



Shaping Consumer Trends



Foreword

India has emerged as one of the most attractive investment destinations in the world with increasing disposable incomes, rapid industrialisation and a significant shift in the demographic pattern. Among the key contributors in this growth story have been consumer-centric sectors such as Retail, FMCG and eCommerce.

These sectors have come of age and gone through a major transformation over the last decade with a noticeable shift towards organised retail and numerous policy advocacies. India's Retail segment is expected to reach ~USD 1 trillion over the next five years as it expands at a compounded annual growth rate of 15%. The eCommerce market is projected to rise to USD 125 billion in terms of gross merchandise value (GMV) by 2020, growing at the rate of 31%. The Packaged Consumer Goods sector is estimated to grow at a pace of 18% and cross the USD 100 billion mark.

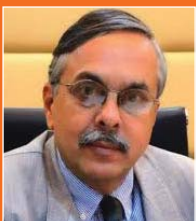
India's overall retail opportunity is substantial and a strong growth in eCommerce is expected due to a demographic dividend (young population, rising standards of living and upwardly mobile middle class) and rising internet penetration. The Indian Government's ambitious 'Make in India', 'Digital India' and 'Start-up India' projects are giving a significant stimulus to these sectors.

The FICCI-PwC report is an endeavour to study and capture changing consumer trends in India, adoption of analytics in the Retail and FMCG space, the growth strategies of home-grown companies and a shift in the consumer purchase behaviour towards indigenous products. While these sections will enlighten readers on the latest trends and growth strategies in the Retail and FMCG sector, in order to achieve the desired growth, it is very important to address the regulatory bottlenecks in the segment. Hence, the report deep dives into the policy reforms required to create an 'ease of doing business' ecosystem in the Retail, FMCG and eCommerce space. It also analyses various Acts and laws that need some streamlining of their policies to stimulate the growth of these sectors.

Building on last year's theme of 'Sell SMART', Massmerize 2016, the launching platform for our report, has been named 'Transforming India—Realising Reforms in the Retail, FMCG and eCommerce sector', and will address all the critical issues pertaining to the Indian Retail, FMCG and eCommerce sector.

I am confident that the deliberations at the conference, coupled with insights shared in this report, will help you identify opportunities for growth and improvement in your organisations and accelerate their performance in these sectors. And as we know, when businesses succeed, the economy prospers and enhanced value creation takes place to lead to a better tomorrow. This is the compelling objective that drives Massmerize 2016 and our report.

Happy reading!



A Didar Singh
Secretary General
FICCI

Foreword

PwC is happy to join hands with FICCI for its flagship event for the FMCG and Retail sectors, Massmerize 2016, which provides a common platform to various industry stakeholders to share their views on the current status of the sectors, outline the challenges facing and opportunities for players in the segments and plan the way ahead to address these.

Following Massmerize 2015, this year's report attempts to highlight the key nuances of the FMCG and Retail sectors in India.

India is today a dynamic manufacturing and retail destination. Many factors have contributed to this:

- Changing demographics
- Increase in disposable incomes
- Urbanisation
- Growth of organised retail
- Evolving business and consumer trends
- Streamlined policies and regulations
- Emergence of analytics in the sectors

This report has been compiled after extensive discussions with stakeholders in the sector. The FMCG and Retail sector has witnessed unprecedented growth in the recent past and continues to expand rapidly. We are confident that the analysis and recommendations in the report will provide a roadmap to the Government, industry and all stakeholders.

The evolving regulatory framework and the dynamism of the Government have opened new avenues. Startups, eCommerce players, direct sellers and domestic manufacturers are being encouraged and promoted. Moving towards rural markets and developing closer to nature products have become the trends of the day. No surprise then that 77% of CEOs in the retail and 73% of CEOs the consumer goods segments around the world are concerned about the impact of shifts in consumer spending and behaviour, which is considerably higher than in the case of CEOs in other sectors (PwC analysis).

This is the time when most regulations are and should be created around consumers. According to the spokespersons of several companies, among the many different political, social and economic risks all businesses face, those that concern CEOs in the Retail sector the most are overregulation (37% are extremely concerned), volatility in the exchange rate (36%), an increasing tax burden (33%) and social instability (29%).

Globally, investors are looking at India not only for its market size but as a destination with significant long-term potential. In particular, the food and beverages segment has opened up the extensive scope of manufacturing and trading in the country. And with the implementation of 100% FDI in retail trade of food products, we can expect to see an enhanced consumer basket and a utility-driven consumption trend. R&D is not a rare line of service for manufactures any more.

Industry has geared up to shake hands with the Government and the regulators to service the end consumer. The time is ripe to build this trust—trust between the Government and industry, trust between the consumer and companies, and trust between the consumer and the Government.

Global best practices are available at our doorsteps. At the same time, customised 'India fit' practices are here to evolve and develop. Climate change and scarcity of resources are driving new expectations of consumer goods companies.

PwC is proud to be a part of this evolution and we stand by our tag line – to build trust in society and solve important problems.



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Introduction

India continues to be the 'land of promise' for consumer businesses with the expenditure on consumption growing at a healthy 15% and India topping the Nielsen Consumer Confidence Index for several quarters. In the largely mixed backdrop of growth in consumer markets across the world, India remains a bright spot.

However, despite the obvious potential and promise held by these sectors, the last two years have been challenging for the consumer business with the growth in the rates of packaged goods dipping to single digits. This has been due to sluggish rural demand and the organised retail business being subject to strain because of the growth of the 'same store' format across categories. Organised retail has however grown at an overall pace of over 20%, buoyed by the growth of new stores and eCommerce.

The financial year 2016 began on an optimistic note for consumer markets with the Government announcing implementation of the Seventh Pay Commission and the 'One rank one pension' (OROP) scheme for the armed forces. Both these announcements are expected to boost disposable incomes for more than 12 million middle class Indian consumers, resulting in a significant increase in consumption rates.

Moreover, a robust monsoon has led to expectations of a revival in rural demand and a further boost has been provided by the passing of the GST Bill, which will result in simplification of the tax regime and a seamless credit mechanism—all leading to enhanced consumer outcomes in the medium term. GST will also benefit organised retail and wholesale trade, since it aims to bring more of the unorganised business in the country under the tax net to enable a level playing field. These factors, coupled with a soft commodity-centric environment and a benign outlook on fuel prices, should help to drive the industry rapidly.

On the whole, rapid macroeconomic, demographic and lifestyle shifts in the country clearly point towards exponential growth in the packaged goods industry. These shifts, bolstered by policy and regulatory changes, have the strong potential of taking India towards its goal of becoming the fifth-largest consumer market over the next decade.

India's robust economic growth and rising household incomes in the country are expected to increase consumer spending to USD 3.6 trillion by 2020, with the maximum consumer spend likely to occur in the food, household and transport and communication segments. India's share of global consumption is also forecast to expand to more than twice its current levels (to 5.8%) by 2020.

Over the next five years, India's retail market is expected to reach USD 1 trillion, fuelled by a significant growth in organised brick-and-mortar retail and eCommerce. The eCommerce market is expected to reach USD 125 billion in terms of its Gross Merchandise Value (GMV), growing at the rate of 31%, and it is estimated that the packaged consumer goods sector will grow at the pace of 18% and cross the USD 100 billion mark by 2020.

The fast evolving consumer is shaping several key business trends that are visibly unfolding and creating a large number of opportunities for consumer-driven companies.

- **Changing purchase patterns:** The shift in purchase behaviour towards online buying, dominated by mobile phones, has been very evident over the last few years. Preferences are now clearly extending beyond the original product categories of electronics and fashion to include food and grocery as well as local origin products.
- **Evolving desire for service:** Consumers are now seeking a clutter and trouble-free experience, enabled by technology and better quality sales people.
- **Switch to health and wellness-driven choices:** There is a marked consumer shift towards products and services that are perceived to be relatively healthy and less harmful or enhance people's sense of physical and mental wellness and the environment.
- **Rise of convenience:** Cash-rich and time-starved consumers are seeking a new dimension in 'convenience by knowledge' to help them navigate to the right products and services that are relevant for them.
- **Growing social networks:** The concept of 'crowd clout' is gaining significance as consumers realise that their collective networks are enabling them to demand improved products and services from companies.

In the last few years, we have seen several small players take advantage of these trends and create new categories, e.g., cold pressed juices, food tech startups such as Zomato, Ayurveda and natural product players such as Patanjali and specialist eTailers such as Greendust. These new entrants are challenging the dominance and growth of leading market players. Market leaders are taking cognisance of this changing environment and trying to bring their companies out of their comfort zones to capitalise on these opportunities with agility.

This report aims to look at some key aspects that are pertinent for the Indian consumer business to drive its growth in the changing environmental context. These include:

- Key consumer trends that business needs to acknowledge and realign with
- Emerging technology solutions and analytics that should be leveraged to drive growth
- Understanding of 'go to market' imperatives for mid-size business to scale up
- Understanding and full utilisation of the regulatory support available in India



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Section 1:

‘S’hape—shaping
new business and
consumer trends

Changing consumer landscape in India

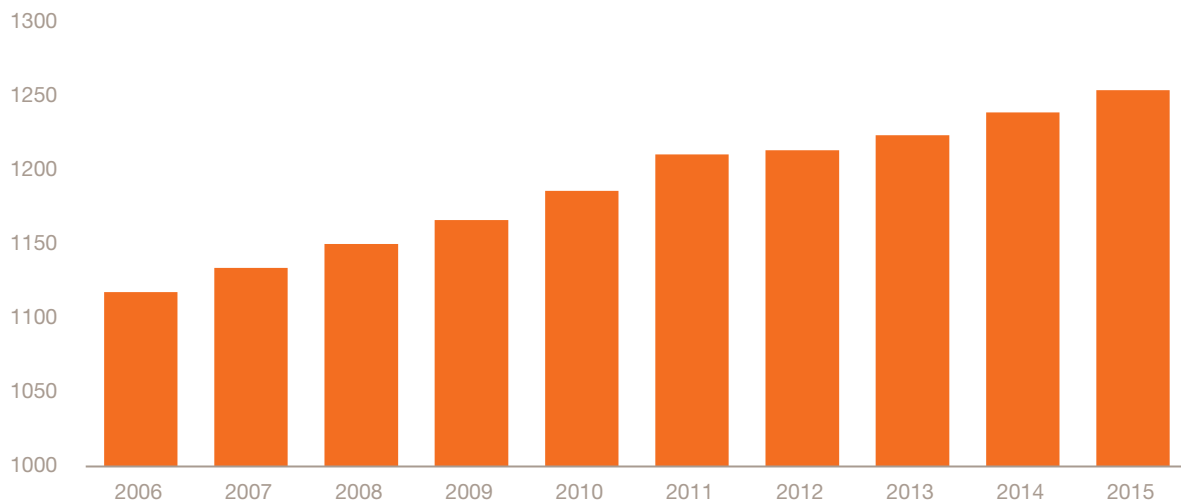
Indian consumers are changing at a pace far greater than that foreseen by most people. This has been the result of several drivers, whose impact has strengthened exponentially over the years. These include:

1. *Changing incomes and demographic profiles of consumers:* This has altered the structure and geographic location of demand.
2. *Growing access to the internet and greatly increased use of smartphones:* This has fundamentally altered what, where and how consumers buy.
3. *Growing health and environmental consciousness:* These are now important determinants of the choices consumers make while buying.
4. *Technological innovation:* This has made possible products and experiences that could only be imagined (or not even imagined!) earlier.
5. *Rising complexity of decision-making for consumers:* This is the direct outcome of the rapid growth over the years in the number of product choices offered to consumers

Driver 1: Changing incomes and demographic profiles

According to the latest Census reports, India's total population was estimated at 1,254 million in 2015 and is growing at the rate of around 1.2%.

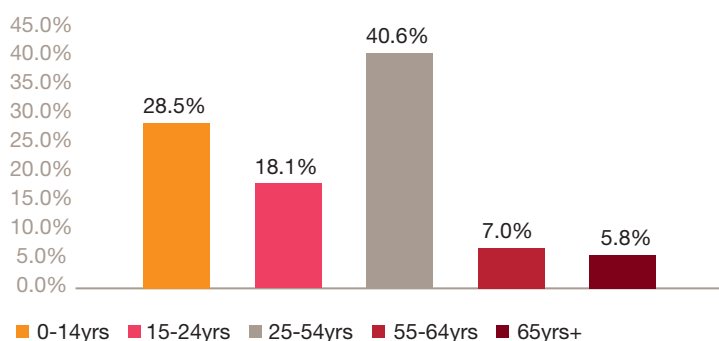
India's population (mn)



Source: Tradingeconomics.com, Ministry of Statistics & Programme Implementation (MOSPI)

The key plus factor in the growth in India's population is clearly its young demographic. Today, around 47% of the population is below the age of 25 years and the median age is around 27 years. While this means that consumer demand should keep growing for many years to come, thereby propelling India's GDP, it also implies that the kind of products, services and experiences available today will undergo a sea change to keep pace with the outlook of the millennials.

Age profile of Indian population



Source: CIA World Factbook, 2015

The second key feature about India's growing population has been rising household income levels. This has been on account of the steady GDP growth in the country. The rise in income levels is a trend not just restricted to metros, but has spread across tier 2 and 3 cities as well. With growing incomes, people's propensity to spend is now expanding these smaller cities, which are turning into the new power centres of demand. However, the expectations of these consumers on products, price points and the consumption experience differ from those living in the metros. Therefore, the model for serving consumer demand in the metros may not always work in tier II and III cities.

Driver 2: Growing access to the internet and greatly increased use of smartphones

India has witnessed a dramatic growth in the number of mobile phone users in the recent past. Equally impressive has been the increase in internet access. Although mobiles allow us to stay connected, it is the convergence of internet access and smartphones that has resulted in tectonic shifts in consumer awareness, outlook and behaviour. Smartphones have been rapidly transformed from being just hand-held telecommunications devices to being a window to the world and are now a means of expressing one's opinion and individuality. It's also become the new retail store front.

Internet users and their penetration in India

	2014	2016	2018
Users	226.3 mn	321.8 mn	411.1 mn
Penetration (% of mobile users)	18.3%	25.4%	31.7%

Source: eMarketer, July 2015; Individuals of any age who use the internet from any location via any device at least once a month

Smartphone users and their penetration in India

	2014	2016	2018
Users	123.3 mn	204.1 mn	279.2 mn
Penetration (% of mobile users)	21.2%	29.8%	36.0%

Source: eMarketer, July 2015



Driver 3: Growing health and environmental consciousness

There have been wide climatic changes on our planet. Some of these have been due to natural causes and others the result of deforestation and atmospheric emissions from industry and transport, which have led to gases and aerosols being retained in the atmosphere. Although most of this has been an ongoing process for years, concerns and an outcry have come to the forefront only recently with the impact of these factors becoming far more perceptible than in earlier years. Weather patterns have also changed due to this. Smog is now a common phenomenon in most big cities. Health-related problems,

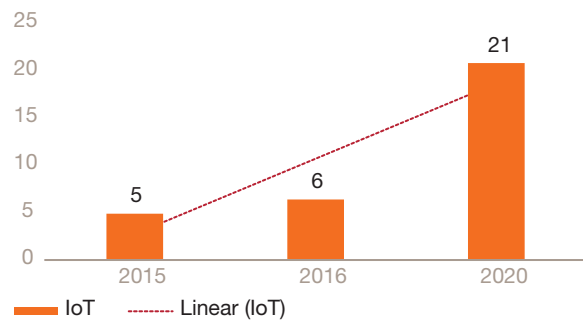
such as the growing incidence of respiratory disorders, skin diseases, food- and water-borne diseases, caused by the growing pollution of the air we breathe and the food and water we consume are also on the rise. This is driving consumers to become more conscious about what they are buying. In the past, browsing through the list of ingredients in fine print on packs was not common. Now, more and more consumers are giving equal, if not more importance, to the quality and source of ingredients than they did earlier. Regulations on product and environmental safety are becoming stronger by the day.

Driver 4: Technological innovation

Today, businesses are using technology in almost every sphere. However, most people view technology as a back-end support or at best an enabling platform. Consequently, most business managers have not devoted their time to gaining even a basic appreciation of the ways in which emerging technology can solve some of their customers' problems. This mind-set is about to change. With the market cap of new age companies such as Amazon, Alibaba, Google (Alphabet) and Facebook, to name a few, having surpassed a significant number of large traditional players, the importance of the new role played by technology in disrupting long-held business models is now being acknowledged. Technology can help businesses serve customers in a manner that was unimaginable before. From mobility, analytics, 3D printing, the Internet of Things, artificial intelligence

to machine learning, technology is bringing about revolutionary changes in creation, delivery and consumption of products.

Things connected to the internet (worldwide)



Source: Gartner; numbers are in billion

Rank by market cap	2005	2007	2009	2011	2013	2015
1	General Electric	Exxon Mobil	Exxon Mobil	Apple Inc.	Apple Inc.	Apple Inc.
2	Exxon Mobil	General Electric	Petrochina	Exxon Mobil	Exxon Mobil	Alphabet Inc.
3	Microsoft	Microsoft	Microsoft	Petrochina	Microsoft	Microsoft
4	Citigroup Inc	Citigroup Plc	China Mobile	BHP Billiton	Petrochina	Berkshire Hathaway
5	Walmart	Gazprom Pao	Walmart	ICBC	ICBC	Exxon Mobil
6	BP Plc	Petrochina	ICBC	Petrobras	China Mobile	Amazon.com
7	Pfizer Inc	ICBC	General Electric	CCB	Alphabet Inc.	Facebook
8	Bank of America	Bank of America	AT&T	Microsoft	Walmart	General Electric

Source: Bloomberg

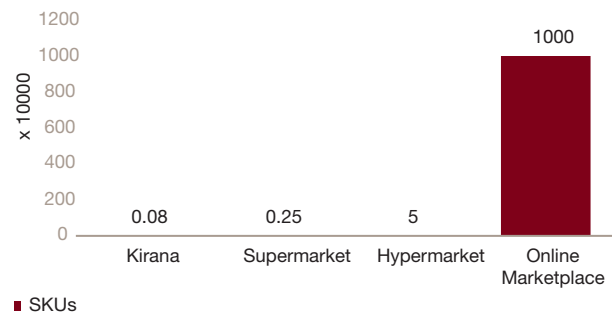
Driver 5: Rising complexity of decision-making for consumers

Over the years, the choices offered to consumers have gone through the roof. In the past, they would walk into a small *kirana* store and quickly buy what they needed. The number of brands and variants available were limited. If they needed help, advice was available from the owners of these shops; decisions were based on input from a trusted source, and the risk of the consequences of poor decision-making was low. Therefore, the cognitive load of a wrong buying decision was minimal, and consequently, making a choice was simple. All that has changed. With a rapidly growing economy and free trade, the number of products available has increased by leaps and bounds. While consumers have a huge variety to choose from, they also have many more product categories on offer. Earlier, one product served multiple consumer needs, now we have various brands, and within these are numerous variants and pack sizes catering to sub-segments with refined needs.

