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# India Retail e-Marketing Study 2013

## OPPORTUNITIES, CHALLENGES & THE PATH AHEAD


Sale

# Introduction

It's the year 2013 and the retail industry in India is on a transformational rollercoaster. Several dynamic alterations to the face of retail in our country are taking shape by way of government legislation, adoption of new technologies and evolving consumer needs. The allowance of FDI in multi-brand retail put to rest months of intense speculation and has opened the doors of India's labyrinthine retail space to some of the world's leading brands and companies. This is bound to result in a shake-up of the landscape with the influx of new working processes, revamped distribution channels and expansions into hitherto unexplored territories; particularly the veritable goldmine that is rural India.

This apart, home-grown entrepreneurship has begun to have a pronounced effect on the marketplace with regards to competition, brand perception, product variety and industry growth in the past few years. While the trend has been on worldwide for some time now, it has only recently started to mature and consolidate in the Indian context. Traditional high-street retailers are increasing looking at adopting e-Commerce as an avenue for growth and there are enterprising e-Commerce companies that are experimenting with brick and mortar presence.

A constantly increasing consumer base that is aware of global trends, is comfortable with technology and which demands an enhanced level of service has compelled retailers to look beyond the traditional ways of communicating their brand value and products. As the Indian consumer begins to get increasingly comfortable with this integration of the online and offline retail experience, it is but natural that retailers follow their customers in both spaces. Facebook, Twitter and other social media have become a part of our routine existence as consumers and retail marketers are constantly looking for new ways to engage with us on all these channels. Email, mobile and web promotions are all being tied in with traditional advertisements, on ground events and good old fashion sales. Going mobile today seems like the best way to tap the rural Indian market which can ill afford large, expensive computers. Thus, multi-channel retail of the future is now a full-fledged industry reality. Many have already climbed on board this bandwagon while others are taking slow, cautious steps in its direction.

Earlier this year, the Annual India e-Marketing Report 2013 – Spark the Surge* revealed that customer acquisition is the primary marketing goal for more than 50% of marketers in India; a great example of the continued growth of the industry. Meanwhile, 99% of the total respondents of that report are using Email marketing as a channel for customer engagement while close to 65% are looking to increase investment in social media. Thus, this India Retail e-Marketing Report 2013, derived from the insights, projections and thoughts of leaders of retail companies big and small in India, seeks to build upon that data by not only establishing the present state of affairs of the Indian retail landscape but also the challenges retailers face and the way forward. It covers single brand and multi-brand retailers and their use of offline and online marketing techniques.

Leveraging technology for all purposes and intents related to marketing has become an obvious part of retail strategy and with this report, we aim to uncover just how far this trend has progressed and what the ground realities are. So do flip ahead and discover for yourself, the state of the India Retail e-Marketing discipline in 2013-2014 as projected by marketers and retailers themselves.

* To get a copy of The Annual India e-Marketing Report 2013 – Spark the Surge, or other such industry reports, please visit www.octane.in/research.

# From the desk of:
# Kumar Rajagopalan, CEO, RAI

In the 90s, the concept of digital and Internet marketing was nascent. Traditional marketers were sceptical - therefore, promotional thought and space was dominated by conventional methods of operation such as television/radio commercials, print advertisements, billboards and the like.

Today, things are different. India has rapidly become one of the biggest social marketing markets in the world. That said, studies show that the internet reaches only 10% of the population.

Aside from the staple haunts of Orkut, Facebook, LinkedIn and Twitter, Indians are also expanding their digital presence to include Quora, Tumblr, SlideShare and other channels. At the same time the Indian consumer is beginning to sharpen his world view – by filtering which e-mailers (s)he will actually read.

Imagine the potential here for Indian retailers.

As a market and a people, we tend to "leapfrog generations" – whether it is in terms of technology adoption, behaviour or regulation.

Therefore, we felt, it was a good time, to focus on the current status and the road ahead for technology in retail e-Marketing .

RAI has collaborated with Octane Marketing, to jointly release this report," India Retail e-Marketing Study 2013.

