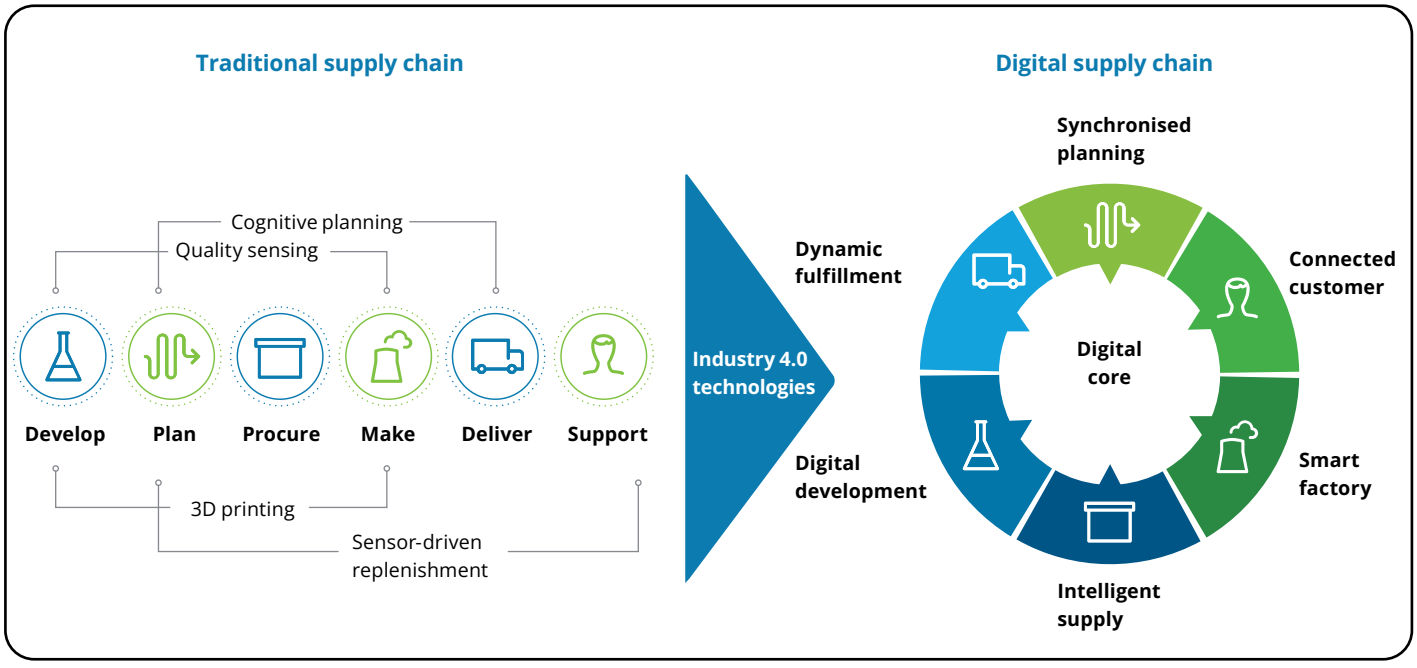
- Reducing greenhouse gas emissions
- Using renewable energy sources
- Reducing waste in manufacturing process
- Supporting the adoption of circular practices
- Conserving water and other natural resources
- Producing sustainable packaging and products
- Adopting diversity and inclusion practices
- Committing to ethical working practices
- Practicing respect of human rights
- Protecting and supporting biodiversity



