



SANJAY K SHARMA

# "Indian consumers deserve so much better than what they are getting now"

While the country debates the relevance of FDI in multi-brand retail, retailers in India are eagerly foraying into untapped avenues driven by changing consumption patterns, favourable demographics, an expanding middle class and greater government support. In fact, the country has been ranked as the fourth most attractive nation for retail investment among 30 emerging markets by the US-based global management consulting firm, AT Kearney, in its Global Retail Development Index 2011. In a tête-à-tête with *Rajarshi Bhattacharjee*, **Paco Underhill**, the author of *Why We Buy: The Science of Shopping* and founder of market research and consulting company, EnviroSell, shares insights on the big trends in global retail and how India stacks up during a recent trip to India. Excerpts.

**Q. While malls seem to be thriving in India, in your book *Call of the Mall* you have indicated that the hey days of shopping malls are over in the US. What makes the mall scenario in these two markets so different?**

The proposition of a shopping mall is different in emerging markets like India. Some of the fundamental premises of a shopping mall in India are security, cleanliness, organisation and temperature control. If you go to New York or London, the streets are safe, reasonably clean. In London, if you want to walk down the street at 3.30 in the morning, you can do that. But you can't do that in Delhi or in Mexico City. In that sense the premise of the shopping mall is very different in the emerging markets.

**Q. Your book *Why We Buy: The Science of Shopping* talks about the science of human movement in stores. What are the common obstacles on the shoppers' way in this part of the globe?**

My book *Why We Buy* is about the biological constants that govern how we move in physical spaces. And it looks at the way in which we understand pathways and what happens when we manage or interrupt a pathway. So, if a store stops people, as they walk in the door, it is forcing them to adjust their walking speed, adjust their peripheral vision and forcing the shopper to focus on a movement pattern as opposed to absorbing in a physical environment. We use the science of human movement to work on stores, on banks, on airports, hospitals, public libraries, universities and museums. And this science works well everywhere. What we are curious about is that there are some things that are global and there are some things that are very local. And we try to make adjustments between what is global and what is local.

You and I are approximately the same height. The line of sight while standing and the distance of our reach is very much the same. So, the way we look to interact with things at the end of our arm-length are very similar. Both you and I are

right handed. It is easier for us to reach something on our right than to our left. Whether I am in Delhi or I am in New York, our eyes age in the same way. So if I look at the biology of someone's eyes, they are the same all over the world. We look at the way people move in social clusters — I can move with a child, I can move with a friend, I can move with a maid, I can move in a group of three or four people, I can move with an extended family. So there are five groups that are consistent all over the world. As such, if someone says a store is stopping someone by putting a barrier up, the barrier is put up for a specific reason. If it is there accidentally, it may have a negative impact on the store.

**Q. You mentioned that there are certain things that are global and there are things that are local. Does this theory apply to the so-called barriers as well? What are the local barriers that we commonly come across in India?**

Let's look at the global local issues first. One of the first is density. If I am in Shanghai or I am in Delhi, there is a density factor that gives us a consistent result in terms of how people move. In a crowded place, we simply have to spend much more on awareness about who are immediately around us. But it isn't as crowded in Dubai or in Moscow.

The second criterion is the difference between the rich and the poor. Tokyo may be a very crowded place but you don't have the extremity of rich and poor that you tend to have in Delhi or Rio de Janeiro.

The third is topography. Do you have a place built on hills or do you have a place built on a flat plain? If I have to change directions in terms of how somebody moves, that adds another factor. Rome is a city built on hills, Dallas is a city built on a plain, Mexico City is absolutely flat and this factor matters.

Fourth is weather — the extremities of cold or hot or it may be the wind. If I am in Beijing and I have trouble with smog, it can be considered a deterrent for a shopper.

## Give me more

India falls short in:

- ▶ Range of products
- ▶ Customised services
- ▶ Retail experience
- ▶ Competitive prices



Customers might face the same kind of issue in a city like Mexico.

Finally, there are issues that are local. As we function all over the world a part of our business is to learn from the experience of one place and apply the knowledge in some other part of the globe where the problems are the same. If I am tackling a problem in Delhi which has similarities with problems in Mexico City, we apply our experience and knowledge there.

I think the issues in India are, in some cases, extensions of all of them. India is very crowded. That crowding here is perhaps more than any other part of the world. But people here are comfortable with it. But customers from the US or the UK may not necessarily be comfortable with this.

Second, the evolution between men and women is at a different stage in the Indian sub-continent in contrast to what it is in the other parts of the world. Say a single working woman of age 30, living alone in Paris or New York, who makes more money than a working man. She is better educated, at a better job, less likely to have troubles with drugs and alcohol, she lives on her own and spends her own money. That evolution of the control of money is different in India. It will change, may be, but at least for now, the control of money by women is not as developed here as it is in other parts of the world.

This is a country where families in the social structure are stronger than other parts of the world. So there's a sense of cohesion and a number of Indians live in a multi-generational house. This creates certain things. First of all, it creates the category of the single man who is working, lives at home and has a larger part of his money spent on going out and doing certain things, than if he was living in New York and having to pay rent.

**Q. Some quick tips on smart merchandising and retail operations that can streamline the path to profits?**

I am going to turn that question around and answer it differently. We are in the business of helping retail stores present themselves better. I am also in the business of helping consumers better understand how to consume responsibly. As such, looking at the retail space from consumer as well as retailer's end, here are some suggestions:

First, never shop hungry. Your judgment is always poor when you are hungry. Second, never shop tired. If you are exhausted and you are going to the supermarket or shopping mall, chances are there you will be making a bad judgment. Third, never get lost in the thrill of acquisition. If I am a woman and I put on a new lipstick, it doesn't make me a different person than I was before I put that lipstick on.