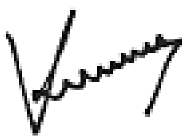
The result of this collaboration is an insightful report that has much to offer to Indian retailers and marketers alike. The report compares the digital behaviour of online and brick and mortar retailers, from budget allocation, to the pace of technology adoption to differing levels of focus on customer retention and adoption of mobile solutions.

We believe the report will give you much food for thought, and a number of action items.

I would like to thank all the retailers who contributed towards the report with their valuable opinions and the team at Octane.in for their focussed implementation of concept to reality.

I hope you find this report enlightening and resourceful.

Best Regards,



Kumar Rajagopalan
**CEO**
**Retailers Association of India (RAI)**

# From the desk of:
# Digvijay Bhandari, CEO, Octane.in

Digital marketing has come a long way from its initial days of simple search engine optimization techniques and black-hat tactics for ranking. Today, every search engine regularly revises its algorithm and measures itself against painfully rigid metrics. Email marketing has moved beyond haphazard efforts with little audience targeting, message control or tracking mechanisms. Now, it's a discipline by itself with unparalleled customer engagement results and measureable returns on investment. And then of course, there is social media; the single greatest game-changer in the digital arena since the turn of the millennium. Anyone who has set a virtual foot on the internet is presumably a member of one social media platform at the very least. But the real triumph of social media has been its ability to make people want to go online in a way nothing has ever before. So if everyone wants to go digital, can we marketers and retailers really afford to lag behind?

It is with this outlook that we at RAI and Octane, took it upon ourselves to create a detailed, insightful and current report on the impact and deployment of technology in today's retail marketing efforts. We felt the need to move beyond our operational environment and get in touch with various kinds of retailers from across the country. Therefore, we covered a wide range of single brand and multi-brand companies that operate in both the online and offline space. RAI proved to be a great collaborative ally to work with on this ambitious undertaking. Their support and guidance during the survey process enabled us to reach out to the right kind of professionals and retail industry leaders ranging from seasoned professionals heading large multi-million dollar operations to enterprising newcomers experimenting with e-Commerce. We also brought in our academic partners from the Management Institute of Leadership and Excellence (MILE) in Pune to help us study and analyse all the data that was collected.

As a result of all this collaboration, in this report, you will find a carefully crafted selection of questions that shed light on current trends in retail and how technology is being leveraged to maximize marketing endeavours. While offline marketing continues to eat up a bulk of the marketing budget, it is steadily ceding ground to digital marketing initiatives like social media and email marketing. With refined targeting mechanisms and tracking metrics in place, online marketing is on an upward trajectory that looks to define the future of all marketing communications.

I would also like to take this opportunity to thank the team at RAI for their immense support, the team at MILE for helping with the analysis of the data, all our survey respondents who took time out to share their insights and finally you the reader. We hope that this report will provide you with some key takeaways that you can press into action and benefit from. We would be glad to hear your feedback and comments on this report, so please don't hesitate to share your thoughts with us at research@octane.in.

Happy reading and all the best in your marketing efforts!

Thanks & Best Regards,

Digvijay Bhandari
**Co-Founder and CEO**
**Octane Marketing Pvt. Ltd.**

# CONTENTS: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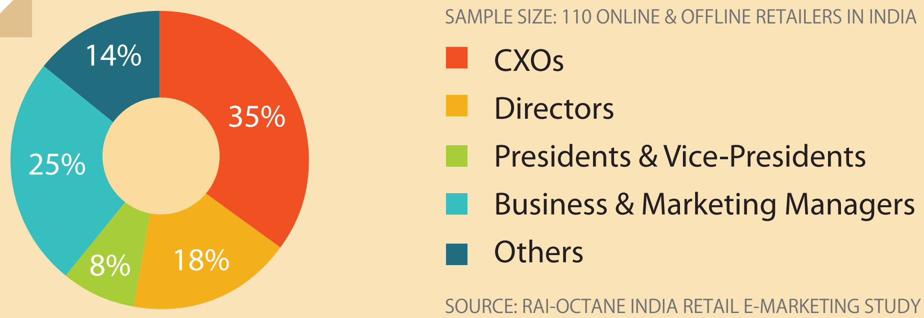
# 01 RESEARCH METHODOLOGY