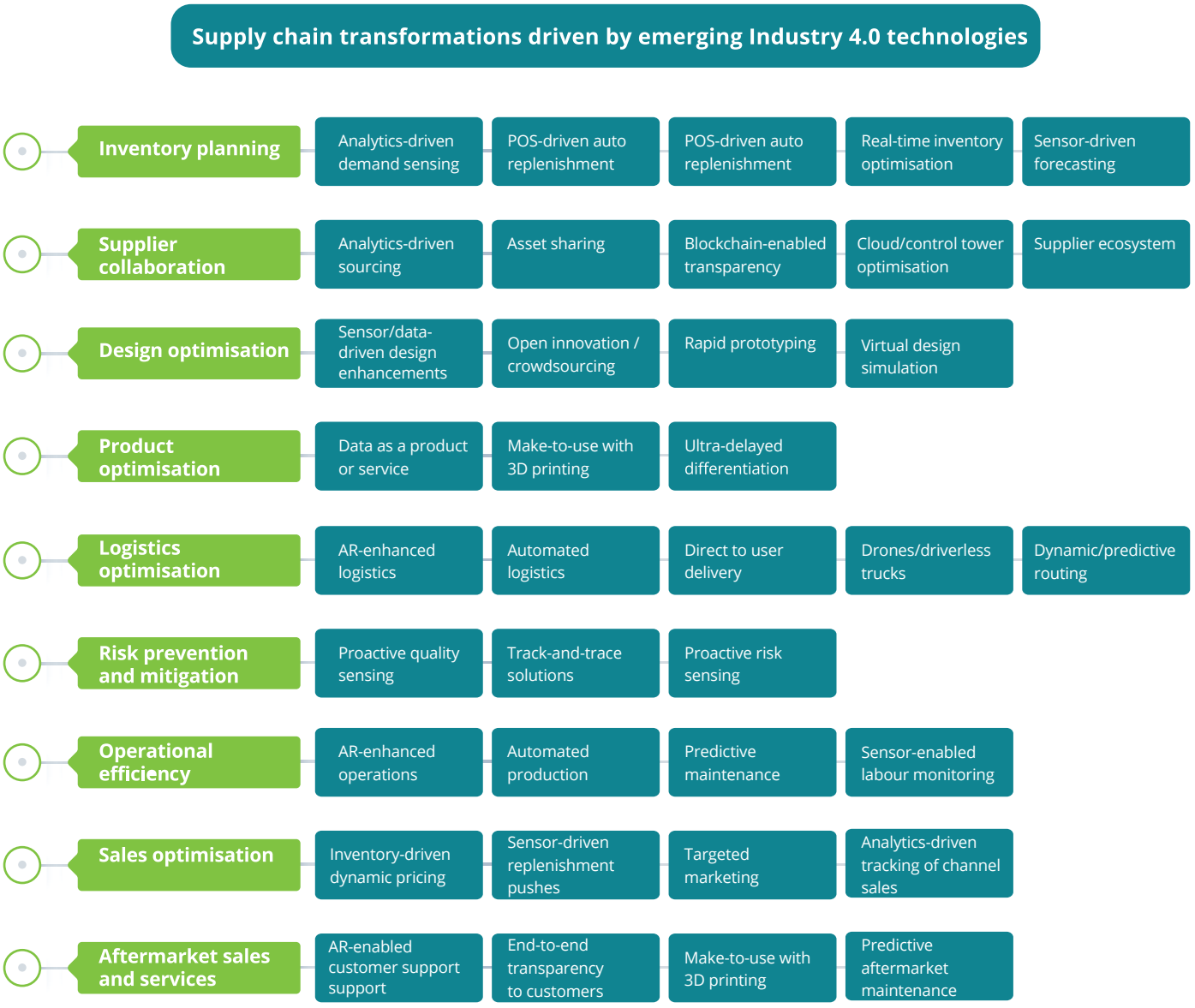
Leveraging Industry 4.0 for supply chain resilience

Industry 4.0 technologies are transforming supply chain management in the FMCG and retail businesses. These technologies are helping businesses move away from traditional linear models (where individual supply nodes depend on the preceding ones) to a more integrated model known as Digital Supply Network (DSN). In this network, each node is more capable and digitally inter-connected with every other node. DSNs enable companies to use real-time data sets, which aid in holistic decision making and intelligent optimisation, and provide end-to-end transparency of the supply chain network. Although online businesses are uniquely suited to many digital supply techniques, DSNs are improving the overall effectiveness of the brick-and-mortar stores.[xxvi] Moreover, with increasing challenges related to supply-chain disruptions, cost pressure, and demand volatility, DSNs are increasingly gaining prominence amongst both offline and online brands to improve operational efficiencies, optimise cost, and become more responsive to the evolving consumer demand.[xxvii]

Transition from traditional to digital supply chain enabled by Industry 4.0



Digitally connected supply chain will drive the transition towards the fourth industrial revolution in the consumer sector, where the execution of connected products, customers, supply chain, and operations would be augmented by a wide network of cyber-physical systems. While each industrial revolution is augmented by a cluster of technologies, Industry 4.0 enabled DSNs are largely characterised by nine major technologies, which include the IoT, big data analytics, advanced robotics, 3D printing, sensor-based smart factories, AI, AR, cloud computing, and blockchain.[xxviii]



Conclusion

As we enter the endemic stage, retailers are expected to **'PROPEL'** the adoption of omnichannel strategy to operate proficiently amidst mobility restrictions, supply chain disruptions, and increasing competition. The increasing integration of technologies will help businesses analyse customer behaviour and effectively direct marketing campaigns to the right consumer segment. In addition, digital enablement will continue to improve inventory management, increase store walk-ins, drive user traffic to online channels, and increase brand recall by enhancing the overall customer purchasing experience.

The pandemic has accelerated the need for ESG adoption in the country and worldwide. As a result, FMCG companies and retailers are expected to incorporate sustainable practices as an integral part of their business models. They will continue to consciously invest in products and services with better health and wellness profiles. Further, organisations will focus on adopting innovative ways to keep their workforce connected in the new work environment, position themselves for the next phase, and thrive in the new realities.

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Connect with us

Rajat Wahi
Partner, Consulting
rajatwahi@deloitte.com

Porus Doctor
Partner and Consumer Industry Leader
podoctor@deloitte.com

Sahil Gupta
Partner, Tax-Mergers & Acquisitions
sahilg@deloitte.com

Dushyant Jamwal
Executive Director, Consulting
dujamwal@deloitte.com

Neeraj Jain
Partner National Innovation Officer, Consulting
neerajjain@deloitte.com

Contributors

Sayantan Sengupta

Acknowledgements

FICCI team

Mou Chakravorty

Rumki Majumdar

Riyanka Varavadekar

Nupur Sharma

Suyash Tyagi

Sanchi Gabrani

Guncha Prakash

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