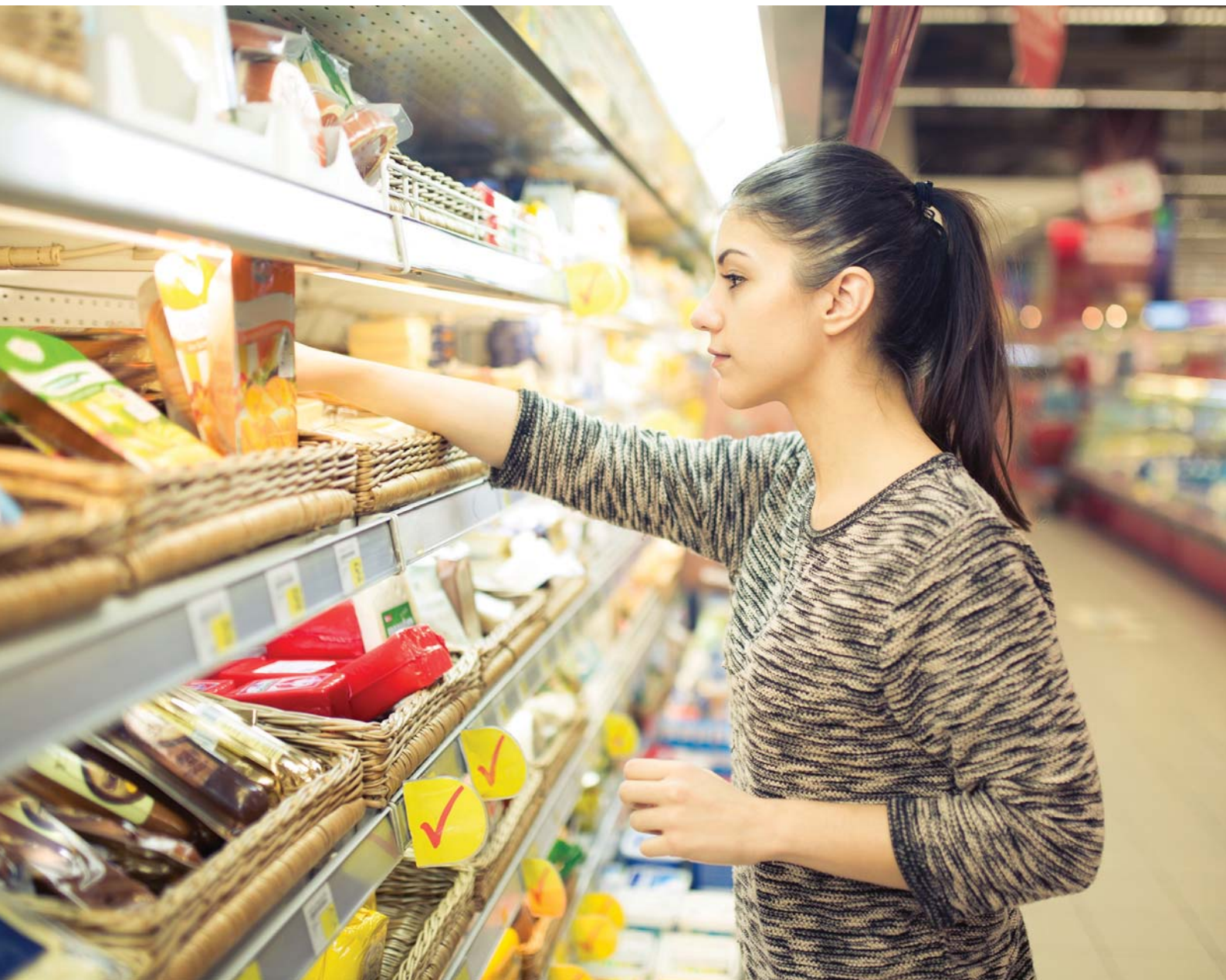
With the vastly improved quality of brands offered, making a choice is becoming increasingly difficult for most consumers. What compounds this is the fact that

modern formats of physical and online retailing do not offer the same level of help as the shop-owners of small stores. While lack of variety caused consumers to move from small traditional stores to bigger and more modern ones, we now expect to see complexity driving them towards sources that will help to simplify and ease their choice-related and purchase decisions.

Number of SKUs by outlet type



Source: PwC research



Several drivers are reshaping consumer demand in innumerable ways. The following are some trends we see emerging:

Trend1: Where, what and how consumers' purchase decisions are changing.



'Consumers of today are like a rainbow; from discount seekers to the millennials who want engagement with the brand. It is critical for marketers to acknowledge that most consumers today display multiple traits and you bucket a consumer as one or the other at your own peril.'

— Prakash Wakankar, CEO, Mahindra Retail Pvt. Ltd.



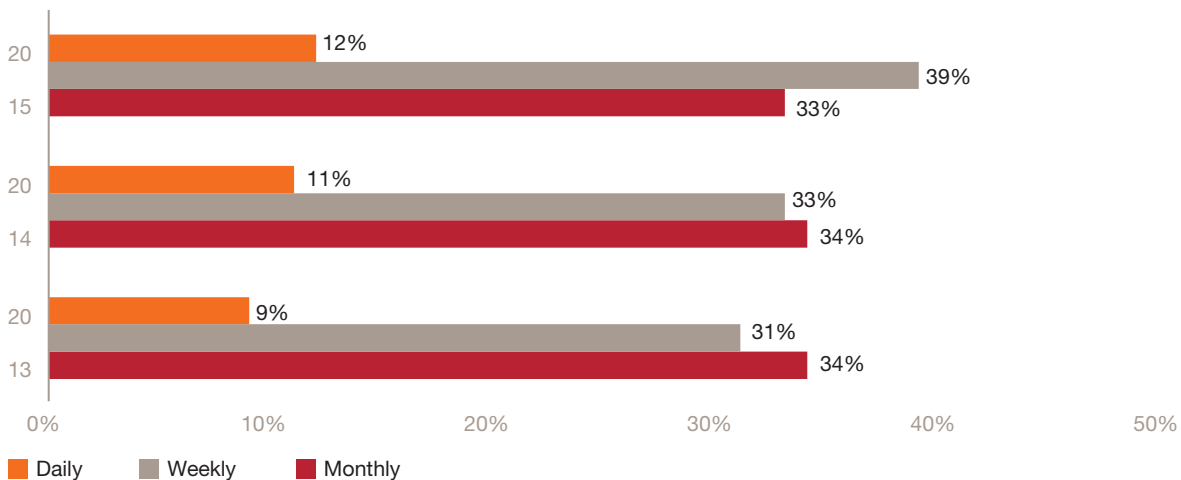
'Increased consumer awareness and preferences due to unlimited information has brought substantial changes in consumer buying behavior. Past couple of years, customers have been loaded with preferences not in terms of product or brands but also in terms of point of purchase. It has caused major disruptions in market, it is important for a brand to understand the transition in the past and present buying behavior and demand and strategize accordingly.'

— Sanjeev Agarwal, CEO, Gitanjali Exports Ltd



Where consumers buy, what they buy, how they buy and how they pay is changing fast. Online shopping, which was earlier considered as just another fad by most traditional players, has emerged as a strong channel that is becoming the preferred option of more and more consumers. Online retail is expected to grow at over 60%, although on a small base. PwC's survey over the last few years indicates a significant growth in the percentage of respondents who shop online on a daily or weekly basis.

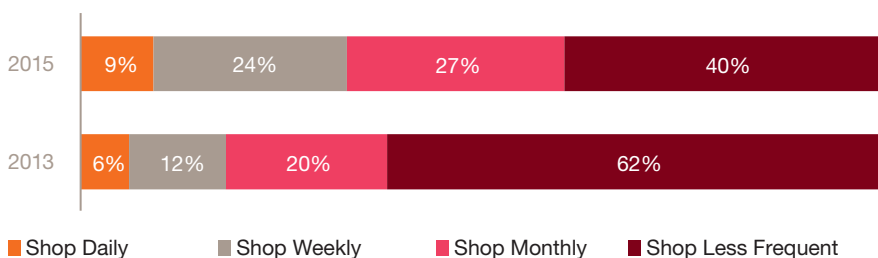
Online shopping



Source: PwC's 'Total Retail 2015' survey

In the Online segment, the greatest increase has been seen in purchases made by consumers using smartphones or mobiles. As illustrated in the graph below, the frequency of daily, weekly and monthly purchases has increased significantly in 2015 from 2013.

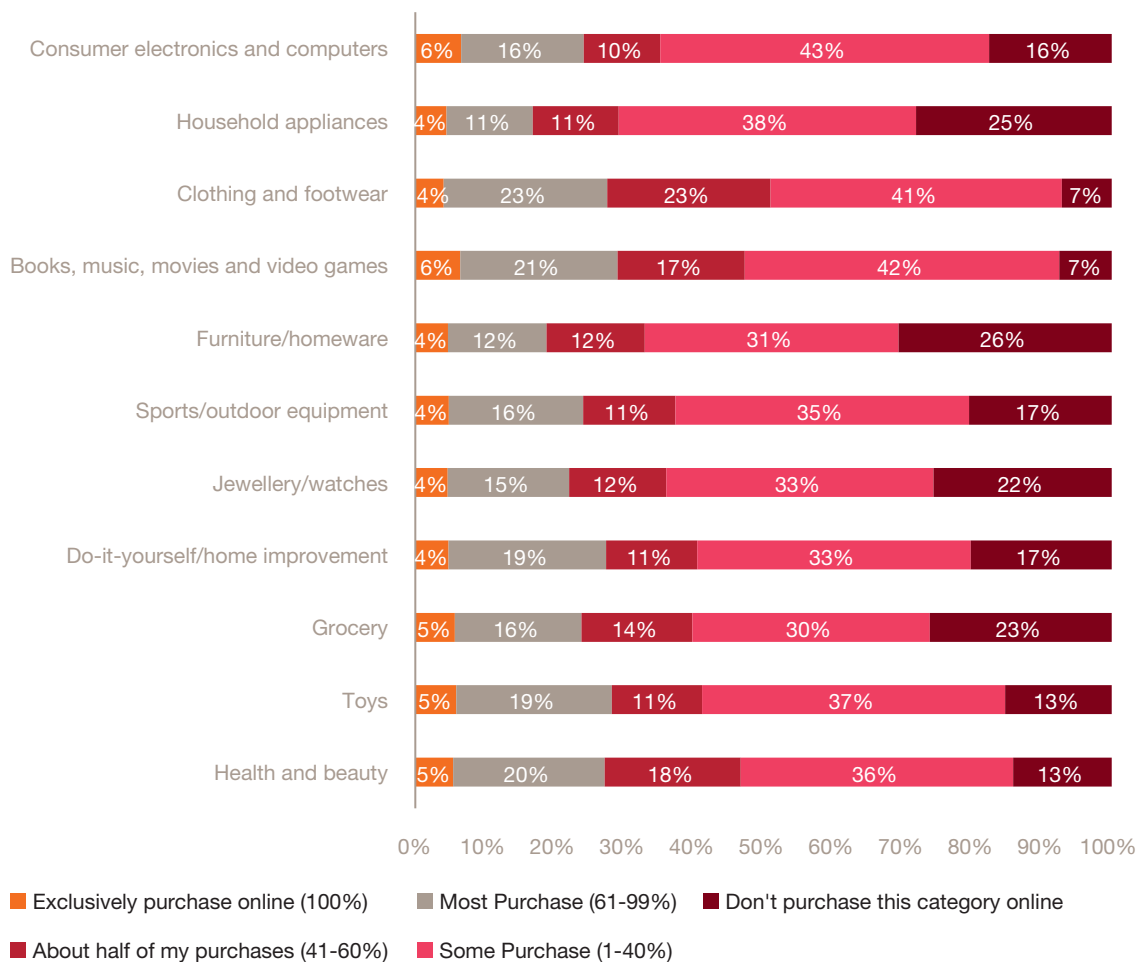
Frequency of purchases made using smart or mobile phones in India in 2015



Source: PwC Total Retail 2015 survey

When we look at the category-wise trend in our respondents' online shopping behaviour, we see an openness to purchase products from a wide range of categories, including products retailing at high prices points (e.g., furniture, appliances, jewellery and watches). This indicates trust in and comfort with this new channel. Even in the case of a relatively new category such as grocery, over 75% of the respondents said they shop for it online. Moreover, compared to responses to PwC's Global Survey, 4%–5% of the respondents in India exclusively opt for online purchases in every category, compared to 2%–3% around the world.

Category-wise online shopping 2015: India

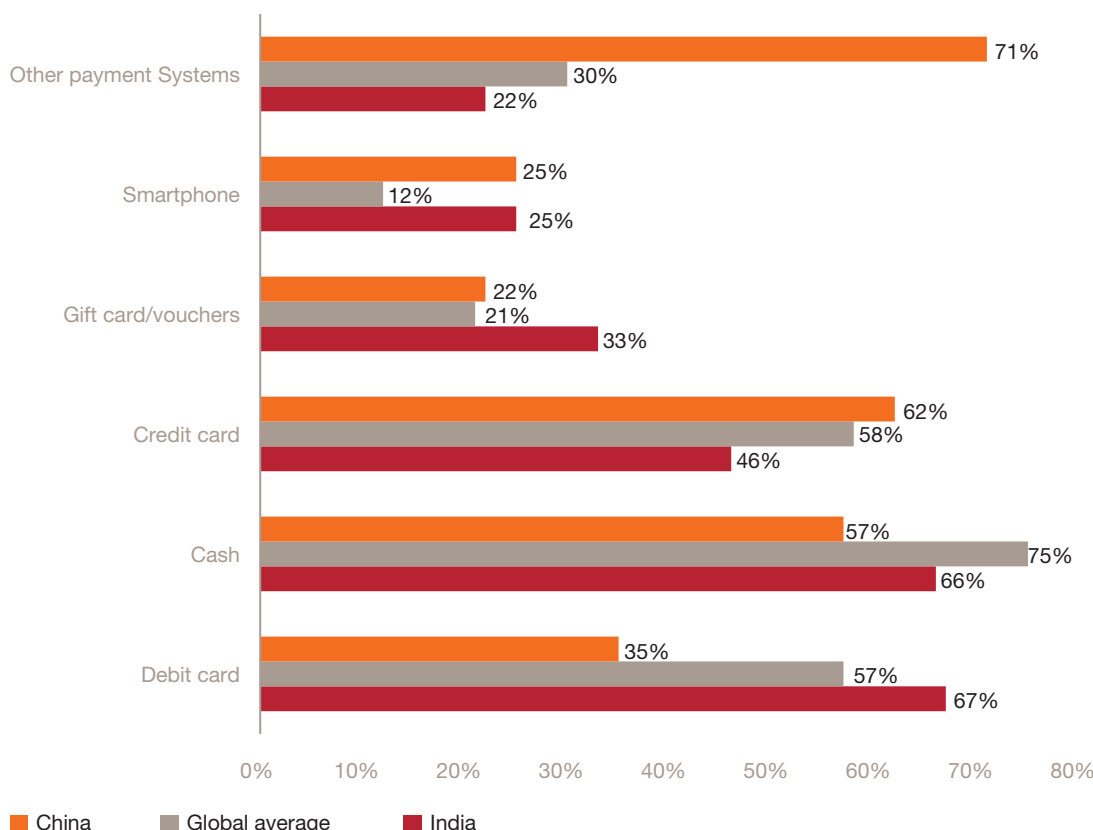


Source: PwC Total Retail 2015 survey



Digital payments are also gaining popularity in India as more and more shoppers become comfortable shopping online. According to PwC's survey, in comparison with credit cards and mobile wallets, debit cards continue to be the most popular payment method in India for online shopping.

Payment behaviour in shopping



Source: PwC's Total Retail 2015 survey

Respondents of our surveys in India are increasingly demonstrating their increased acceptance of mobile-based payment methods, compared to their global counterparts. In comparison with the global average, almost twice the number of respondents in India use their smartphones or mobiles to pay for their purchases. Moreover, the number of consumers accessing promotional codes or reward points on mobiles is higher than the world average. However, as mobile usage increases, there is a growing concern about personal credit-related information being hacked from mobile phones.

Implications: Many businesses have launched mobile apps and websites to tap the growing trend of online shopping. However, what they offer online are only digitised versions of their offline catalogues. There are differences with respect to what their existing physical channels offer. This approach is unlikely to deliver significant results. Businesses need to take a fresh look at tapping the unique characteristics of the web and smart devices, and come up with powerful ways of engaging and serving consumers.

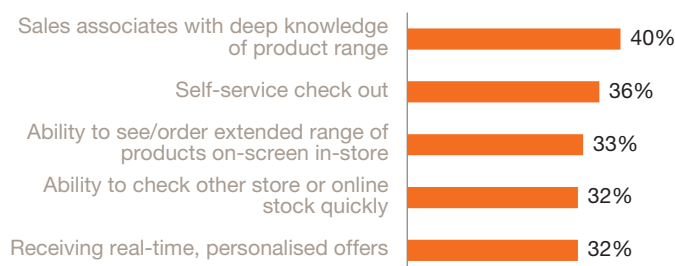
Trend 2: How consumers want to be served is changing.

As spending power increases, Indian consumers want better products and services. A plain vanilla product is no longer adequate for them. They want more and better features. Small and cluttered outlets are no longer where they want to shop. They want to buy from stores with modern and spacious layouts and ambience, with ample parking space. This has given birth to a need that extends beyond the product to how it is sold—the experience of buying, which is now a strong determinant of what and where consumers buy.

According to our survey, while shoppers are in-store, they value advice from sales associates with a deep knowledge of the product range as well as the convenience enabled by self-service checkout facilities in such outlets. They also like to check for stock in other stores or online if what they want is not available at a store. It has been found that women shoppers value a digitally enhanced in-store experience more than their male counterparts.

Which of the following would enhance your in-store shopping experience?

Factors that would improve the in-store experience: men



Factors that would improve the in-store experience: women



Source: PwC's Total Retail 2015 survey

In the coming years, shoppers are likely to move towards products and experiences that are individualised to meet their unique needs. They may even want to engage at each step of the value creation process—from the concept and design of a product to its marketing and retailing. Businesses need to enable this with effective and innovative application of maturing technologies.