This RAI-Octane India Retail e-Marketing Report 2013 saw an enthusiastic response to the study from some of India's leading retail professionals and companies. 110 retailers participated in the study ranging from industry heavyweights to ambitious start-ups. Our research team analyzed feedback received from CXOs, Directors, Presidents & Vice-Presidents, Business Heads and Marketing Managers. The insights and data thus obtained represent a good combination of opinions from across the retail space. This data has been aggregated and studied closely to give us a bird's eye view of where the retail landscape stands today and what it can look ahead to.

SAMPLE SIZE: 110 ONLINE & OFFLINE RETAILERS IN INDIA




SOURCE: RAI-OCTANE INDIA RETAIL E-MARKETING STUDY 2013

The methodology employed was simple. With the aim of identifying trends in marketing for single brand and multi-brand retailers across online and offline channels, we carefully prepared a diverse yet precise set of questions covering present plans, strategies, budgets, scale of operations and the use of technology. The online survey was devised to unveil the desired insights about how technology was being utilized to optimize marketing efforts by Indian retailers. Simultaneously, face-to-face meetings and telephonic interviews were also scheduled to ensure that we reach out to the maximum number of participants across the country. Therefore, from the analysis of the data collected from the survey, you can get insights about the following:

- The present state of retail and retail marketing in India
- The marketing goals and aspirations of retailers with particular focus on strategies and plans to achieve objectives
- The relevance and inclusion of technology to marketing efforts
- A breakdown of the deployment of different offline and online marketing activities by various kind of retailers
- Budget allocations towards online and offline marketing initiatives for the financial year 2013-2014
- Metrics employed by companies to measure marketing returns on investment and the processes and structure used by retailers for making marketing decisions

This report is thus a detailed piece of documentation that simply and evocatively captures all facets of marketing from a retailer's perspective. It is a handy guide on the movement of retail in India with an inside view from people and organizations who matter in this space.

We sincerely hope that these insights equip you with a unique understanding about the retail marketing domain in the country and enable you to make informed decisions about your own marketing plans.

# 02 INTERESTING INSIGHTS & HIGHLIGHTS

**1. Marketing Goals:** Customer Acquisition came out to be the primary marketing goal for retailers with 54% of them choosing this option. Customer retention and brand awareness follow at 22% and 19% respectively according to the inputs of both online (e-Commerce) and offline (brick & mortar stores) retailers.

**2. Physical or Virtual:** 27% of the retailers surveyed are thinking beyond the confines of offline operations and have already started to dabble in e-Commerce to expand the scope of their operations. At the same time, having tasted sufficient success online, about 16% of e-Commerce retailers said that they are also experimenting with physical store to further their reach.

**3. Going Online:** 32% of the companies surveyed are looking to increase their online e-Commerce activities while about 14% are planning to start an online retail presence soon. Therefore, slightly less than half of all retailers (at 46%) are looking to expand their online footprint.

**4. Use of Technology:** 26% of the retail companies surveyed heavily use technology for marketing efforts while 44% use it to some extent. On the flipside, another 26% of the respondents say they use minimal technology while 4% don't use any technology in their marketing efforts. This shows that there's a lot that can be done to improve their awareness of marketing technology and its benefits.

**5. Email vs. Mobile:** About 55% of brick and mortar (offline) retailers are using Mobile as a marketing channel while only 10% of the e-Commerce companies are doing the same. At the same time, less than half (at 43%) of offline retailers are using Email Marketing while a massive (almost double at 80%) of online retailers (e-Commerce) are doing the same.

**6. Use of Analytics:** Demographics (age, gender, location etc.) and average basket value came out as the top two metrics (at 64% and 49% respectively) used by Indian retailers to understand their customer base. When it comes to using the number of transactions per customer as a metric, 60% of online retailers and 44% of offline retailers employ it. Income by segmentation was the least favoured metric by all retailers (at 34% total).