So, the best purchases are things that go into your activity pattern. Meaning that I enjoy and use and take pride in ownership. If I buy a jacket and I wear it every

week, it's a good purchase.

The final point is, if you are a teacher the fact that you have an appetite for Prada bags is probably not a very good idea. Because you know the brand doesn't mean you have the right to acquire it. Meaning, I know what a Rolls Royce is, but that doesn't mean I have to drive one. If you can afford it, it's fine. But if you can't afford it, don't buy it. The important people in your life will like you for who you are, not for what your possessions are.

**Q. Do the evolving retail format and global consumer trends indicate that the internet holds the key to the future of retail?**

What we are seeing today is called convergence, which is meeting of the online world, the bricks-and-mortar world and the smart phone. What we are seeing is that the role of the internet in the inter-connection here is getting stronger. In many global markets, more than 20 per cent of the shoppers in a bricks-and-mortar store would have pre-shopped online, meaning that shoppers have looked at something online, gathered information online before they have gone to the store where they can touch, feel, smell every product they want to buy. I think what we will watch is that the role of the internet in terms of catering to replacement purchases is going to go up.

Let me describe this. Most of the weekly purchases in a family are routine. The family could have a smart kitchen which allows it to send an SMS of the shopping list to a local retail chain where from somebody will pick it up and deliver at the doorstep at a certain time. I think this is going to be the future, particularly in a middle-class culture where both man and wife are working.

The idea that somehow we are not going to the stores anymore, doesn't work. We, as a species, have been going to the marketplace forever. The marketplace may change, but the marketplace itself is very much a part of our future.

**Q. With online shopping so prevalent now, is service more important for retailers' survival? Will we pay a little more for a little more?**

The problem in India is, customers aren't getting the desired service because we still don't have that level of organised retail in this country to give customers that service.

**Q. Are you saying organised retail in India scores low in terms of services?**

India does not have organised retail. India

doesn't have merchants who are offering customers customised discounts as we have in almost every other market across the world. I think what India has is a very primitive organised retail format that should get a lot better. Then there are online merchants who are taking advantage of this very primitive organised retail to offer cursory services. The Indian consumers deserve so much better than what they are getting now.

**Q. So what is missing?**

I think customers are missing a broader cross-section of products. Customers are missing better prices. Customers are missing a better experience in the store. Consumers in India are missing the services that allow them to customise what they are buying to their specific circumstances. A middle-class person living in Shanghai has better access to goods and services than his Indian counterpart. They have a broader cross-section of things to shop, they are being offered better services once they shop, they have the same ability to check online and there is a sense of competition in that process, which

**People visit Dubai, Paris, Tokyo or Bangkok to shop, but nobody is coming to India to shop**

means that the prices they are paying for what they are buying at retail stores are much more competitive than the prices you are paying in India. One of the ironies of this country is, Indians have a culture of merchant skills built into their DNA. Historically, India has been the merchants to the world. But its retail is terrible today. I think that the change in the retail culture here is going to be a positive factor. I learnt about people complaining about kirana store. But the *kirana* store is dependent on predatory middle market supply chain. If we look all across the world, say Brazil, Mexico, Columbia, the ma and pa stores have been able to improve their efficiencies when they are able to shop from a truly world class wholesale distribution system. They get better prices, the quality of goods is better, they are often offered credit there in much better terms than somebody is offering them in the distribution chain in India. And the customers benefit with better prices and better quality. The only person who loses is the ancient supply chain management process.

Estimates say, the average cost of basic food stuff is likely to go up by nine to 15 per cent for the Indian consumer by next year.

Everywhere across the world the reason why a lower class and the middle class people are doing better is that they are engineering certain costs out of their supply chain. The only major market in the world where that's not happening is India. The way we have cushioned the commodity price increase all across the world, whether I am in Brazil, Argentina, Mexico, or in China, is by better supply chain management and some of that comes from a global network.

Somehow the idea that the small independent stores are going to disappear, don't make sense. Because, all across the world we are driven by convenience and the ma and pa distribution system is getting more modern — they are figuring out better services to sell. No matter how big the format is, it has to evolve.

**Q. The obvious question that comes here is, what's your take on the recent debate that is going on in India about FDI in multi-brand retail?**

I think it is a very poignant issue. Retail historically is about birth, life and death. India is yet to face the future. And the future is getting integrated with the broader world. I think organised retail can help India better cope with its distribution system. Will some people lose their jobs? Yes. But at the same time, there are jobs created by the process that are better jobs. India can't say no to the future anymore. The future isn't what we see in Britain, it isn't in France or in Japan; it is in other emerging markets like India. Here, organised retail and some presence of the off-shore community in that process is part of the globalisation which will benefit India.

**Q. In sum, what is the biggest challenge before Indian retail at this point in time?**

One of the realities of our retail life is that merchants are no longer leaders. In 1982, Paris dictated fashion. Now, fashion comes up from streets and consumers are in control. I think Indian consumers have a reason to be angry, that retail isn't catching up today. So, what happens now? All Indians who can afford are taking their money and spending it outside of India for shopping. That's where the Indian merchants are missing out on. The share of money that should have gone to the Indian merchants is being spent somewhere else. People visit Dubai, Paris, Tokyo or Bangkok to shop, but nobody is coming to India to shop. There may be other things people from around the world are coming to India for, but definitely not for shopping. 🐘

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