Implications: To address changing consumer expectations in how they want to be served, two key areas need to be urgently addressed by businesses— (1) capturing of data and leveraging analytics to understand consumer needs and expectations better, and (2) revisiting products, customer service and experience designs to significantly alter the manner in which consumers' needs are served by eliminating all friction points.

Trend 3: Consumers are switching to healthy and environmentally safe options.

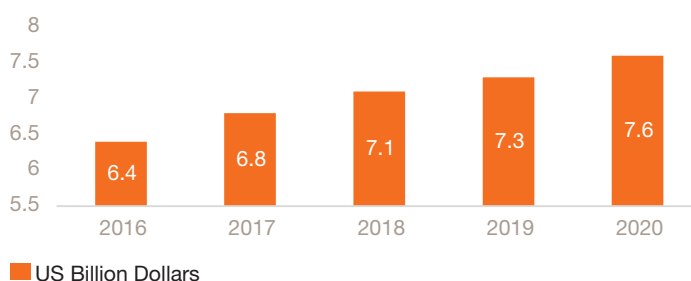
Decision-related criteria used to assess products have moved from utility-based factors to include those that have an impact on consumers' health and the environment.

This has altered consumers' choices. They are now increasingly making healthy ones. This is evident not just in changes in their lifestyles, but also in their product-related choices across food, skin care, hair care, cosmetics, home care, clothing and other categories.

Consequently, natural, organic, herbal, ayurvedic and other traditional products continued to perform well in 2015. Helping their steady performance are consumers' long-held beliefs that such products are safe and have no side-effects, compared to their alternatives. With the popularity of home remedies in India, natural, herbal and ayurvedic products are generally regarded as extensions of such therapies. They are also used as health supplements.

In a market that is expected to reach USD 7.6 billion by the end of 2020, Dabur, Emami, Himalaya and now Patanjali have emerged as dominant players.

Market size of herbal products in India



Source: Euromonitor, November 2015

Similarly, products that are perceived as being safe for the environment because they use reusable or bio-degradable materials, require minimal packaging, do not emit greenhouse gases, consume low energy or run on renewable energy are finding favour with the new age consumer.

Implications: Don't just launch a new range of organic products! Review your existing product portfolio and end-to-end value chain to eliminate elements that are potentially unsafe for consumers and the environment. Make caring for the consumer and the environment an actionable part of your business mission and organisational culture. This will be key to the sustainability of your business.

Trend 4: Convenience is being redefined.

Convenience has assumed new dimensions with the multiplication of product options for time-starved consumers. It's not just 'make it physically easier to find the product I want', but also 'make it mentally (cognitively) easier to find the product I want'. Earlier, convenience was sought on the location of stores, delivery facilities, ease in physically locating products and carrying these around in carts while shopping. Now, convenience has more complex dimensions such as 'don't just provide me a plethora of options, but give me options that are relevant for my needs' and then 'make it cognitively easier to figure out the best one'. Convenience now has the added dimensions of consistency and

control, and consumers expect consistency in the brand experience across all channels.

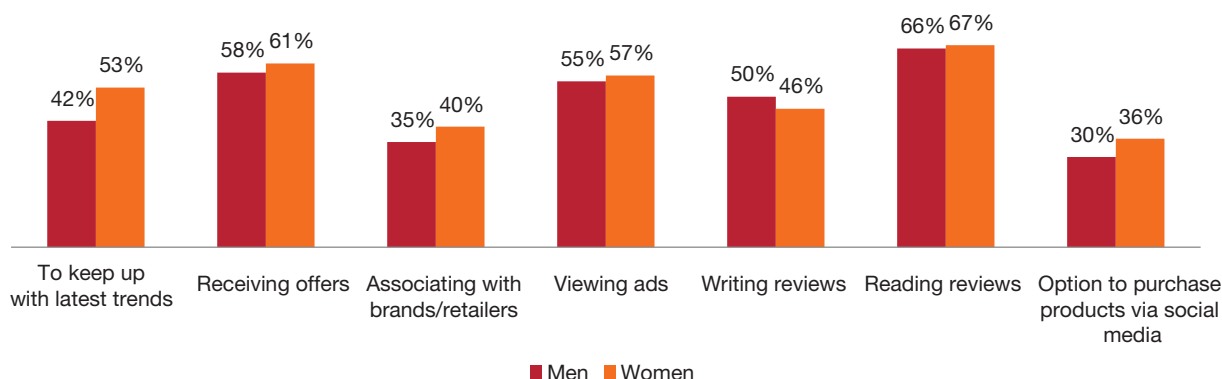
Implications: To provide consumers the kind of convenience they are now looking for, businesses need to work on several fronts. From simplifying product designs and packaging to eliminating the complexity that has crept into assortment portfolios with a multiplicity of product options. This endeavour needs to include improvement of store layouts, training of sales personnel and improving communication designs, all of which need to be aimed at making things less complicated and more convenient for consumers.

Trend 5: Social (virtual) networks are growing in size and influence.

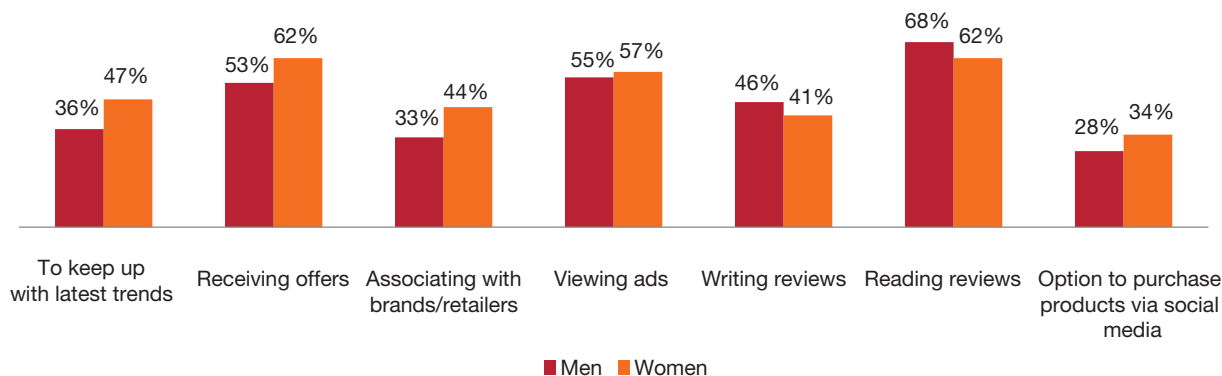
From extolling to trolling, online social media has placed power in the hands of the consumer. This is the new 'Power of One'. Consumers have found that they can drive massive change by simply associating with like-minded people. 'Crowd clout' is helping them demand and get what they want. They can 'up-vote' or 'down-vote' a product with just a click. Good or bad experiences go viral in no time at all. And connecting with people for feedback has become really easy. This empowers consumers to make better and informed choices and reject bad ones. For businesses, this can either propel or dispel their propositions very quickly.

What are shoppers using social media for?

Millenials (age: 18–35 years)



Gen X (age: 35–55 years)



Source: PwC's Total Retail 2015 survey

Consumers are also gaining control over those they let into their interconnected 'world'. They are increasing their use of filtering mechanisms to create a 'closed loop society', where connectivity is limited to the contacts they allow in. Such filtering mechanisms include spam filters, permission-based marketing, usage of mobiles as primary phones, and caller IDs and sites where consumers can 'reject' unwanted contacts.

Implications: Leverage social networks. Build them. Manage them. And do so proactively and speedily.

“

PwC Highlights

The Indian consumer landscape is changing and expression of this change is becoming more and more evident. The changes are being driven by increasing incomes, the younger profile of consumers, growing access to the internet accompanied by the greatly increased use of smartphones, consciousness concerns about health and the environment, technological innovations and the rising complexity of decision-making due to the proliferation of products and points of sale. These drivers are reshaping where, what and how consumers' make purchases and how they want to be served. They now favour healthy and environmentally safe options, seek convenience in a manner not understood before and are connected to large social networks that are beginning to have a deep influence on their choices.

Changes that have key implications for consumer and retail businesses:

1. Make sure the mobile app or website is not just a digitised version of your offline catalogue. The app or website design, offering and experience must take into account the unique characteristics of the web and smart devices as well as how consumers shop online. The proposition for each of the consumer engagement channels should be well defined and differentiated, since consumers' expectations and behaviour on each differs.
2. Start focusing on your data capture and its quality. Leverage analytics to sharpen your understanding of consumers' needs and expectations. Based on this, improve your understanding of consumers, revisit the design of products, customer service and their end-to-end experience and significantly alter the manner in which you serve consumers' needs.
3. Don't just launch a new range of organic products! Review your existing product portfolio and end-to-end value chain to eliminate elements that are potentially unsafe for consumers and the environment. Make caring for the consumer and environment a part of your business mission and organisational culture. This is key to your business sustainability.
4. To provide consumers the kind of convenience they are now looking for, work on several fronts. Simplify product designs and packaging to eliminate the complexity that has crept into assortment portfolios. This endeavour should include improvement of store layouts, training of sales personnel and enhancing designing of communication, all of which should be aimed at making things less complicated and more convenient for consumers.
5. Leverage social networks. Build them. Manage them. And do so proactively and speedily.

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Section 2:

s'H'ape—having analytics in the FMCG and Retail Sector

How integration of consumers' online and offline experiences can positively affect the top line in the sectors

Consumers' buying behaviour is evolving faster than ever before, with buyers not only expecting seamless services, but also a real experience. Today's consumer is active on social media, and is tech-savvy, information-rich and time-starved. The resulting level of disruption driven by such consumers is unprecedented. Consequently, they expect the world to be at their fingertips, at a place and time of their convenience. They don't go shopping—they shop 24X7. Moreover, they want a shopping experience that is customised to their needs and offers them a faultless experience—online and offline. The following are some key technology trends that can affect the top line in the FMCG and Retail sector:

1. **Interconnectivity:** Interconnectivity has become a part of life and consumers expect to connect with anyone at any time about anything from anywhere.
2. **In control:** With interconnectivity as their base assumption, consumers have also become adept at controlling the ways in which they interact. They find that their strength lies in association, and this empowers them to drive change tools and technologies that enable a shift in time and place. This allows them to capture information,

communicate and conduct transactions at any time and from any place. Consumers have also gained more control over whom they let into their 'interconnected world'.

3. **Consumer indulgence:** Over the next few years, consumer indulgence will be focused on the 'next new thing' and the 'next best thing'. Interconnected shoppers will have access to tools to easily discover, filter and try the next new thing—at ever more affordable prices—and then quickly move on.
4. **Individualisation:** Shoppers will gravitate towards products and experiences with individual focus, interaction and involvement in the entire value chain process. They will want products and experiences they perceive meet their individual needs.

Retailers need to merge the experience of shopping online and in-store so that each touchpoint is consistent, cumulative and compelling. In a wireless world, it is imperative that they leverage digital connectivity as the bridge between the online and offline segments of their businesses.



Machine learning and Smart Data Analytics in FMCG and Retail—role of technology as an enhancer and facilitator of consumer connection

Retail and consumer organisations are under ever-increasing pressure due to greatly increased competition and the ongoing economic uncertainty. They need to be very responsive to demanding customers, suppliers and other stakeholders. This section looks at various analytical models that can help such organisations improve their business results, increase their revenue, reduce costs and improve their customers' satisfaction with a focus on improving performance at all levels.

Using the various analytics models available can help organisations in these sectors improve the customer experience, streamline their supply chains and take informed marketing decisions, which will help them achieve the desired competitive advantage. Analytics can help them find effective solutions for issues they face in their businesses by improving inventory planning, identifying the most profitable customers and retaining them, increasing efficiency in their supply chains and being extremely responsive to their customers' needs. It can also help them identify the root causes of problems, estimate future sales and suggest possible positive scenarios. To be successful in a competitive landscape and maximise their return on investments, such organisations will need to follow a plan that is driven by deep business

insights. This will entail a more detailed analysis of customers and business operations than ever before — and that's what analytics will help them achieve.

A comprehensive analytical programme should include descriptive, diagnostic, predictive and prescriptive capabilities that will enable retailers to deliver outstanding results by substantially improving business executives' decisions when they execute their strategies and plans. The use of analytics has been highly disruptive across global retail and positively affected not only revenue and cost structures, but also shaken up core business and operating models, and enabled organisations to achieve outstanding results.

However, Retail and FMCG companies may face certain challenges while building their analytics capabilities. Instead of focusing on technology initially, the core capability dimensions they need to address at the onset should be process, culture and resources. Leadership and executive sponsorship are critical for organisations in their effort to enable and drive the required change in their culture. Nurturing analytics talent—communities of practice, career paths, etc. —is essential for them to attract and retain data science specialists.

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'The consumer is proactively seeking to participate in the various new ways that are emerging to communicate and shop. Online is but one more channel of shopping. There will be convergence. Retailers and manufacturers must understand that they have to provide 360 degree access to consumers.'

— K Radhakrishnan, Co-Founder, Grocermax

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Analytics framework for FMCG and Retail sector

Retailers need to use analytics to generate in-depth insights across the value chain of their operations, including procurement, supply chain, sales and marketing, store operations and customer management. Based on our experience in working with multiple retail organisations, we have identified a retail analytics framework that can help them structure their programs in the four areas given below:

- Merchandising
- Marketing
- Supply chains
- Store operations



Merchandising analytics: Retailers need to use merchandising analytics to stock the right products at the right place and the right time. Merchandising analytics empowers planners to align their merchandising decisions with customers' expectations. The key areas of merchandising analytics include assortment planning, demand forecasting and space allocation.

Marketing analytics: To keep up with customers' changing demands and ensure their loyalty, retailers now have the option of using marketing analytics to gain an in-depth insight in customers' needs, have targeted interactions with them and provide improved services to them. Marketing analytics combine all relevant customer-related data from Point of Sale (POS) systems,

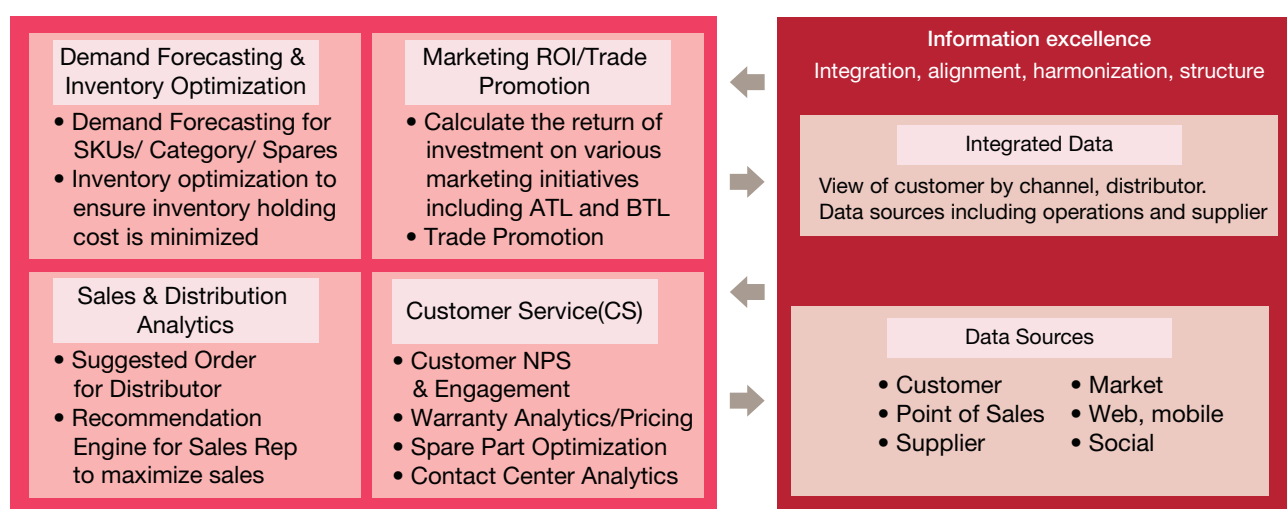
CRM databases, loyalty cards, etc., with social media, weblog and channel data, enable customers to perform sophisticated analytics and share insights with them to help them optimise their marketing decisions. This can help to deepen customers' insights, enhance their multi-channel performance, improve the effectiveness of their marketing initiatives and enhance their social media presence.

Supply chain analytics: The profitability of retail is directly affected by the efficiency of the logistics function in organisations to maximise fulfilment of demand and avoid any back orders or stock outs. These include interventions in logistics, inventory and suppliers' performance.

Store operation analytics: The performance of retail operations depends on various factors, including the effectiveness of the store staff, the cost incurred on them, reduction of pilferage in the store, management of inventory at the right level and improvement in the overall performance of employees in terms of footfalls and conversion rates.

An FMCG analytics framework comprises the following four domains, coupled with a strong information architecture:

- Forecasting of demand and optimisation of inventory
- Marketing ROI/Trade promotion
- Sales and distribution analytics
- Customer service



Forecasting of demand and optimisation of inventory:

Forecasting demand helps an organisation accurately predict its future sales through statistical analysis of time series data and identification of the key events and demand drivers that affect demand. Estimation of optimal inventory levels helps companies manage their inventory-carrying costs and ensures that the risk of a stock out is minimised. Informed decisions about inventory replenishment strategies that better align supply and demand lead to a reduction in excess inventory and lost sales.

Marketing ROI/Trade promotion: These help organisations segment their previous promotions into tiers, based on the uplift in volume and ROI, to identify promotions that did well and those that did not. It also helps to optimise 'promo' spends in the future to maximise uplift in sales. Insights into past promotion tactics and identification of the most profitable promotion types lead to increased profitability through precision planning and not mere intuition.

Sales and distribution analytics: Understanding data behind logistics (network design, warehousing, transportation, etc.) can reveal opportunities for organisations to improve their supply chain design and

implement best practices. Distribution analytics helps distributors deliver the right products at the right time—and without a loss—to avoid lost sales and returns due to improper shipments and defective items.

Customer service: Customer service is an important lever for improving the overall customer experience. The Customer's Net Promoter Score (NPS) is used to understand customers' overall satisfaction with a company's products and their loyalty to a brand. Another area is claims analysis, which can help organisations identify the root cause of claims, such as whether it is a delivery- or production-related issue, and resolve this early in the lifecycle of a product, leading to fewer warranty claims and increased customer satisfaction.

The important component of successful analytics frameworks is an efficient information excellence backbone, which integrates data from various data sources including customers, point of sales, suppliers, markets and social media, and stores this in a ready-to-use format for various analytical modelling applications. The choice of technology is dependent on the retailer's existing technology landscape, its budget and the functionalities it would like to include in its analytics solutions.