**7. Customer Engagement:** Understandably, when it comes to customer engagement, offline retailers (brick & mortar stores) and online retailers (e-Commerce) think differently. While 58% of offline retailers feel sales & special offers get them maximum engagement only 20% of online retailers feel the same way. For 60% of the e-Commerce companies (online retailers) surveyed, Email marketing is the more preferred platform for customer engagement.

**8. Online Marketing Investments:** When it comes to offline retailers, 71% of them chose social media for marketing investments while 34% chose email marketing. At the same time, when looking at online (e-Commerce) companies, we see that a good 70% of them will invest in social media marketing but an equal number (again at 70%) will also invest in email marketing. Mobile/SMS marketing features at a much lower 32% for all retail marketers surveyed.

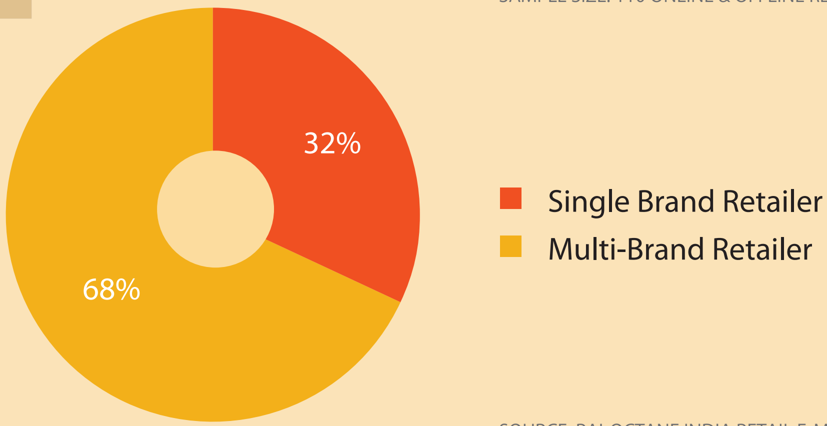
**9. Retail Revenues:** 80% of all e-Commerce companies and about 51% of all offline retailers (brick & mortar stores) revealed to have sales revenues in the 0-100 Crore range. At the same time, about 20% of online retailers and 23% of offline retailers chose the 101-500 Crore range. According to our data, there are no e-Commerce companies in the 500+ Crore revenue range while 27% of our offline retail respondents do fall into that category.

**10. Market Share:** Only 2% of all retailers surveyed for this study seem to be dominating their markets with over 75% market share while a slightly larger 4% of the retailers revealed to have between 51% to 75% of the market. A majority of retail companies (at 59%) are still looking to find

# 03 THE STATE OF RETAIL & RETAILERS IN INDIA (2013-2014)

For this study, we wanted to get a varied mix of respondents, and so in collaboration with RAI, we approached a large number of retailers operating in different segments. Therefore, a healthy mix was achieved with 68% of our respondents being multi-brand retailers and the remaining 32% representing single brand operations.

SAMPLE SIZE: 110 ONLINE & OFFLINE RETAILERS IN INDIA

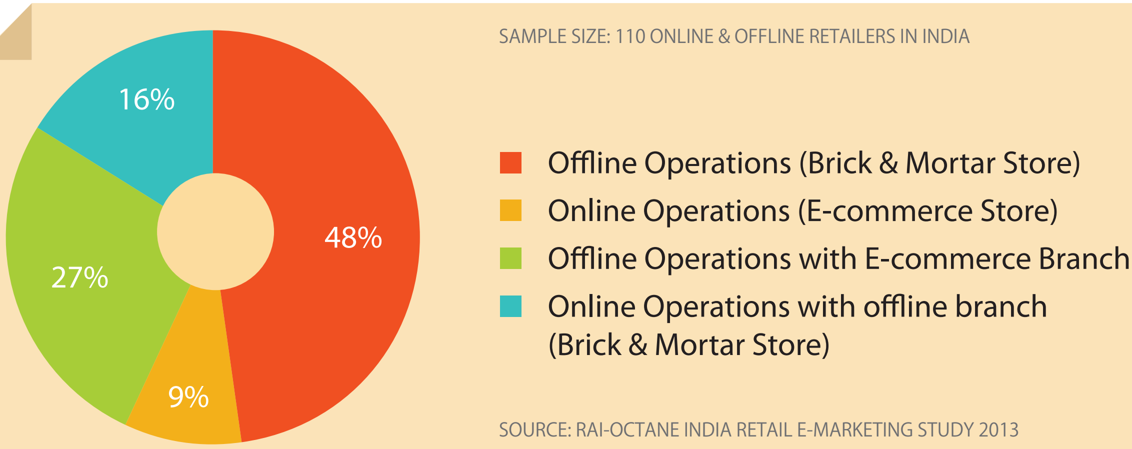



SOURCE: RAI-OCTANE INDIA RETAIL E-MARKETING STUDY 2013

## Physical or Virtual Stores

We further asked our respondents about the online (e-Commerce) or offline (brick & mortar stores) nature of their operations. Nearly half of our respondents (at 48%) are purely brick and mortar retailers while only 9% of the surveyed retailers are pure e-Commerce companies. At the same time, what was surprising and heartening was that 27% of the retailers surveyed are thinking beyond the confines of offline operations and have already started to dabble in e-Commerce to expand the scope of their operations. This is followed by a significant 16% of the respondents that are taking the exact opposite route. Having tasted sufficient success online, they are also experimenting with physical store to further their reach.

SAMPLE SIZE: 110 ONLINE & OFFLINE RETAILERS IN INDIA

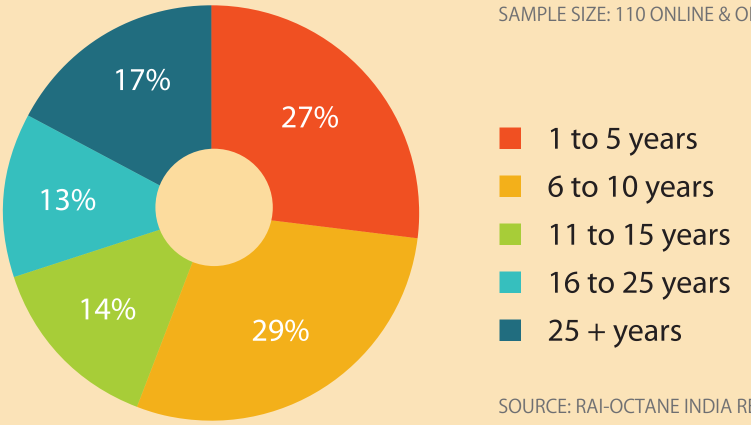



SOURCE: RAI-OCTANE INDIA RETAIL E-MARKETING STUDY 2013

# Duration of Operations

When we look at the duration of retail operations of the survey participants, we see that 17% of the respondents are industry veterans with over 25 years of experience while a smaller group at 13% have a healthy industry experience of 16 to 25 years. A little more than a quarter of the respondents, at 27%, are newer companies that have been around for 1 to 5 years (about 67% of this segment is dominated by pure e-Commerce), while a slightly larger segment at 29% has been in operation for 6 to 10 years. Finally, a further 14% of our respondents are in the middle segment with a history of about 11 to 15 years in the retail industry. Thus it is quite apparent that the opinions and insights reflected in the survey represent a vast cross section of retailers in the country with different aspirations in terms of objectives and goals.