Analytics capability-building in organisations

Analytics is typically scattered throughout the operations of FMCG organisations, leading to redundant costs and suboptimal adoption. They prevent organisations from achieving the scale necessary to completely nurture analytics talent and make the most of their data. The first step is to conduct an internal assessment, based on the following:



- A Business applications:** Understanding where analytics is currently being used and what is the maturity of analytics usage across an organisation's functions
- B Data:** How various applications are captured and internal and external data generated, and how sophisticated is the organisation's use of unstructured data
- C Technology:** Leveraging existing technologies to consolidate data, storage, ETL, discovery, pre-processing, modelling and the quality of data management
- D Processes:** Verifying whether management and governance processes are optimal
- Based on an organisation's performance in these areas, FMCG and Retail organisations can ascertain their maturity in analytics and define appropriate roadmaps for their operations. The best way of realising the benefits of analytics is by pooling a dedicated team of business analysts, statistical

modellers and data analysts, and establishing an analytics centre of excellence within the organisation. It can be a one-stop shop for all analytics requirements across the various functions of FMCG and Retail organisations. This will help them establish analytics as a repeatable process and ensure that their best practices are continuously refined and promoted. However, it is also important to understand that the relevance of the analytics department is dependent on adoption of analytics throughout the organisation and how quickly feedback is provided.

In order to successfully embed analytics in an organisation, it is important to create linkages between application workflows, business intelligence reports and analytical models. For example, in the vendor selection process, approval is given after vendors' performance reports and selection models are scrutinised. This enables adoption of a prescriptive decision-making process that is driven by analytics.



In this section, we present some cases to highlight how analytics can help organisations in their decision- making:

Market Basket model for up-selling and cross-selling of products by a retailer

The retailer wanted an effective and scientific methodology to identify which of its products had an affinity for each other, so that it could devise suitable marketing strategies to increase its sales. This issue was solved by its developing a Market Basket model and creating association rules, which could identify items that were likely to be purchased together. This information was then used for the purpose of cross-selling and up-selling, in addition to its influencing sales promotions, loyalty programmes, store designs and discount plans. The retailer was able to organise and place associated products or categories inside its stores and develop modes of communication to recommend products to customers, based on their purchase history.

Value-based customer segmentation in an apparel store

The management of the apparel store wanted to segment its customer base into five main categories, based on their overall customer value, to target customers accordingly. An RFM model was developed to analyse customer value where RFM stands for 'Recency of purchase', 'Frequency of purchase' and 'Monetary value of spend', respectively. Once appropriate categories of each of the attributes had been defined, segments were created from the

intersection of values, which were then collapsed to emerge with five main categories of customers. The resulting segments were organised from the most valuable (highest recency, frequency and value) to the least valuable (lowest recency, frequency and value). Customer segmentation helped the apparel store target specific groups of customers effectively for various campaigns and promotions, and allocate its marketing resources to the best effect. Value-based segmentation helped the store identify groups of customers in terms of the revenue they had generated for it over a period of time, and thereby helped it calculate and allocate the cost of establishing and maintaining relationships with them.

Campaign planning by a grocery chain

The company wanted to increase its revenue by 15% by launching a targeting campaign and wanted to know which customers it should target and how much discount it should offer them. It built an analytical model to predict the propensity of customers' responses by using their past demographics and purchase behaviour, average ticket size, percentage of discount availed by them, etc. It then used the model to calculate the probability of a response to a given level of discount for every customer. Customers with high 'probabilities' were bucketed into a particular discount level. Multiple iterations were made with increased levels of discount till a threshold level was reached and more buckets were added. The grocery chain was able to customise its promotion offers for different clusters of customers and significantly increased its revenue.



Challenges for success

Irrespective of the nature of the solution being considered, there are some common deterrents that organisations must overcome to implement an effective analytics practice.

- I. **Quality of data:** The greatest bottleneck in implementing a data-driven system is often data or the difficulty faced in accessing it, and its quality, accuracy and completeness. The severity of this challenge is more pronounced in developing nations compared to developed ones. Many leading companies have begun using sophisticated data management systems such as Enterprise Data Warehousing (EDW) as a solution. EDWs not only facilitate streamlined access to data for analysts, but also integration of data across functions including marketing, finance and supply chain operations.
- II. **Data-related bias:** A data-related bias is another major impediment to accurate decision-making that analysts need to guard against. To illustrate this, let's consider a marketer who plans to launch a health drink for the middle class working population in Mumbai. The marketer conducts a survey through a pre-launch survey, which covers respondents from households in an affluent locality on weekday afternoons, to understand the preferences of its target audience. Unfortunately, an analysis of such survey results would be inaccurate about the preferences of the target population because the majority of the respondents are (1) financially affluent and belong to the upper/upper-middle class segments (location-induced bias) or (2) home-makers (3) or not professionals (time-induced bias). Therefore, it is critical to be cautious while analysing such data, being aware of underlying assumptions in it to make sure of the usefulness of the results of the analysis.
- III. **Orientation of management:** The other key criterion for successful usage of data in decision-making is management members' attitude to analytics in asking relevant questions about the data and basing their decision on answers derived from the ensuing analysis. In the absence of such an alignment, utilisation of insights is naturally below par, and funding of resources necessary for setting up a streamlined analytics practice assumes a low priority.
- IV. **Operational and cultural readiness:** Many organisations are still unable to adopt a new way of doing business, since their key processes are more attuned towards conventional methods rather than the use of analytics.
- V. **Availability of data scientists:** There is a significant shortage of trained data scientists to drive analytical programs in organisations. Consequently, companies are facing a significant challenge in finding experts who are skilled in data discovery, predictive modelling and statistical solutions, and have the required data- visualisation skills.
- VI. **Readiness to spend:** Use of analytical tools and solutions, along with the readiness to invest in building teams, requires continuous investments in time and resources.



Other emerging technologies for Retail and FMCG companies

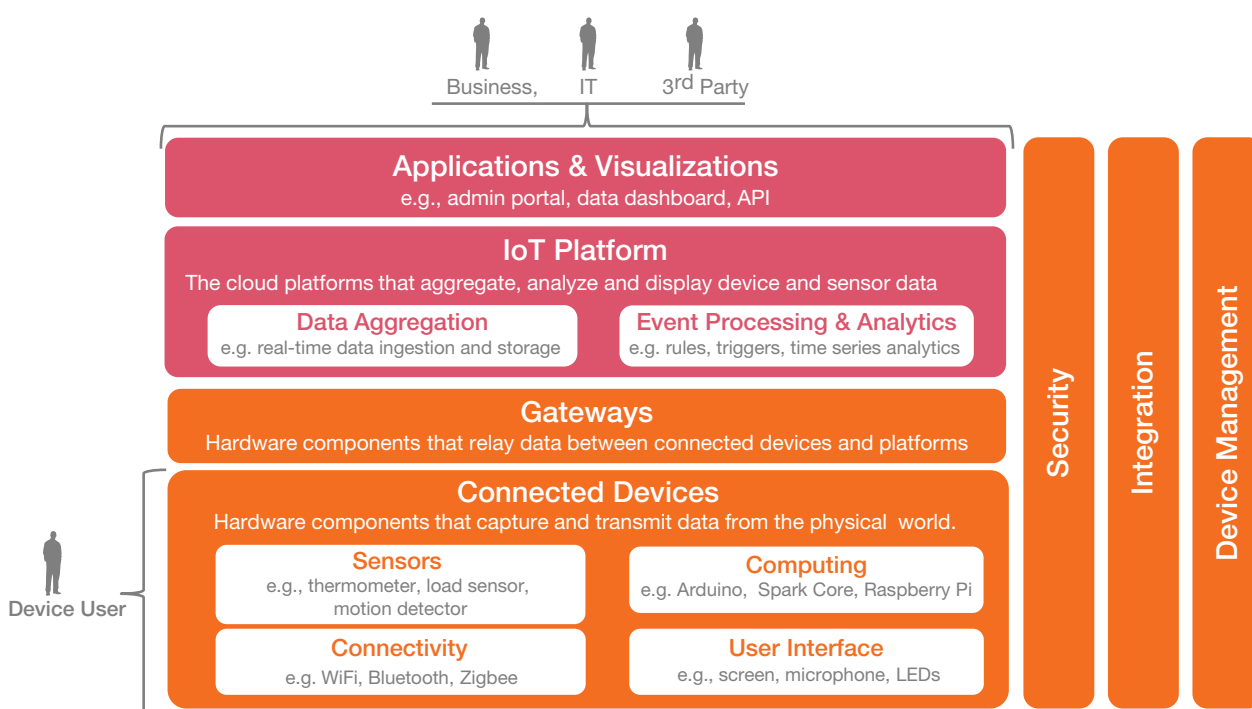
Emerging technologies need to be a core part of every company's corporate strategy. C-suites are challenged to sort through the maze of technologies available to take clear-headed decisions about the most pertinent ones that will sustain their revenue growth and enhance their business operations. But with the torrent of technological breakthroughs affecting businesses of all types, it is important for executives to make sense of individual technologies and their application.

To help companies focus their efforts, we have analysed various emerging technologies to pinpoint essential ones we feel FMCG and Retail organisations should consider. While needs vary from company to company, these technologies have been proven to make the most significant impact across functions around the world.

Internet of Things

IoT comprises a network of physical objects, including devices and vehicles that are embedded with sensors, software, network connectivity and computer capability, which enables them to collect, exchange and act on data, usually without human intervention. IoT is transforming everyday physical objects that surround us into an ecosystem of information that will enrich our lives. From

refrigerators to automotives, IoT is bringing more and more products into the digital fold every day, and is likely make it a multi-trillion dollar industry in the near future. This presents an excellent opportunity for retailers and FMCG companies to use sensor data to develop innovative products and provide unique services to customers.



Companies can now achieve their goal of 'intelligence at the moment', which will provide them with insights into and help them to analyse parts of their physical operations that were not measurable in the past. This data can be transformed into insights, delivered when and where it is needed to make and implement informed strategic and operational decisions, and in many cases, to gain a competitive advantage.

Some applications of IoT for retailers could be measurement of the effectiveness of their in-store promotions and footfalls across various categories. It could enable companies to gain relevant information on products that are in demand, identify ideal store layouts, predict stock outs in real time, etc. FMCG companies can use IoT to effectively track movement of inventory by using GPS/RFID devices, provide them access to information on customers' usage of these, predict failure of equipment, etc.

Beacons

Data-savvy companies anticipate customers' needs and provide them with a highly personalised experience that will empower them with information at a time when they are ready to take action. Context is critical, and beacons can play an important role in helping companies deliver the right experience at the right time.

A beacon is a low-powered proximity device that broadcasts its presence through low energy Bluetooth signals to nearby devices such as smartphones. Its broadcast range can be set from 6 inches to 250 feet. A mobile device can pick up a beacon's unique identifier and a beacon-enabled mobile app can use it to identify a user's location and respond accordingly.

Beacon technology enables compilation of a contextual layer of location-related data. When combined with other information, it can benefit customers and organisations with real-time offers, notifications, indoor directions and the ultimate personalised experience.

How do beacons work?

1. Customers download a beacon-enabled mobile app on their smart devices.
2. When they are within the vicinity of a beacon (such as inside a store or cafe), their smart devices immediately recognise the low-energy Bluetooth signal.
3. The signal carries the beacon identifier, which can be used by a mobile app to trigger contextual actions such as notification of a smart device or a personalised offer at a nearby display kiosk.

A retailer can use beacons to make timely offers to customers accessing up online orders from a brick and mortar location. Consequently, they can create an additional marketing channel for up-sale revenue opportunities. Other potential consumer benefits include instant 'check out or 'at-home delivery' without customers needing to inform a store associate about their addresses. Even in-store navigation to a department or product via virtual reality on a personal device is possible. However, even with rich data, providing a personalised customer experience can be challenging, since customers are being continuously bombarded with offers in the digital and physical space. It is increasingly critical for companies to anticipate what customers want or need **at the right time** or they risk getting lost in the melee. Paired with smart devices, beacons can provide the right level of context to create a truly engaging customer experience.

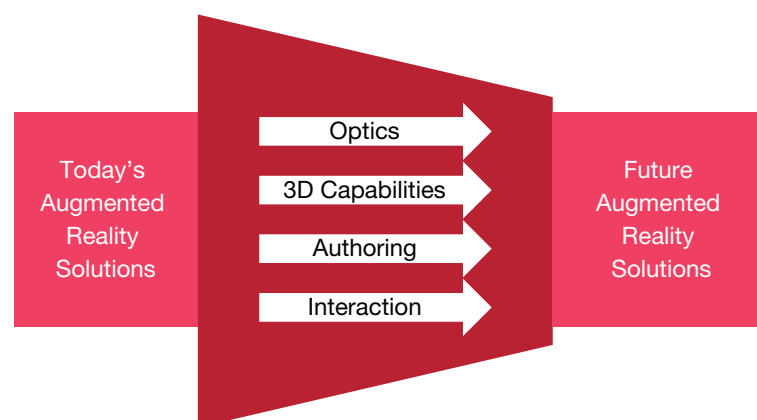
Augmented Reality

Augmented Reality (AR) is quickly becoming an important technology for enterprises. FMCG companies can equip their warehouse workers with AR-enabled smart glasses that will guide them in selecting products to fulfil orders. This will result in their making fewer errors and increase their efficiency. In addition, factory trainees can work faster and be more accurate using AR-animated instructions on tablets rather than trainees using instructions in documents.

AR is a technology that digitally integrates or merges generated content (checklists, data, images, charts, audios, videos, etc.) with a view of the physical or real world. For instance, it can display instructions on an equipment to the mechanic who is repairing it. Smart glasses are emerging as an important means of delivering AR solutions, especially in companies. Their appeal stems from the fact that they are wearable, much like spectacles, and are also hands-free, and thereby enable users to be engaged with the real world while working.

Today, the AR ecosystem is symptomatic of the early days of any emerging technology, with fragmentation across vendors, form factors, operating systems and technologies. There is also a lack of standards for sharing data and defining users' interactions. Barriers to its adoption include the size of the device, and its weight, performance, battery life, comfort and cost. The silver lining is that innovation is robust and the progress made in the field is rapid.

While AR capabilities are likely to evolve through loosely coordinated development in many technology areas, the following four areas will be vital in adoption of smart glasses and shape the future of AR:



- **Optics:** Optical performance is at the core of the AR experience because it generates the display a user sees and interacts with. Optical enhancement is necessary to improve the quality of a display and its field of view while reducing its size and weight.
- **3D capabilities:** While AR has robust 3D capabilities, progress is needed in tracking, processing and display to ensure that the virtual world and the physical world match precisely and change in real time according to users' movements.
- **Authoring:** Tools that enable the creation of compelling content that is tailored to the environment, the work context and the user are needed to fuel the development of many more AR uses and solutions.
- **Interaction:** AR solutions are pushing human-computer interaction beyond keyboard, mouse, and touch-screen methods. However, advances are needed in gestures, speech, eye-tracking, motion tracking and other new methods to enable interaction with information in the 3D space.

Wearables

From emerging to developed countries, wearable technology is growing at a rapid pace worldwide. Nearly half the people surveyed for PwC's report, *The Wearable Life: Connected Living in the Wearable World*, in 2016 own at least one wearable device and 36% have two or more. Concerns over privacy issues have come down, consumers worry less about wearable technology hurting their ability to relate to others and fewer people believe that wearable technology makes them more vulnerable to security breaches. Consumers are no longer wary, and in fact, they are excited about the future of wearable technology as a part of their everyday lives. The positive shift in consumer sentiments has significant implications for wearable technology—from new workplace applications to opportunities for companies to connect better with customers.

Consumers feel that wearable technology makes them more efficient at home and many think it increases their efficiency at work. Is it time to use wearable devices on the job? There are a number of real-life scenarios for wearable technologies that are already popular among consumers and provide clear benefits for employees as well as employers. Opportunities include company-subsidised smart watches to help employees be more active in their daily routines by tracking their steps, with rewards such as donations made by organisations to employees' favourite charities or points using which they can redeem merchandise; companies giving their employees smart watches to help them test new apps and providing 3D smart glasses to help shop-floor employees identify and track inventory to reduce cycle time and boost their productivity and performance. Today, many people are open to using wearable tech at work.

Ensuring employee privacy a challenge: Will personal time and activities be monitored? Transparency and employee education can go a long way in resolving such issues.

Price the biggest hurdle: Today, users of wearable tech and non-users want the same thing—a product to improve their lives that they believe they will actually use. Consumers need to perceive real value before they are willing to buy. They want seamless integration with smart phones and information they cannot get anywhere else. These are ready-to-wear devices that were unimaginable just two years ago. Many users of such devices believe that these can help to improve their performance on their jobs and allow them to get more time in the day at home. Consumers want wearable tech to improve their quality of life. Companies that can outfit consumers with products that fit their lifestyles and budgets can go a long way towards ensuring that 'wearable' never becomes worn.



Drones

The application of drone technologies in existing business processes is allowing companies to create new business and operating models. Every industry has diverse needs, and consequently, requires different types of drone-powered solutions and various drone functionalities. Some value flight speed and payload capacity, while others want to concentrate on solutions delivering high-quality, real-time data in a cost-effective manner.

In the eCommerce business, timeliness of delivery is of paramount importance when making a decision on selection of a carrier. Drones enable fast delivery to a specific, predefined point, and minimal human action is required. And the convenience of sending packages to a customer's doorstep creates an enhanced consumer experience. Such concepts have already gained the attention of large players such as Amazon and Google, who are testing several such solutions.

One of the most promising uses of drones in transport may be in the area of food delivery. Large chains delivering products such as frozen food, ready-to-eat dishes or even daily groceries may become the next big thing in the food and restaurant industries. At first, drones are likely to be used to deliver such products to remote and difficult-to-access locations that depend on external food supplies, e.g. oil rigs, research stations and isolated islands. Once proper regulations are in force, drones may perform the same tasks in residential areas, reducing delivery time and increasing the efficiency of the entire transport value chain.



Artificial Intelligence

The use of real-time POS data, especially when managed according to clearly articulated strategies, is reshaping how FMCG and Retail companies take decisions. A company may use Artificial Intelligence (AI) to choose where it will expand its activity or to manage availability of products differently so that consumers can have access to the products they want in their local communities. Improved access to data by tracking inventory and demand-related planning can help to remove bottlenecks in the supply chain, direct investment in R&D, improve marketing and maximise the efficiency of supply chains, which all work towards increasing profits for the manufacturer as well as the retailer.