SAMPLE SIZE: 110 ONLINE & OFFLINE RETAILERS IN INDIA

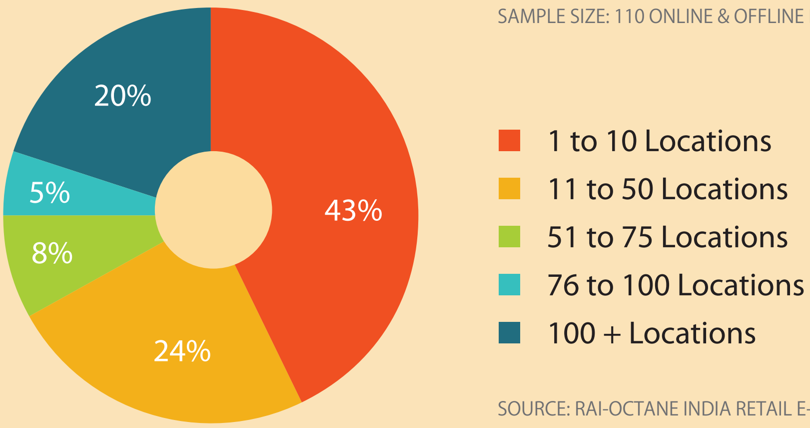



SOURCE: RAI-OCTANE INDIA RETAIL E-MARKETING STUDY 2013

# Locations & Reach

A fifth of all the survey respondents (at 20%) revealed that they have physical stores in more than a 100 locations. This is followed by a sharp decline in the number of retailers who have an expansive brick and mortar presence. Data shows that only 5% have 76-100 stores and a slightly more 8% have 51-75 store locations across the country. Things look up slightly in the 11-50 stores segment with about 24% of the retailers choosing that option. Perhaps unsurprisingly, nearly half of the surveyed companies (at 43%) revealed that they have about 1-10 stores at most (all e-Commerce participants chose this option). This might be indicative of the thought that growing acceptance of online as a medium of transaction is enabling many retailers to scale down their plans to establish physical store fronts.

SAMPLE SIZE: 110 ONLINE & OFFLINE RETAILERS IN INDIA

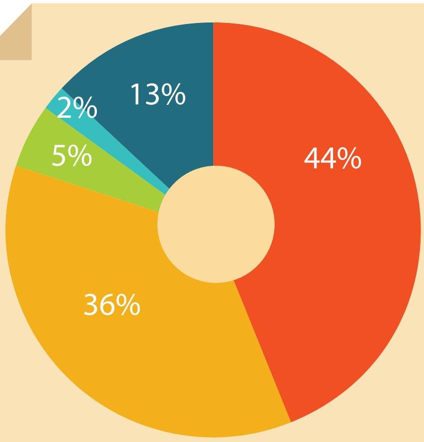



SOURCE: RAI-OCTANE INDIA RETAIL E-MARKETING STUDY 2013

## Strength and Workforce

A bulk of the retailers surveyed, at 44%, shared that they have up to 500 employees at most (part-time and full-time). About 36% revealed to have a larger work force with an operational strength of up to 2500. Only 5% of the retailers have between 2500 and 5000 employees while a tiny 2% have up to 10000 people working for them. Surprisingly, a much larger 13% of the companies surveyed shared that they have a massive workforce exceeding 10000 people.

As expected, the smallest range (up to 500 employees) is dominated by e-Commerce companies taking 80% of the share while the largest range (10000+ employees) is completely dominated by the offline retailers (100% share).




SAMPLE SIZE: 110 ONLINE & OFFLINE RETAILERS IN INDIA

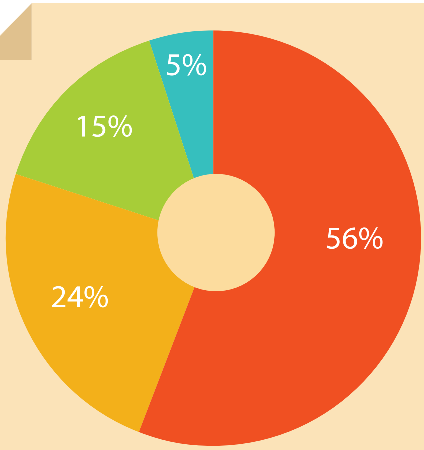
- Up to 500 Employees
- 501 to 2500 Employees
- 2501 to 5000 Employees
- 5001 to 10000 Employees
- 10000 + Employees

SOURCE: RAI-OCTANE INDIA RETAIL E-MARKETING STUDY 2013

## A look at the marketing function

When looking at the strength of retail marketing teams, we see that smaller teams are more popular than larger ones in the retail environment. More than half our respondents at (56%) have a modest marketing team strength of up to 10 people while almost a quarter of our respondents (at 24%) shared that their marketing function is up to 20 people strong. Only 15% of all retailers covered in this study have more than 20 professionals in their core marketing team and 100% of this group is from the offline retail segment with no e-Commerce presence.

Marketing therefore, is a function entrusted to a few. Leveraging technology as a force multiplier is becoming the norm as e-Marketing becomes widespread with the integration of email, mobile and social platforms.




SAMPLE SIZE: 110 ONLINE & OFFLINE RETAILERS IN INDIA

- 0 to 10
- 11 to 20
- 21 to 50
- 50 +

SOURCE: RAI-OCTANE INDIA RETAIL E-MARKETING STUDY 2013

# Technology teams at retail companies

A majority of the retailers surveyed (at 59%) declared that their core technology team does not consist of more than 10 people. This seems like the ideal tech team strength for all kinds of retailers with 65% of offline retailers and 70% of online retailers choosing this option.

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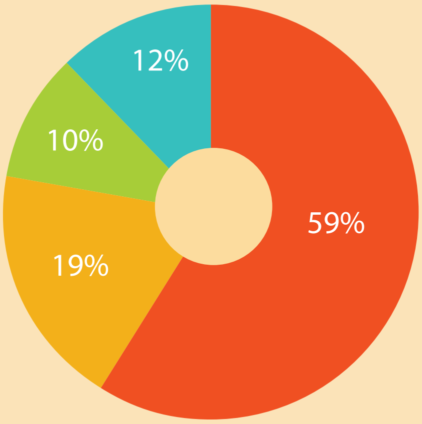
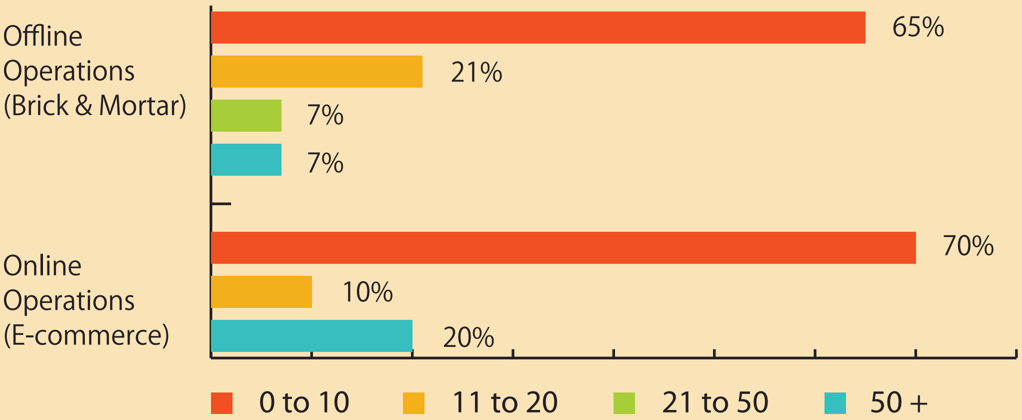