Data-driven collaboration often includes sharing of insights on market trends and consumers' buying behaviour. Professionals believe that such sharing leads to enhanced idea generation for products and trade promotions as well as more effective management of the workplace.

The most useful technologies for collecting such data are those that enable direct interaction with consumers. These include customer relationship management systems, Web 3.0 (which uses natural language searches, data mining and artificial intelligence technologies), online applications such as digital media campaigns and contests on social networking platforms.

3D Printing

3D Printing (3DP), also known as additive manufacturing, is crossing over from a period of hype and experimentation to one of rapid maturation. 3DP parts and products are rapidly making their way into end products—from a printed car and athletic shoes to a printed rocket engine.

Manufacturers of all types are building 3DP programs and are likely to continue to expand these with advancements in 3DPs as well as in software and printing materials (inks) to ease their adoption and make the process cost-effective.

Adoption of 3DP—desktop and industrial—continues to rise, with global spending on printers hitting around USD 11 billion in 2015 and forecast to reach around USD 27 billion by 2019 (according to IDC¹). There is a proliferation of manufacturers of new-entry printers who are offering fast, inexpensive and sophisticated 3DPs in the personal desktop and industrial printer markets. And, as printers expand the number of inks that can be used—notably metal, ceramics and graphene—3DP is likely to continue its march to compete with conventional manufacturing technologies, especially as expectations and the need for just-in-time and customised products rises. Simply put, 3DP is becoming mainstreamed as we witness the technology cross the threshold from 'advanced' to 'conventional'.

Six ways in which 3DP is disrupting manufacturing:

1. Prototyping
2. High-volume production
3. Production of after-market parts
4. Production of obsolete parts
5. Majority already adopted
6. Low cost and high quality

FMCG companies, big and small, are assessing how they can shape or expand a 3DP programme. This is becoming easier with more and more 3DP hardware and software products entering the market and the cost of technology falling rapidly. However, as in adoption of any disruptive technology, businesses take different directions and wade in at various speeds.

Video analytics

Video analytics is another powerful tool for understanding the customer's journey through a store. While video as a technology is not new, the maturation of computer vision algorithms has enabled automated tracking of objects appearing on a video. Moreover, with the application of parallel processing platforms such as Hadoop, these process-intensive tasks can be performed at scale. Combined, these tools enable retailers to understand the types of customers entering their stores, their precise movements and how they can direct the latter's attention. Presented below are some capabilities retailers can utilise with video analytics:

- **Automatic re-ordering:** A change in the colour of perishable items such as vegetables can be detected by cameras and be used to re-order supplies.
- **Traffic flow:** Virtual tripwires can be used to calculate conversion rates from the sidewalk to the store and whether the majority of customers turn left or right on entering a store.
- **Dwell time:** The effectiveness of an advertisement or endcap display can be determined by tracking the percentage of customers who stop to notice an ad and the percentage that do not.
- **Demographics:** Demographics help stores to gauge the age and gender of customers entering them.
- **Heat maps:** These visually represent activity within a store and help to optimise its layout and sale of high-margin products.
- **Queue analysis:** Queue analysis determines the relative size of a queue and enables optimisation of staffing during normal and peak shopping periods.
- **Security and safety:** Machine learning algorithms can be used to automatically detect suspicious or out of the ordinary behaviour in real time.



Retail-tainment

Retail-tainment is transforming retail marketing to entertainment. It involves effective use of the environment and facilities available to get customers excited while buying products and derive pleasure in the process. The trend started in India some time ago, and has now gathered pace due to stiff competition from eCommerce companies, with retailers and shopping malls trying to bring back customers to physical stores.

Retailers are discovering innovative ways of providing a unique customer experience by clubbing various fun activities with the shopping process to leave a lasting impression in shoppers' minds and entice them to revisit their stores again. These include sports and gaming parlours, food courts, movie theatres, children's play areas, etc., and not only help to draw a large number of footfalls with customers coming to such stores with their families and friends, but also increases the time they spend in them.

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PwC Highlights

According to PwC's Annual Global CEO survey, 32% of the Indian CEOs and 28% of the global CEOs surveyed consider the use and management of data and data analytics an essential and urgent step they need to take in their quest to transition their organisations to the future. However, while several FMCG and Retail companies have started on their analytics journey and are at various stages of maturity, they are still grappling with the challenge of identifying the most appropriate modes they can use to sustainably implement analytics in their organisations. They can adopt the analytics appropriate for their enterprises by using the options detailed below:

- **Organic in-house:** Organisations can augment their in-house analytics teams gradually over a period of time and introduces analytics in a phased manner. However, this is a slow process and the time taken to derive an insight increases drastically.
- **Inorganic in-house:** Organisations buy analytics companies, which can start working on various projects across the enterprises. This approach can improve the 'time to value', but can lead to integration-related issues and new analytics personnel may take some time to understand organisations' processes and cultures.
- **Primarily outsourced:** Here the entire analytics work is outsourced to an external vendor who ingests various data feeds from an organisation, performs an analysis, and sends back results and insights to the company. This approach can deliver quick results, but in the long run, can prove to be an expensive proposition for an organisation due to its reliance on the external vendor, along with its loss of control on analytics operations.
- **Hybrid model:** This model entails an organisation developing in-house analytics capabilities and an external consultant putting in place an analytics centre of excellence for it and co-creating various analytics models within its premises. This not only helps the organisation gain access to the latest best practices in the market, but also enables it to maintain control over processes at all times.

The use of analytics and emerging technologies has been a highly disruptive force across industries, affecting not only revenue and cost structures, but also shaking up the core business and operating models of organisations. If FMCG and Retail companies can successfully develop analytics roadmaps and overcome adoption-related challenges, this will definitely make a difference and become a game changer in their quest to deliver successful outcomes to their stakeholders.

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Section 3:

sh'A'pe—adopting
GTM imperatives
to drive scale for
mid-sized brands

The Indian consumer market, driven by increasing disposable incomes and a favourable demographic shift towards a majority working population (age group of 15-59 years— expected to be ~64% of total population by 2021¹) is evolving rapidly and providing new opportunities for consumer companies.

Within these, the opportunities that have opened up for mid-sized consumer companies are significant. These have led to spectacular growth in this segment in recent years, driven by an upbeat economy and enhanced consumer spending as well as a reduction in the base and increase in the response rate. For example, when oil prices dropped, mid-sized companies reacted quickly and passed the benefit on to customers by reducing the prices of products, cutting into the volumes of larger companies². Similarly, increased innovation in categories such as Marico's 'Masala Oats' and an enhanced focus on export have allowed mid-sized companies to grow at a rapid rate.³⁴

However, as these organisations are now at the cusp of their next wave of growth, this will pit them directly

against large MNCs as well as start-ups and companies with new and disruptive business models. To stay relevant and succeed in the market, mid-sized consumer companies need to be prepared to scale up significantly and rapidly with Go to Market as a key lever of growth to achieve one or more of the following growth objectives:

- Becoming a multi-category organisation from an entity with a single product or category of products
- Expanding their national and/or geographical footprint
- Operating across multiple integrated channels
- Shifting focus from primary (distributor level) to secondary (retailer level) sales
- Increasing sales productivity

A well-crafted GTM strategy plays a critical role in a company's growth, and defines its intended market positioning and development of a robust capability system to win in its target segments. For a mid-sized consumer player on the brink of the next level of growth, GTM is a critical component to ensure the quantum leap required.

1 Research reports

2 News articles

3 News articles

4 News articles



Mid-size companies in India: facing the new wave of growth

Reports indicate that India's retail sector could double to USD 1.1-1.2 trillion by 2020, from USD 630 billion in 2015, at a CAGR of ~12%. A large part of this growth can be attributed to increasing disposable incomes—with the average household income expected to triple to ~USD 18,500 in 2020, from ~USD 6,400 in 2010⁵—while the discretionary spend is expected to rise to more than two-third of total private consumption expenditure.⁶

In addition to economic growth, new opportunities for further evolution of consumer companies (particularly of mid-sized ones) are expected to be shaped by major trends developing in the consumer market as well in how companies conduct business in India.

Evolution of the consumer space in India

The Indian consumer space is rapidly evolving on the back of key market trends that are shaping demand as well as evolution and growing maturity in the GTM strategies of companies. The following section lists some of the major trends in the consumer space.

Key trends shaping the consumer space

Rural focus⁷

Around 68% of India's population lives in rural areas and provides volume-driven growth avenues for players in the consumer segment⁸. According to a report published by Nielsen in 2014, titled *The rise of India's rural super consumer*, the rural market contributes 35% of the total sales of the country's consumer packaged goods industry, and has been growing faster than urban sales for the past two years, primarily driven by rural disposable income growing at a higher rate than urban disposable income.⁹

However, the low income base and incremental servicing costs for players in rural areas make these markets difficult to capture, although they are large in size. However, rural markets will continue to be important for large mass-market players that can afford the additional costs due to the strength of their distribution networks. Mid-sized companies will need to carefully weigh in the cost of the rural opportunity before investing in this segment.

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'Semi-urban and rural markets can provide a lot of untapped growth potential, and companies need to evolve their business models with differentiated value propositions and portfolios to reach the rural consumer.'

— Subhashis Basu, Business Head, Mother Dairy Fruit & Vegetable Pvt. Ltd.

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5 News articles

6 Research reports and publications

7 News articles

8 Census data

9 Strategy and analysis

Evolution of new consumer segments

Macro-consumer trends and the evolution of new consumer segments, such as the increasing demand for health and wellness and natural products, are shaping the market and driving differentiation. The market for natural products in India is growing 1.5 times faster than for ‘non-natural’ commodities, driven by the Indian consumer’s reverence for Ayurveda, their perception of chemical ingredients as being harsh, as well as lifestyle trends such as the growth of yoga as a means to a holistic lifestyle.

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‘New disruptive companies in the Naturals space have helped shape the Naturals consumer segment. This is likely to create demand for other more premium brands in this category with growth in incomes and aspirations.’

— Nitin Passi, Director Sales & Marketing,
Lotus Herbals

”

Premium products

Increasing disposable income levels and a rising number of sophisticated consumers have given rise to consumers seeking ‘premium’ products. According to IMRB’s Kantar World Panel report, published in 2013, nearly 50% of the total number of new launches in the personal care category have been in the premium segment. For example, companies in the Food and Beverage segment such as Britannia and Parle have launched premium ‘cookie’ variants such as *Chunkies* and *Milano*, respectively, which appeal to urban consumers.

Mid-sized consumer companies need to find effective ways of reaching these consumer segments through targeted products, pricing and channels, especially if they are not able to fight the rural battle.

Private labels

Private labels (retail store brands) are finding their footing and favour with consumers looking for value. According to a Nielsen report, 5% of all modern trade sales in India in 2014 were contributed by private labels, which are increasingly entering categories such as confectionary and dairy with shoppers trusting the quality of store brands.¹⁰ Categories such as food and house-cleaning products are especially generating strong sales of private labels in modern formats.¹¹

eCommerce players have started selling their own private labels, which contribute 10%–30% of their total revenues, e.g., BigBasket sells fruits, vegetables, meat, pulses and spices under its own brand; these brands contributed 35% of BigBasket’s revenues in 2015.¹²

Digital connectivity

The online population in India is large and is growing rapidly. Around 650 million Indians are expected to be online and up to 250 million be shopping online, spending more than USD 50 billion by 2020. At least USD 5 billion of this expenditure is expected to be on FMCGs. There is also a growing mobile internet revolution in India, with some analysts predicting that at least 50% of online buying will take place via mobile devices by 2020. With the rapid increase in the number of online devices, consumer companies are expected to make further inroads into the consumer’s mindshare through online and social media channels.

Evolution in channels and distribution

Impact of digital media

eCommerce and omni-channel retailing have become the new buzz words that are shaping the channel strategies of mid-sized companies as they try to reach out to India’s burgeoning digital and tech-savvy population. This has led to varying degrees of integration of the digital channel from pure play eCommerce offerings to a comprehensive omni-channel approach.

Increasingly, start-ups such as LensKart, which first set up shop online and tested the market for its products, have begun to create brick-and-mortar distribution setups.

10 Research reports (Nielsen)

11 Research reports (Nielsen)

12 News articles

eCommerce has also become a critical distribution arm for traditional brick and mortar players. Companies such as Godrej's Nature's Basket have been at the forefront in supplementing their brick and mortar sales with an online web and mobile presence as well as through partnerships with eCommerce websites such as Amazon.

Evolution in distributor models

Companies have begun curtailing their number of small distributors and increasing their reliance on large or mega distributors. This allows them to cut costs and handle an increasing number of functions from lending to retailers to management of demand. Distributor models are also seeing a high degree of specialisation, based on categories and channels, to cater to complex product portfolios. For example, companies prefer mega distributors to tie up with modern retail or specialised stockists to reach out to non-conventional trade channels such as salons.¹³

Growth in organised trade

The retail landscape in India is dominated by traditional trade—usually independent and small-format mom-and-pop stores. However, modern trade in the form of large chains of supermarkets, convenience stores and pharmacies is muscling in. Over the next several years, this shift to modern trade is expected to continue and sales to grow at the rate of 20% per annum—twice as fast as that of traditional trade. Mid-sized players have traditionally focused on general trade and will need to put in place GTM strategies to be able to take advantage

of emerging and growing channels such as organised retail, institutional channels and eCommerce.

Increasingly, companies are cutting through the clutter by reaching consumers directly through modern trade. For example, Hector Beverages, which primarily targets the urban Indian population in the age group of 20–40 years, has launched its 'Paper Boat' brand only through modern trade stores and institutional sales channels (airlines, airports, multiplexes and food courts), to create a level playing field with respect to larger beverage players that dominated neighbourhood *kirana* stores in the past.

Analytics-driven decisions

Companies are embarking on a third wave of data solutions from distributor visibility (DMS), mobility (SFA) to insights, to not only ensure last mile visibility, but also to collect consumer insights and ensure that these translate to an increase in their reach and sales. They are increasingly developing analytics tools to provide insights at the store and category level, and are using these to tailor digital merchandising across eCommerce channels.

Focus of sales force engagements

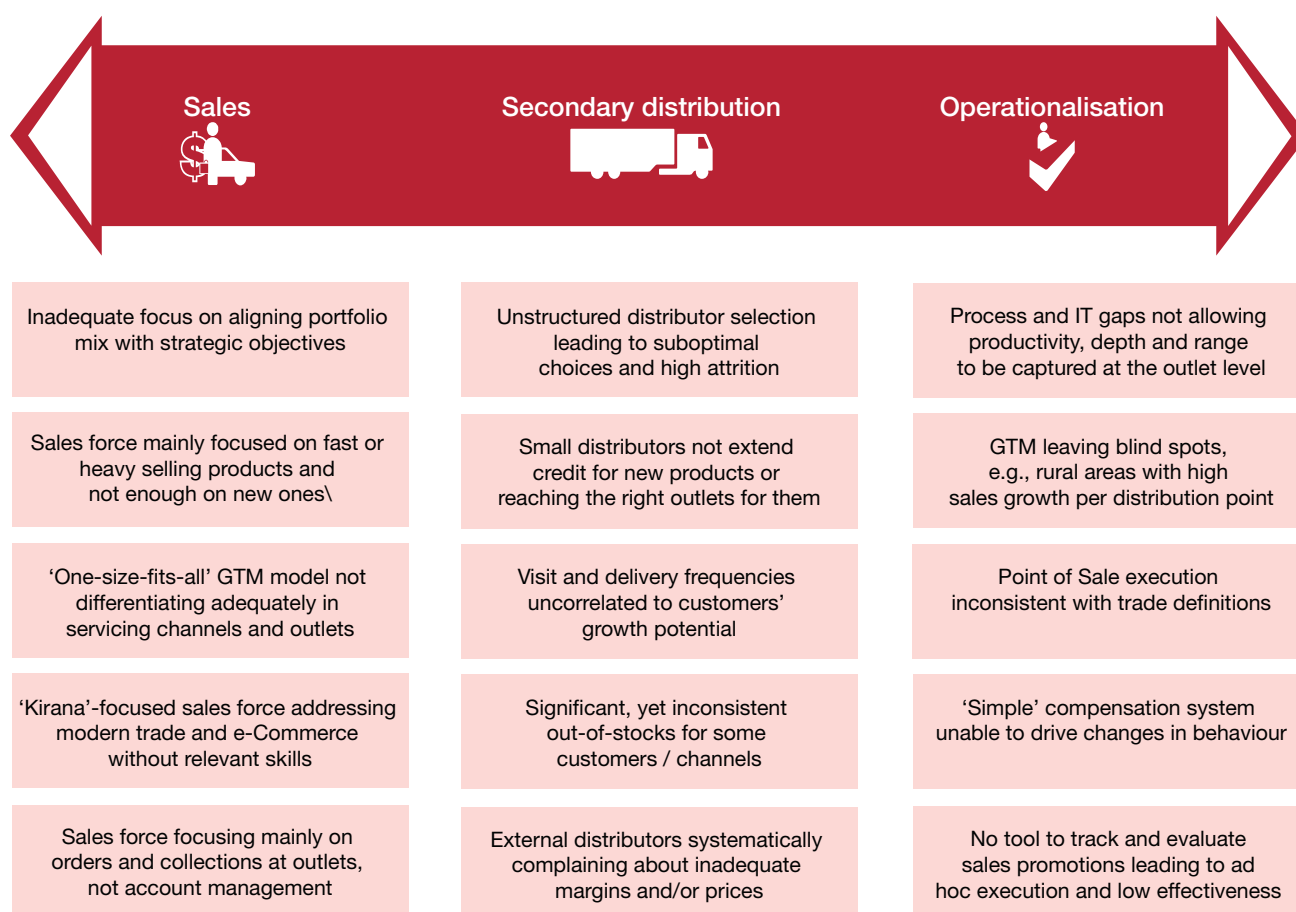
With a dearth of trained staff and increasing attrition, companies are taking proactive steps to ensure their bench strength, strengthen their contract staffing and substantially enhance their performance management to reduce churn and absenteeism in their sales force. Organisations such as LG have focused programs to reduced attrition through training programs, career plans and rewards system.



GTM-related challenges to scaling up

Mid-sized companies face challenges in three key areas while scaling up their GTM capabilities:

1. **Sales:** Issues ranging from a 'one size fits all' model to a lack of focus on aligning their portfolio mix or differentiation in approaches to servicing varied channels and outlets create inefficiencies. New products generally get a reduced focus due to lack of incentives and alignment with organisations' strategies, since their sales forces focus more on existing fast-selling products.
2. **Secondary distribution:** Lack of understanding of favourable distributor profiles can lead to high churn as well as other issues such as suboptimal reach and inability to extend credit or finance.
3. **Operationalisation:** Operationalisation of processes is a complex area for most mid-sized companies trying to scale their GTM capabilities, and leads to blind spots, lack of data collection or relevant analyses, and inability to influence behaviour or drive changes across growing sales organisations.



The solution/framework

Mid-sized consumer players need to ask themselves critical questions as they respond to industry trends and plan for their next wave of growth. An affirmative answer to any of these questions indicates there is a need for a review of their existing GTM models:

1. Is your current GTM model leaving blind spots in select high-potential markets, e.g., rural areas or towns with a population of 1–10 lakh with higher growth in sales per point of distribution than the metros?
2. Can a ‘one-size-fits-all’ GTM model be successful across different/new categories and channels?
3. Is there adequate visibility at your outlet level in terms of productivity, depth and range?
4. Is your current distributor profile suitable for pushing your revamped product portfolio in your focus markets?
5. Are your current promotion schemes and mechanisms achieving their intended results? Do you have a monitoring mechanism in place to evaluate schemes that are more effective than others?
6. Apart from the core categories, are your new categories achieving an adequate reach, i.e., in their coverage in terms of their numeric and weighted distribution?
7. Is your sales force focusing adequately on your newly launched categories in alignment with your strategic objectives?

Mid-sized consumer companies need to re-evaluate their GTM models to ensure the alignment of their strategic objectives (where to play) with their intended market servicing models, distributor profiles, promotions and schemes, and support their operational capabilities (how to play). An effective GTM model ensures that consumer companies can reinvent their existing ‘ways to play’ as they extend their capability system and geographical footprint.

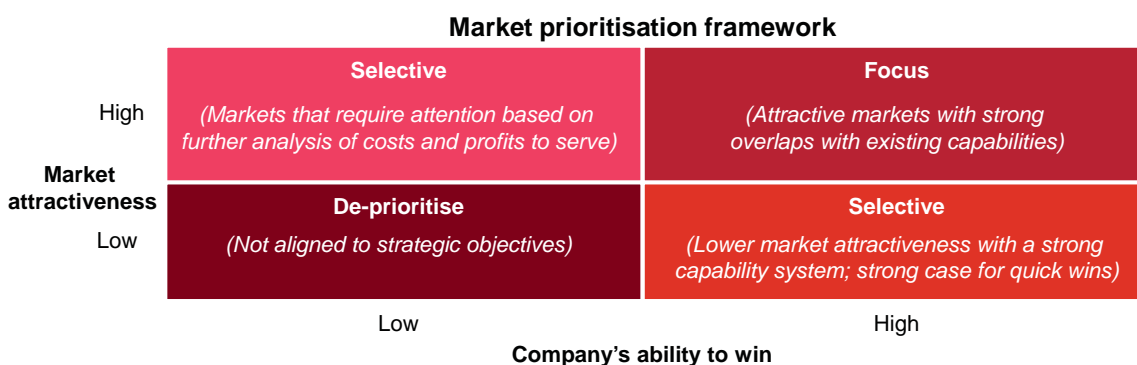


GTM strategy

Where to play

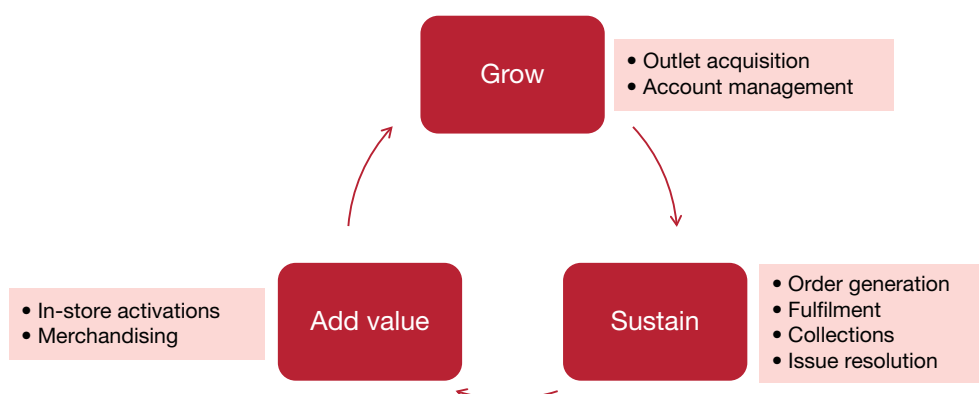
While charting their growth agendas, mid-sized consumer companies should clearly define their where-to-play decisions by defining their strategic vision and sales objectives. One of the key elements for defining these strategic objectives starts with their identifying focus markets, based on the following:

- **Market attractiveness:** Considering factors such as the total size of the market by category and the penetration level in it, average household income projections, competitive concentration, etc.
- **Company's ability to win:** Taking into consideration factors such as the extent and effectiveness of the existing reach of the sales force—numerical and weighted distribution, costs, etc.



Market servicing model

Until a certain point in the growth journey, a focus on primary sales and one-size-fits-all market segmentation may have sufficed. Depending on the categories a mid-sized consumer player operates in, it can adopt any of the three activity types mentioned in the figure below. For example, it can specifically focus on its sales force to drive its activation and merchandising in markets where the offtake at the outlet level is lower than in the category average. It can concentrate on 'grow' activities in new markets where it seeks to develop its footprint. In markets where it has a strong existing capability system in place, its focus should be on 'sustain' activities to drive account retention and satisfaction.



People

Many well-planned expansion plans without a relevant capability ecosystem can only achieve limited success in gaining acceptability at the employee level. For instance, a leading food and beverage (F&B) player, while examining its market-servicing architecture, significantly changed its organisational structure to ensure that its focus remained on its entire product portfolio. It opted to focus on three main areas:

1. Segmentation of premium and core segments: Separate salesmen/distributors/company personnel focused on metros and towns with a population of 50 lakh, where the scale was significant, while operating under an integrated model in the rest of urban (ROU) areas with a population of less than one lakh.
2. Independent business model for value segment: The company totally revamped its organisational model with a high degree of outsourcing in its value segment to reduce costs.
3. Adequate control of corporate/head office: GTM and overall supply chain capabilities were shared across different categories.

Process and technology

GTM processes are the building blocks of most GTM solutions. Automation of these processes, to whatever extent feasible, depending on an organisation's level of maturity in these processes, adds a strong degree of predictability and transparency in its operations.

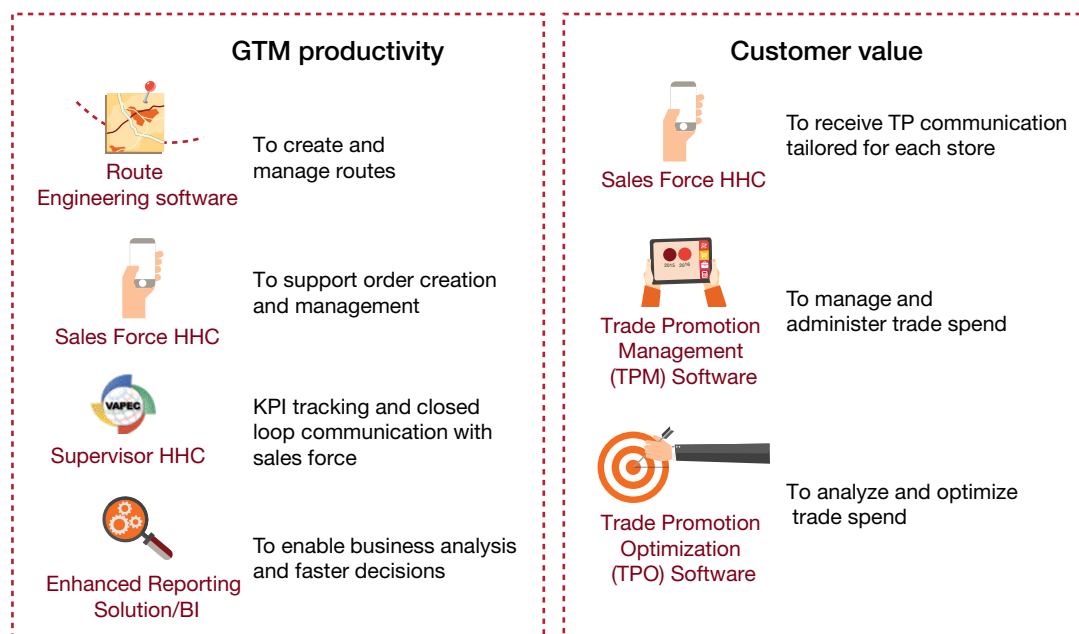
Key GTM processes	Sub- area examples		Not exhaustive	
Customer Acquisition	<ul style="list-style-type: none"> Customer Identification Customer cracking 	<ul style="list-style-type: none"> Customer transition from cracking to normal operation 	<ul style="list-style-type: none"> Monitoring & control 	
Customer Development	<ul style="list-style-type: none"> Segment/Account planning CDA negotiation 	<ul style="list-style-type: none"> Pricing & terms Credit scoring and authorization 	<ul style="list-style-type: none"> Category management Customer insights 	<ul style="list-style-type: none"> Account development monitoring and control
Selling	<ul style="list-style-type: none"> Pre-sell Vansell 	<ul style="list-style-type: none"> Telesell Order taking 	<ul style="list-style-type: none"> Combined selling Sales force management 	<ul style="list-style-type: none"> Monitoring and control
Distribution	<ul style="list-style-type: none"> Route engineering Dynamic routing 	<ul style="list-style-type: none"> Delivery synchronization Fixed date delivery 	<ul style="list-style-type: none"> Preparation by truck Preparation by order 	<ul style="list-style-type: none"> Sales return management
Collection	<ul style="list-style-type: none"> Invoicing Cash collection 	<ul style="list-style-type: none"> Credit collection Route administration and settlement 	<ul style="list-style-type: none"> Electronic collection Credit default management 	
Manufacturing	<ul style="list-style-type: none"> Merchandising on delivery Merchandising on presell 	<ul style="list-style-type: none"> Dedicated merchandising Merchandising synchronization 	<ul style="list-style-type: none"> PoS execution 	
PoS Activation	<ul style="list-style-type: none"> PoP/ToT deployment 	<ul style="list-style-type: none"> Shelving & visibility Trade promotion planning & evaluation 	<ul style="list-style-type: none"> Campaign execution 	<ul style="list-style-type: none"> Channel activation planning

Technology solutions, on the other hand, are enabling key shifts in the execution levers of consumer companies' sales. For instance, the focus of sales tracking is shifting from traditional distributor sales to tracking of sales at the account/outlet level. Sales organisations are using technology to bolster their management information system (MIS) capabilities to analyse diverse data sources from consumption patterns to competitive intelligence. Companies such as Dabur have equipped their sales teams with handsets that enable them to send daily reports and help them analyse spending patterns as well as plan for BTL schemes and promotions.¹⁴

Our analysis reveals that technology solutions not only allow consumer companies to take data-driven decisions, but also empower their channel partners across the value chain. For instance, through the implementation of a distributor management system (DMS), distributors are able to access details of upcoming promotional activities and schemes, and manage their account masters and invoicing.

Effective technological enablement leads to three key outcomes:

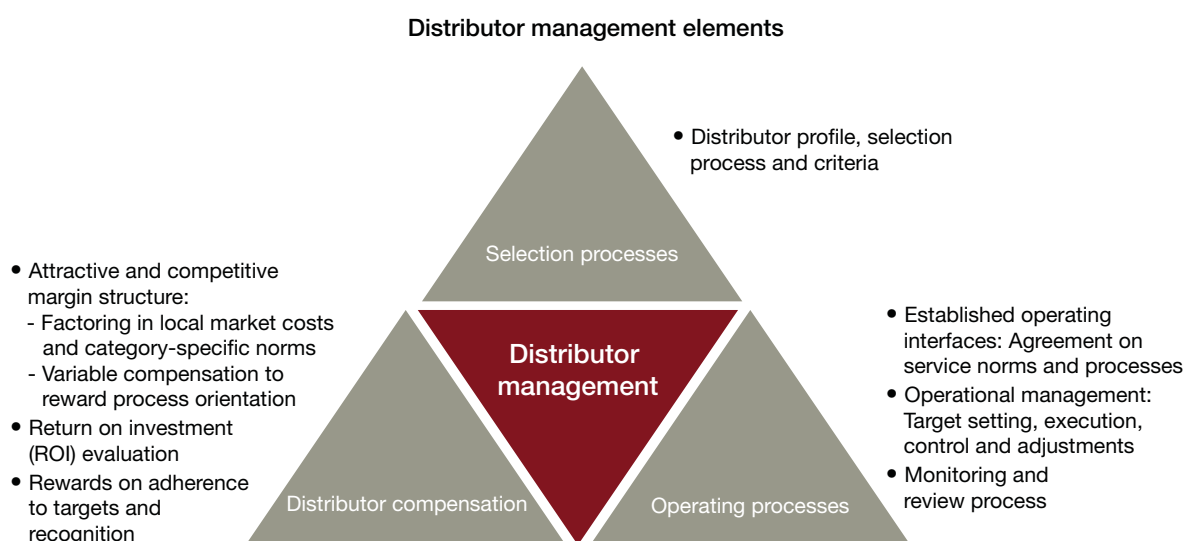
- **Enables companies to deal with complex and articulated GTM models**, e.g., highly segmented and customised value propositions including hand-helds (H-H) with recommended assortments and display configurations
- **Helps to reduce costs by automating labour-intensive activities** and increases productivity, e.g., telesales
- **Facilitates efficient management of indirect sales systems** as an extended arm and enables complete visibility of distributors' sales and operational performance



Trade partner management

The retail environment in India is witnessing some key shifts including the convergence of traditional retail channels, e.g., pharmacies selling personal care products, the growth of modern trade and the entry of new online channels. To operate in such an environment, mid-sized consumer players need to work closely with their distributors in an integrated manner to better serve their key markets and accounts.

To ensure consistent distributor management across territories, consumer companies need to adopt an analytical approach towards their distributor management processes while focusing on three key levers—selection, operating processes and compensation.



Distributor management

Distributor selection: While financial stability and future investment ability are important aspects for evaluating the sustainability of a company's operations, its distributor selection criteria should also take into account the following factors:

- *Distributor specialisation:* For example, packaged food companies should identify additional synergies while working with distributors specialising in FMCG products vis-à-vis those focusing on non-FMCG products such as tobacco.
- *Relevant outlet coverage:* For example, grocery outlets may contribute the most to sales in the packaged food categories and car accessory stores the highest amount in the sales of air freshener products.
- *Ability to extend credit to key accounts:*
 - *Infrastructure:* Useful assets in terms of manpower, vehicles, storage and technology
 - *Value addition:* Execution support for key activities such as in-store activation and effective merchandising, account-level sales and profitability reporting, coverage of satellite towns and villages, etc.

A company's operating processes should focus on the following:

- Setting up of detailed sales targets (at the sub-territory and account levels)
- Establishment of operating interfaces (credit policies, agreement on beat plans, account servicing norms and processes)
- Institution of monitoring and review mechanism to ensure supervisory control over execution and identification of adjustments, as needed

Compensation to distributor: A joint return on investment (ROI) calculation should be used as a measure of the overall health of a distributor's business in investments made to support its operations. However, to ensure continuous alignment, a distributor's compensation should also take into account the following:

- It should have a competitive margin structure, keeping in mind local market-servicing costs and category averages.
- The company should devise a variable compensation to reward a distributor's adherence with brand/stock-keeping unit-wise stock keeping unit (SKU) targets and orientation to key processes such as financial discipline, outlet coverage, account servicing, etc., instead of offering it incentives for growth in the volume of its sales.

Compensation model/ Incentive management

By creating a push for their products, most consumer companies run the risk of crafting an inefficient incentive or margin structure for their channel partners. Most consumer players, irrespective of their growth journey, offer incentive schemes such as cash discounts, quantity purchase schemes (QPS), scratch cards and merchandise at the distributor and wholesaler/retailer levels. Successful companies tend to focus on a portfolio of three to four key incentive schemes at any time, in coordination with relevant below-the-line marketing initiatives, to drive brand awareness.

An effective four-step planning and analysis process can help to embed strategic goals, ensure alignment of key resources in an organisation and analytically track the performance of promotions and schemes.



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PwC Highlights

GTM is one of the most critical areas for mid-sized consumer players in India and has helped companies scale up, increase their profitability and maintain their relevance in the market. Critical GTM levers can significantly change the shape of a business and make a positive impact on its productivity and customer value.

It is increasingly seen as the need of the hour for consumer companies with geographic expansion and high-growth plans to revisit their GTM models to ensure that these can support their next level of growth.

They should consider five key imperatives to achieve success in the changing consumer landscape in India:

1. Optimise their channel strategies, based on costs/profits
2. Ensure their sales organisations are 'rightsized' with optimal centralisation or decentralisation
3. Make sure that their GTM strategies are aligned with their existing and new customer segments and can bolster their ability to win in these segments
4. Develop integrated and efficient distributor networks
5. Create capability ecosystems to ensure implementation of effective GTM in their portfolios

These five imperatives can help companies prepare adequately for and achieve their next leap of growth in India's continuously evolving consumer market.

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Section 4:

sha'PE'—streamlining
of policies and
promoting ease of
doing business

India on the world index of ease of doing business

With its exponential growth rate in the last 10 years, India is attracting foreign investors on account of the robust domestic demand, a growing middle class, a young population and high returns on investment, all of which makes it a very credible investment destination.

Jumping 12 positions in ranking to 130 in the World Bank's 'Ease of Doing Business' survey in one year (according to the DIPP Ease of Doing Business Initiatives dated 11 December 2015.) showcases the level of policy reforms in India. Moreover, various rating agencies and think-tanks have predicted that India's growth will accelerate sharply in the next few years. And banking on its strong fundamentals and reforms, Moody's has upgraded India's rating from 'stable' to 'positive' recently.

In its rankings, the World Bank considers parameters that affect businesses during the different phases of their development. This includes their establishment, purchase of a business location/land, financing, procurement of operational permits/licenses and implementation of dispute resolution mechanisms.

Table 1: Doing Business Index and changes in ranking

Parameters	Rank in 2015	Rank in 2016	Changes in ranking
Initiation of a business	164	155	+9
Procurement of construction permits	184	183	+1
Obtaining of electrical connection	99	70	+ 29
Registration of property	138	138	No change
Procurement of credit	36	42	-6
Protection of minority investors	8	8	No change
Tax payment	156	157	-1
Trading across borders	133	133	No change
Enforcement of contracts	178	178	No change
Resolution of insolvency	136	136	No change

Source: World Bank. 2016. Doing Business 2016 (June 2015)

Some of the policy liberalisation reforms that have been undertaken to attract investments, which have resulted in the 12-point jump in ranking, are presented below:

- The launch of the e-Biz portal provides companies a one-stop shop for receiving clearances. The e-Biz portal allows online filing of 11 applications with the Ministry of Corporate Affairs, the Central Board of Direct Taxes, the Reserve Bank of India, the Directorate General of Foreign Trade, the Employees' Provident Fund Organisation and the Petroleum & Explosives Safety Organisation.
- Liberalisation in foreign investment in various sectors, including retail trading of food produced and/or manufactured in India has brought clarity in eCommerce guidelines.
- A single and simpler form has been launched by the Ministry of Corporate Affairs for pre-registration services—'Name Availability', 'Director Identification Number' and 'incorporation of company'.
- Environment clearance is only required for 36 white industries and many have been given relaxation, e.g., mine prospecting projects, industrial sheds and educational institutions. Moreover, the validity of 'Environment Clearance' has been increased from five years to seven years.
- The introduction of the Insolvency and Bankruptcy Code 2015 will make it easier for investors to exit businesses and helps them engineer a fast turnaround of the businesses.
- Amendments have been made to the Arbitration and Conciliation Act to ensure faster settlement of commercial disputes and reduce litigation.
- Online submission of applications for environment/forest/wildlife clearances has been put in place for transparent and expeditious decision-making.

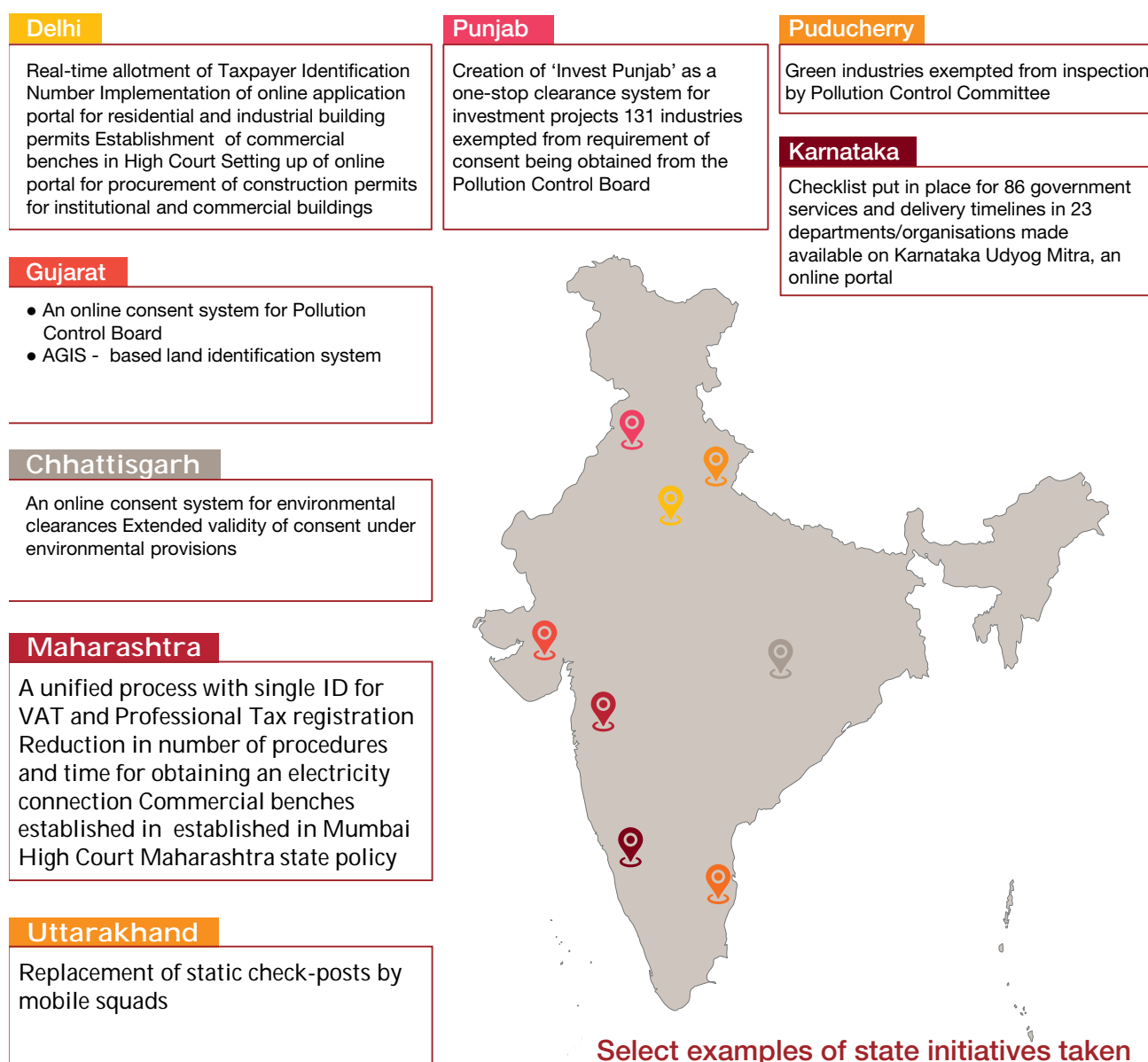
- The Central Board of Excise and Customs has announced a number of steps to reduce the time taken at ports and airports for necessary clearances for importers and exporters.
- SEZ units have been permitted to remove goods for repair, replacement, testing, calibration, quality testing and R&D on self-attestation.
- The customised ICEGATE Portal has been integrated with that of the Food Safety and Standards Authority of India (FSSAI), Animal and Plant Quarantine, the Drug Controller and the Wildlife Control Bureau for imports
- The Shram Suvidha Portal has been launched to expedite risk-based inspections, submission of common electronic returns under eight Labour Acts and issue of Labour Identification Numbers.

Aligning themselves with the Central Government's initiative of 'Ease of Doing Business in India', the states are also contributing to the initiative by introducing state-level policies. Such policies have been prepared on the basis of a 98-point action plan (for data collated between 1 January to 30 June, 2015). Several factors such as allotment of land, labour regulations, inspection-related processes, facilities pertaining to infrastructure and enforcement of contracts are taken into consideration to rate every state.* (refer Annxure 1)

The Union Cabinet has approved the Model Shops and Establishments Bill, which will permit shops, malls, restaurants, banks and cinema halls to choose their hours of operation. Once adopted by the states, in part or full, the model law will let establishments employing 10 or more workers operate throughout the year – with flexibility in work hours. It is advisable for the states to adopt the Model Shops Establishment Act to ensure ease of doing business in them.

States have taken the initiative of formulating their retail policies. Maharashtra and Andhra Pradesh pioneered in putting in place their state policies, the *Retail Trade Policy 2016* and the *Andhra Pradesh Retail Trade Policy 2015-2020*, respectively.

A snapshot of introduction of policies across states



The Assessment of State Implementation of Business Reforms, September 2015 report reveals that states are at varying stages in their implementation of the 98-point action plan. The implementation status of most states is presented as a percentage below, based on the total percentage.

Rank	State	Score	Rank	State	Score
1	Gujarat	71.14%	17	Himachal Pradesh	23.95%
2	Andhra Pradesh	70.12%	18	Kerala	22.87%
3	Jharkhand	63.09%	19	Goa	21.74%
4	Chhattisgarh	62.45%	20	Puducherry	17.72%
5	Madhya Pradesh	62.00%	21	Bihar	16.41%
6	Rajasthan	61.04%	22	Assam	14.84%
7	Odisha	52.12%	23	Uttarakhand	13.36%
8	Maharashtra	49.43%	24	Chandigarh	10.04%
9	Karnataka	48.50%	25	Andaman and Nicobar Islands	9.73%
10	Uttar Pradesh	47.37%	26	Tripura	9.29%
11	West Bengal	46.90%	27	Sikkim	7.23%
12	Tamil Nadu	44.58%	28	Mizoram	6.37%
13	Telangana	42.45%	29	Jammu and Kashmir	5.93%
14	Haryana	40.66%	30	Meghalaya	4.38%
15	Delhi	37.35%	31	Nagaland	3.41%
16	Punjab	36.73%	32	Arunachal Pradesh	1.23%

Source: Assessment of State Implementation of Business Reforms, September 2015

Moving towards 'Ease of Doing Business' in the Retail and FMCG sector

As the Retail sector witnesses unprecedented growth, India has emerged among the most desirable retail destinations in the world. However, although its modern trade is growing at 15% to 20% per annum, it has a low organised retail penetration of only 8%.

The Indian Consumer Confidence Index¹ (according to Nielsen) is on a positive trajectory (112 in mid-2013 to 131 in Q4 2015) and India's 'household consumption per capita expenditure' (according to a World Bank report) is growing at 5%, which is second only to China. All this augurs well for India's retail growth story.

India's economic growth and its demographic profile make the country a compelling business case for global retailers planning an international foray. This strong economic growth is attributed to high disposable incomes, a growing middle-class, increasing individual wealth and the country's large young population. The untapped rural sector and the lesser developed Tier II and Tier III cities provide ample opportunities for growth. The liberalisation of FDI in retail trading of food products produced and/or manufactured in India have generated significant interest among multinational retailers.

India has liberalised its policy on FDI in single brand retail trading and eCommerce, which has seen investments and improved the country's attractiveness for global investors.

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'I see great potential is improving the efficiency and effectiveness with which we do business in India especially in retail. The entire ease of doing business drive that the nation has undertaken will go a long way in us achieving world-class levels of excellence in the entire retail ecosystem.'

— Jamshed Daboo,
Managing Director,
Trent Hypermarket Ltd.

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Some of the key areas in Retail that witnessed major policy announcements in 2016

100% FDI allowed in trading of food products produced and/or manufactured in India

With a view to give an impetus to the food processing industry, create employment opportunities, benefit farmers and increase production, in line with the Finance Minister's speech in the Union Budget 2016, the Government has allowed 100% FDI in retail trading (including through eCommerce) of food products produced and/or manufactured in India. Proposals will however need to seek approval from the Government.

This liberalisation will help farmers obtain remunerative rates for their produce and provide them with exposure to the latest technology and modern agricultural practices. Ideally this should help them produce agricultural products on a larger scale. In addition, the Government also aims to implement a unified agriculture marketing e-Platform, which will bring markets to the doorstep of farmers.

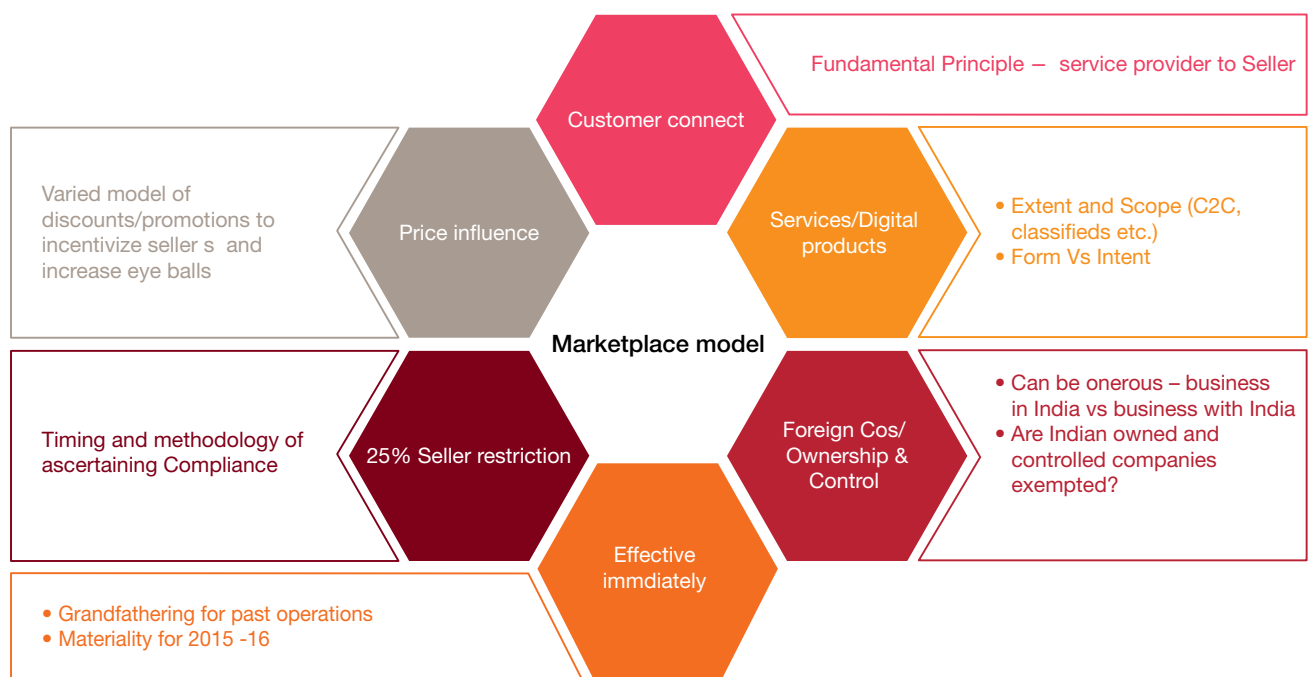
It would be useful if the Government provided some clarity with respect to the conditionalities, if any, that may be a part of the approval and the roadmap for the future.

Clarity on FDI in eCommerce

In March 2016, the Government of India brought in clarity on the FDI policy in eCommerce sector. The policy clarifies the definition of eCommerce-based inventory and marketplace business models. FDI up to 100% has been permitted in marketplace business under the automatic route, subject to its meeting certain conditions such as that a marketplace entity can only enter transactions with the seller of the products and services, will not exercise ownership of the inventory, will ensure that none of the vendors sell more than 25% of products through the marketplace and will not directly or indirectly influence the sale price of the goods or services. Further, it has also been clarified that FDI is not allowed in inventory based e-commerce model except in case of single brand and manufacturing business

The move is definitely welcome, since it settles long-pending ambiguities around "what constitutes a marketplace model and whether FDI is permitted for undertaking marketplace business". The term eCommerce now includes not only goods and services, but digital products and networks can also be digital or electronic platforms including through computers, televisions, the internet and mobile applications.

Some of the open issues in the FDI policy on eCommerce are provided below:



In addition to liberalisation of FDI, there are several laws and regulations that govern the Retail and FMCG sector. Some of these laws have an impact on the Retail and FMCG sector. The liberalisation and changes that have taken place in these are elaborated on below.

Multiple licensing requirements for Retail and compliance-related requirement for FMCG

India's Retail industry is divided into organised and unorganised sectors. Organised retail includes hypermarkets and retail chains as well as privately owned large retail businesses. Unorganised retail comprises traditional formats of low-cost retailing, for example, local *kirana* shops and owner-operated general stores.

The Central and state governments have taken steps by mandating multiple licenses and approvals for starting retail businesses in India. Several laws and regulations are in force at the Central, state and local levels that govern the sector.

Several licenses and clearances including Shops and Establishment-related laws, labour laws, FDI policy

(wherever applicable), labelling laws, etc., need to be obtained prior to a company commencing business.

Similarly, to set up a manufacturing unit, a plethora of licenses and clearances have to be obtained, for instance, indirect taxes such as Central Excise Duty, Service Tax, customs Luxury Tax, the Shops and Establishment Act, the FDI Policy, product-specific regulations—Food Regulations and Notifications, Foreign Trade policy, Legal Metrology, Consumer Protection laws, Health Supplements Regulations, 2015, Labour Laws and Fire regulations, amongst others.

Therefore, there is an urgent need to streamline these multiple requirement and move towards one window for trade and manufacturing to further ease of doing business.



Relevant regulations—overview and concerns

Goods and Services Tax

The Goods and Services Tax (GST) is the most significant transformation in the domain of indirect taxes India is likely to witness in the near future. Under its regime, there will be relief from the complexities of various indirect taxes (Excise Tax, Sales Tax, Service Tax, etc.) because there will be a single levy on all transactions, barring a few. This tax structure will coalesce India into a single market where industries will be able to expand their businesses at the national level. The 'one tax' concept will dilute state barriers and state-specific tax structures and boost ease of doing business in the country.

The retail sector will benefit significantly under the new regime. Movement of goods across India will become substantially easier. Logistics and distribution costs are also expected to go down, since players will be able to manage with fewer depots with effective supply chain management across the country. Under the current regime, the average effective rate of tax (including Excise Duty, Sales Tax and Entry Tax) in the FMCG sector is nearly 24%–25%. Under the GST regime, the rate of tax will not be this high. According to the Revenue Neutral Report (RNR) issued by the Chief Economic Advisor to the Government, the standard GST rate is secured at 18%. If this rate is maintained, the prices of goods are likely to reduce, resulting in increased demand and a boost given to the economy.

The eCommerce sector is also expected to benefit substantially under the new regime. With a single tax under the GST regime, the sector is expecting to get relief from the present dispute on the status of eCommerce transactions. Another issue the sector is facing today is the Entry Tax levied on products ordered by customers using e-Commerce portals. Given GST's 'propagate one tax' concept, industry hopes to get rid of the legal complexities it has been encountering so far.

Under the GST regime, there will be a higher input tax credit for Retail, FMCG and eCommerce, since they will be able to avail credit of tax paid on services. In the current regime, one of the main costs incurred is on Service Tax paid on rentals. With GST integrating India into a single market by doing away with state-specific indirect tax barriers, along with the concept of Form C and Form F, it is expected that compliance-related requirements relating to movement of goods across states

will be more effective and relaxed. These initiatives indicate that the Government is keen on facilitating ease of doing business in the country.

Therefore, having in place an efficient supply chain management will definitely aid businesses, which can modify their structures, based on their transportation needs rather than on taxes.

Shops and Establishment Act

The Shops and Establishment Act regulates the operation of shops and commercial establishments in India by its regulations pertaining to working hours, opening and closing timings, holidays, overtime, leave and employment.

The introduction of the Model Shops and Establishments (Regulation of Employment and Conditions of Service) Bill, 2016, which has been recently approved by the Cabinet, will enable small and medium shops to be kept open seven days in a week (on a voluntary basis and subject to protection of the interests of workers).

States should proactively comply with the Model Shops and Establishment Act to ensure ease of doing business.



'The decision of the Centre to approve the Model Shop & Establishment Act will not only create thousands of skilled jobs but also give customers the opportunity to shop anytime. The 24x7 policy for retail stores in other developed economies has significantly boosted their growth in the past. A vibrant retail environment is critical for economic growth. The move will also contribute to important initiatives such as Make in India by boosting domestic consumption.'

— Krish Iyer, President and CEO
Walmart India



Food Safety norms

In India, the food industry is poised for exponential growth, increasing its contribution to world food trade every year. The Food sector has emerged as a high-growth and high-profit sector and the Indian economy has been witnessing fast-paced growth over the past few years.

The Food Safety and Standards Authority of India (FSSAI) is the apex food regulator in India. It is empowered by and functions under the Ministry of Health and Family Welfare, Government of India. The FSSAI implements and enforces food regulations as prescribed in the Food Safety and Standards Act, 2006 (the FSS Act), which governs the following:

1. Registration and compliance for food business operators (FBOs)
2. Regulations for import, distribution, sale of any food including novel food, genetically modified articles of food, irradiated food, organic foods, food for special dietary uses, functional foods, nutraceuticals, health supplements and proprietary foods
3. Mandatory quality of products that are subject to mandatory Indian standards for domestic goods
4. Compliance with packaging and labelling requirements for pre-packaged food products

The following initiatives have been introduced to facilitate ease of doing business in India:

- Introduction of draft regulations for nutraceuticals, functional foods, novel foods and health supplements have been introduced wherein manufacture or import of these food products do not require approval if they comply with the requirements specified in the regulation.
- Proprietary foods do not require approval. There are specific regulations for health supplements, food for special dietary use, and functional and proprietary food.
- Self-governance principles: Food business operators are responsible for checking and ensuring that food is safe for consumption and does not have any adverse effect on the consumer.

While there has been a significant change in the approach and working of the FSSAI, the industry and consumers will benefit if the authority address of the some following concerns:

- States are to have similar regulations and rules so that multiplicity of proceedings and different interpretations can be avoided. This will ensure consistency in the interpretation of various requirements, especially relating to labelling, product standards, etc.
- Harmonisation of labelling laws and product standards: Multiple requirements and rules give rise to duplication of effort and expense in compliance and regulatory uncertainty. This needs to be considered in the context of the BIS Bill tabled in the Lok Sabha, which proposes mandatory BIS certification and labelling requirements under legal metrology.



Legal Metrology Act and (Packaged Commodities) Rules, 2011

Any product sold in India will need to comply with uniform standards of weights and measurements. In order to ensure enforcement of uniform standards of weights and regulate trade in weights and other goods sold or distributed by weight, measure or number, The Legal Metrology Act, 2009 prescribes norms for disclosure and compliance for products manufactured or sold in India. Non-compliance is an offence and is subject to penalties and prosecution.

According to the Bureau of Indian Standards (BIS) Act, the Bureau of India Standards Authority is empowered to take all necessary steps for promotion, monitoring and management of the quality of goods, articles, processes, systems and services, as required, to protect the interests of consumers. Companies can apply for registration with the BIS authorities for certification of products that comply with the standards.

Within the Act, the clause on criminal prosecution of directors and senior officers is a major for wrongdoing. Since the criminal liability provisions entail very serious and grave consequences and any criminal prosecution carries a grave social stigma, the constant threat of prosecution and harassment is a major disincentive for senior business managers and entrepreneurs to undertake any industrial activity.

Plastic Waste Management Rules, 2016 (PWM)

Recently Ministry of Environment has notified PWM rules wherein the primary responsibility for collection of used multi-layered plastic sachets, pouches or packaging is of the producers, importers and brand-owners that introduce the products in the market.

The industry is facing a challenge on practically implementing this requirement due to the need for stringent adherence and the ambiguity in certain aspects including sharing of responsibility between brand-owners, third-party manufacturers, plastic material suppliers, etc.

Furthermore, each state may have different expectations and requirements. There is a need to standardise requirements rather than create a new set of variables. Therefore, clear regulations on implementation of EPR in India should be issued by the Government of India.

Consumer Protection Bill, 2015

The Consumer Protection Bill, 2015 (the Bill), as introduced in the Lok Sabha, has brought in significant modifications in the Consumer Protection Act, 1986 in order to address the emergence of global supply chains and the rapid development of eCommerce and to curtail misleading advertisements, telemarketing, multi-level marketing and direct selling (which adversely affect consumers).

While the industry welcomes the new provision, it would be helpful if the Government creates the required ecosystem for compliance with regulations and law, which should be customised to the business environment in India.



The way forward

Need for a national retail policy and according industry status to the FMCG and Retail sector

There is a growing need for the Indian Government to formulate a national policy on manufacturing and trade in the FMCG and Retail sector. States such as Maharashtra, Andhra Pradesh and Karnataka have already put in place their retail policies and Telangana, Rajasthan, Haryana and Madhya Pradesh are planning to do so shortly. However, it is in the national interest to frame a central policy for the country, which will boost its economy and give direction to the states. Giving industry status to FMCG and Retail will significantly boost the sectors, which are critical to the success of the 'Make in India' initiative.

Retail Entertainment Zone

- Special zones for retail with multiplicity of transactions and suitable infrastructure to boost the retail sector
- Multiple benefits such as exemption from stamp duty and cheaper power

Retail cluster

- Significant financial benefits in terms of sales, margin and utilisation of inventory
- Improved customer satisfaction with right mix of products for customers across locations and channels

To stimulate ease of doing business and promote foreign investments, India needs a comprehensive policy that will encapsulate a range of incentives and regulations. This will also reduce the burden on Indian and foreign players in complying with multiple policies across states and ensure prompt decision-making. Moreover, implementation of a national policy will give a definite direction to players and provide a specific roadmap for them to do business in the country.

The FMCG and Retail sector is currently plagued with business-related challenges including inadequate infrastructure, inefficiencies in the supply chain, a complex regulatory environment, shortage of skilled workers, inferior quality packaging and below standard connectivity. Therefore, in order to sustain growth in this sector, there is a dire need for a Central policy to regulate the activities of all the stakeholders—with a special emphasis on small traders.

We recommend a national policy on Retail, which will also incorporate incentives relating to 'retail entertainment zones' and 'retail clusters'.

Such a policy will be a clear indicator that the Government is determined to leverage economic growth to achieve the right outcomes and an explicit acknowledgement that the sector significantly contributes to and enhances India's productivity.

Need for a unified national market for FMCG and Retail sector in India

Not only does the FMCG and Retail sector provide a plethora of benefits to consumers in India, it also generates employment and constitutes a major source of taxes for the Government. Growth in this sector usually leads to increased options for the customer and a reduction in prices. However, the sectors face numerous challenges due to the absence of a parent ministry and in seamlessly transferring goods and services across the country. This is because every state has different regulations, which leads to industry players facing challenges in conforming with the regulatory requirements of 29 states and 7 Union Territories instead of a single country. Moreover, there are currently innumerable taxes and regulations prevalent in India and multiple issues associated with their implementation.

In the current scenario, retailers and manufacturers need to comply with multiple taxes and compliance-related requirements, including indirect taxes such as Central Excise Duty, Service Tax, customs Luxury Tax, the Shops and Establishment Act, the Real Estate (Regulation and Development) Act, the Foreign Direct Investment Policy, Exchange Control Regulations, product-specific regulations—Food Regulations and Notifications, Foreign Trade policy, Free Trade agreements and Bilateral Investment Protection agreements, Legal Metrology, Consumer Protection laws, Health Supplements Regulations, 2015, Labour Laws and Fire regulations, amongst others.

Added to this, correct interpretation of the laws and regulations governing the sector is a huge challenge faced by industry players. Industry players need much more than reduction of application or official forms, putting in place of eLicenses and expediting clearances. To bolster

the 'Make in India' campaign, the industry needs simple and streamlined bureaucratic procedures as well as a steady market, easy transportation, and adequate storage space and infrastructure to reduce wastage.

Around the world, best practices in retail manufacturing and trade include seamless movement and transactions across countries. In order to be globally competitive, India needs to adopt a 'unified market' approach in its Retail and Manufacturing sector. Early implementation of GST will help to achieve this objective, which aims to help in a win-win situation enabled for farmers and consumers. However, it is crucial to have a unified retail market (on the lines of a unified agricultural market) to promote ease of doing business and help India emerge as one of the most favourable investment destinations in the world.

India needs to capitalise on its ever-growing consumer market. To achieve this, it requires:

- 1 Single window clearance
- 2 Dedicated Industry status of Retail and FMCG
- 3 Dedicated ministry
- 4 Seamless pan-India manufacturing and distribution channels
- 5 Easing of regulations and policy frameworks
- 6 Elimination of the APMC Act and farmers granted direct access to markets
- 7 Steady market to regulate prices

However, India is yet to see and expedite many reforms including those implemented under the APMC Act, liberalisation of agri-markets, unbundling of Food Corporation of India's (FCI's) procurement operations, and storage and distribution to prevent black marketing, hoarding and price inflation.

Some attempts have been made by the Government by its introducing the unified agriculture marketing ePlatform, which will bring markets to the doorstep of farmers. The essence of a unified market is that it is 'boundary-less' within, but contained within a boundary, with minimum regulations and a single tariff in force across the country.

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PwC Highlights

India has come a long way in regulating its policies and promoting ease of doing business, and has huge potential for growth in the sector. The Government is actioning policy reforms by liberalising foreign investment norms and creating a single window clearance policy to facilitate business in the country. But there is a need for further investment under the Make in India campaign for India to compete with the developed nations of the world and make a mark in the sector.

- Continue to focus on improving 'ease of doing business' in the country to improve the regulatory environment and India's rank on the global index
- Implement GST early to achieve cost efficiency in the procurement and supply chain
- Give the FMCG and Retail sector industry status so that companies are eligible for priority sector lending
- Provide fiscal incentives to the industry, including on backend infrastructure and supply chain
- Introduce a unified agriculture marketing ePlatform to actualise its objective of providing the 'best possible price to the farmer'
- Implement a unified retail policy on a pan-India basis and introduce a time-bound functional single window to help businesses meet compliance-related requirements for all bye-laws and guidelines (This would also entail one-stop clearance for registration of entities and reduce multiple layers of approvals for critical licenses and permits required to set up shops and businesses.)
- Harmonise various laws such as Legal Metrology, BIS and FSSAI (Any confusion on these, specifically on labelling and related issues, should be pro-actively dealt with.)
- Create a mechanism to address issues arising due to the multiple laws governing the sector
- Expand the scope of food retail policy to other products to further augment the 'Make in India' vision

Under the existing FDI policy on retail sector, the sector is segregated between single brand retail trading, multi-brand retail trading, wholesale cash and carry trading and eCommerce. With a view to align this with global trends and practices, the Government may consider having a product-specific policy for foreign investment in the trading sector—grocery, hypermarkets, pharmacies, other speciality retailers—and address specific sectoral concerns, if any.

”

Annexure

Maharashtra Retail Trade Policy 2016

- A. Appointment of nodal officer in Government of Maharashtra to facilitate single window clearance
- B. Simplification of labour laws—relaxation of rules under the Shops and Establishment Act with regard to working hours, work shifts and employment of part-time workers and maintenance of records
- C. Only perishable goods/items from food and grocery business to be included under Essential Services Maintenance Act (ESMA)
- D. Relaxation of stocking limits under Essential Commodities Act (ESSCOM)
- E. Human resource and skill development in the Retail sector
- F. Pragmatic implementation of regulations on packaged commodities
- G. Creation of Retail Entertainment Zones (REZ)
- G1. Zones for retail in regional/development plan
- G2. Simplification of development of control regulation
- H. Treatment of distribution centres at par with industries
- I. Exemption from Agricultural Produce Market Committee's regulations
- J. Formulation of clear operational guidelines for use of Mathadi workers
- K. Exclusion of retail trade from prior permission and charges/fees with regard to stores' signboards displaying the trade names of companies or their place of business
- L. Allowing open access for power
- M. Formation of an Empowered Committee at the state level to monitor implementation of this policy, develop procedures and make amendments whenever and wherever required

Andhra Pradesh Retail Trade Policy 2015-20

Andhra Pradesh has huge potential to become one of the leading destinations for retail trade in India. The state is a leader in agriculture, horticulture, and production of dairy/poultry and other raw materials, and ranks amongst the top states in India in many sectors. The Government is also giving a significant thrust to sectors such as Food Processing, Electronics, Textiles and Pharmaceuticals, and is poised to emerge as a key sourcing hub for many segments of the Retail industry.

The Retail Trade Policy 2016 aims to catalyse growth and boost the development of the Retail sector in Andhra Pradesh through objectives and targets of policy:

a) Objective:

- (i) Make Andhra Pradesh one of the most preferred destinations for retail trade in India.
- (ii) Make the state a hub for retail logistics by promoting setting up of warehouses and distribution centres.
- (iii) Accelerate investment flow to underdeveloped regions in the state.
- (iv) Identify and address existing gaps in infrastructure that affect the retail trade industry in Andhra Pradesh.
- (v) Encourage skill development and create more employment opportunities for all sections of society involved in retail trade.
- (vi) Leverage retail trade as a tool for socio-economic development in the state.
- (vii) Promote eCommerce in it.

b) Targets:

- (i) Attract new investments worth INR 5,000 crore in the sector by 2020.
- (ii) Create 20,000 additional employment opportunities in it by 2020.

(2) Validation and application of policy

- a) This policy will be valid for five years from the date of notification, unless otherwise notified by the Government of Andhra Pradesh.
- b) The policy will be applicable for all retail enterprises, which fulfil any one of the following criteria:
 - i. The retail enterprise will have an annual turnover INR 1 crore or more.
 - ii. It will directly employ 10 or more people on a full-time basis at all times.
- c) However, the Single Desk Clearance facility [referred to in section 10(a) of the Retail Trade Policy] and simplification of processes [referred to in section 10(b) of Policy] in the Retail sector will be applicable to all retail enterprises, irrespective of the number of people employed or annual turnover of the retail enterprise.

(3) Infrastructural support

- (a) Connectivity infrastructure

Andhra Pradesh has excellent connectivity infrastructure, including road, rail and inland water transport. In terms of improving road connectivity, it has plans for an upcoming Ring Road and radial roads in the proposed green field state capital, 6/4/2 lane inter-state connectivity and port connectivity with dedicated cargo lanes. For improving rail connectivity, the Government will strive to improve the rail network in sub-urban and backward areas, improve frequency of trains from different districts to the capital city and provide 100% electrification on all railway routes. Its thrust will also be to develop inland water transport in the state.

The National Waterway, in four stretches from Kakinada to Puducherry over 1,095 kilometres, will connect ports, cities and industrial townships with the estimated cargo traffic on this waterway to be 10 metric tonnes by 2029.

The Rajahmundry-Bhadrachalam inland waterway connection over the Godavari River is also an important waterway for cargo transport.
- (b) Setting up of distribution centres/warehouses

The Government will strive to support setting up of world-class warehouses/ distribution centres in the PPP mode. The APIIC will allot land for distribution centres/warehouses under the commercial category on lease for 33 years.
- (c) Quality power supply: The Government is committed to supplying reliable and high-quality power 24x7 to industry. While the state currently has a power surplus, it has embarked on an ambitious plan to reach 16,484 MW of power generation capacity by 2019-20.

Plastic Waste Management Rules, 2016

Recently, the Ministry of Environment and Forests (MoEF) has notified PWM rules wherein certain clauses are such that have the potential to be detrimental to the growth of FMCG in India.

Some of these include:

- The primary responsibility for collection of used multi-layered plastic sachet or pouches or packaging is of producers, importers and brand-owners that introduce the products in the market. However, there is no explanation or guidelines provided on how this obligation is to be discharged.
- On the basis of the above, the State Pollution Control Board (SPCB) will not allow registration/renewal of consent (for manufacturing/using MLP)
- There is no clarity on whether there is any financial obligation such as EPR.
- There are more than 2,500 local bodies in India and each body is expected to frame its own bye-laws. It is unclear about how the producer is expected to engage with and comply with the bye-laws of so many local bodies.
- There is no clarity on sharing of responsibility between brand-owners, 3P manufacturers and PM suppliers.
- There is also no clarity on whether local bodies can only approach one producer (if feasible) and if there are guidelines on sharing of responsibilities between all the parties involved.

Producers and brand-owners are often separate entities with producers manufacturing for brand-owners. Producers are registered with the Pollution Control boards of the states where their manufacturing facilities are located. Brand-owners are not registered with Pollution Control boards. Clarity is required on whose responsibility (producer or brand-owner) it is to submit a plan of collection, and especially who has the primary responsibility.

Furthermore, each state may have different expectations and requirements. There is a need to standardise requirements rather than create a new set of variables. Clear regulations on implementation of EPR in India therefore need to be issued by the Government of India.

Consumer Protection Bill, 2015

The proposed Consumer Protection Bill, 2015, which is yet to be passed by both the Houses of Parliament, prescribes the establishment of a Central Consumer Protection Authority (CCPA) to investigate consumers' complaints, issue safety-related notices for goods and services, and orders to recall products and against misleading advertisements.

The industry is upbeat that the CCPA will have the power to inquire *suo motu* or on a complaint from the Government [Section 16(1)(i)], intervene in any proceeding before the Consumer Disputes Redressal Agencies [Section 16(1)(ii)], can conduct investigations [Section 16(1)(ix)] and discharge various other functions to facilitate consumers' interests, as provided under Section 16.

The industry's concern is that the powers of the CCPA have been extended under Section 16 of the Bill to exercising judicial/quasi-judicial functions by passing orders [Section 16(1)(x), (xiii), (xiv), (xv) and (xvii)] as well as legislative functions [Section 16(1)(xix)], which would be unconstitutional. Section 17 also empowers the CCPA to exercise similar powers, i.e. inquire into unfair trade practices and pass prohibitory orders. Sections 21 to 24 specify the procedure by which the complaints will be decided by the CCPA.

However, the success of this Authority will only be ascertained in the future, since its functions may overlap those of existing authorities.

Another important component under the Consumer Protection Bill are orders related to misleading advertisements. The industry supports the investigative powers of the CCPA in relation to misleading advertisements and the power granted to it to initiate or launch complaints with respect to these. However, the industry is wary of the fact that Section 16(1)(xiii) empowers the CCPA to pass orders for withdrawal of advertisements or that Section 17 of the Bill empowers it to pass orders for discontinuance or modification of advertisements.

By giving powers to the CCPA under Section 16 (1) (xiii) and Section 17, the Bill has inadvertently brought regulation of all advertisements within the scope of the CCPA's powers and functions. This has brought about a 'command regulation with discretionary punishment' regime, a step backwards from the desired direction, i.e. the development of a 'regulator-enforced self-regulation' regime. The Bill should consider a co-regulation model for advertisements where the efforts of the industry complement those of the CCPA. This is the case in developed jurisdictions such as the US, Canada, Australia, Europe and the UK, where self-regulation or co-regulation models have been adopted.

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Notes

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