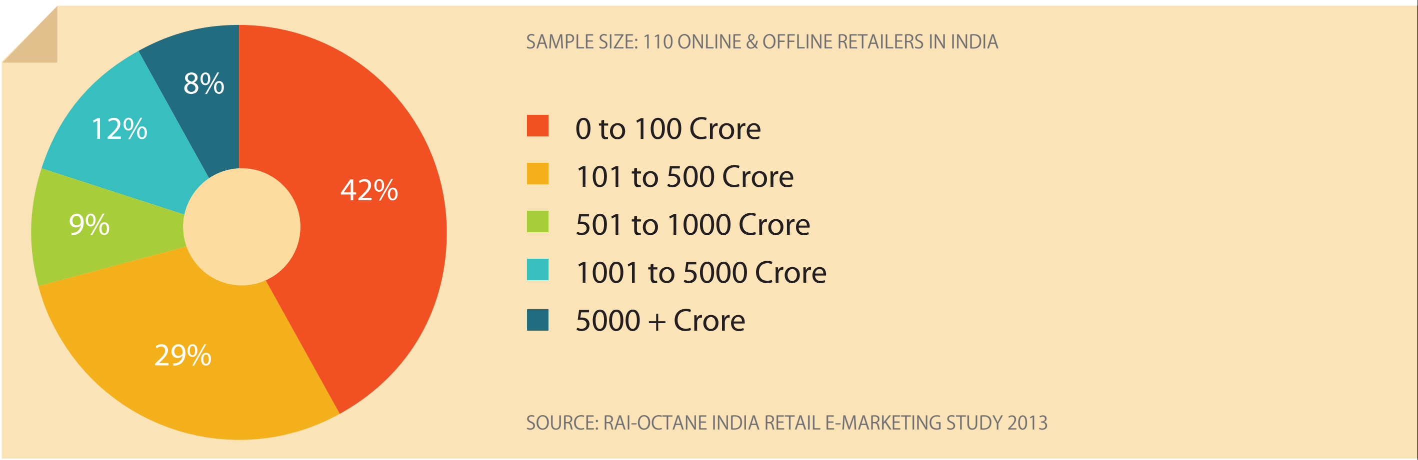

SOURCE: RAI-OCTANE INDIA RETAIL E-MARKETING STUDY 2013

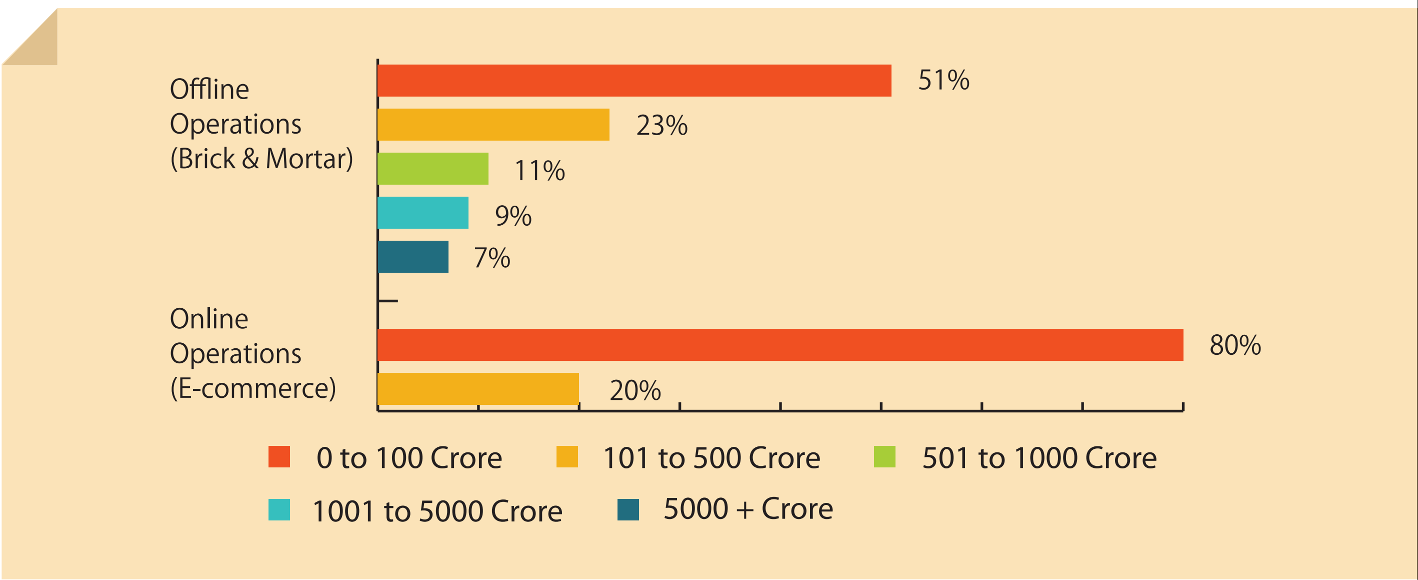
Beyond that range however, opinions vary widely. Almost a fifth of all offline retailers (at 21%) revealed to have 11-20 technology team members while only 10% of online retailers chose the same option. On the other hand, 20% of all online retailers shared that they have more than 50 technology professionals while only about 7% of offline retailers said the same.



# Revenues in online and offline retail

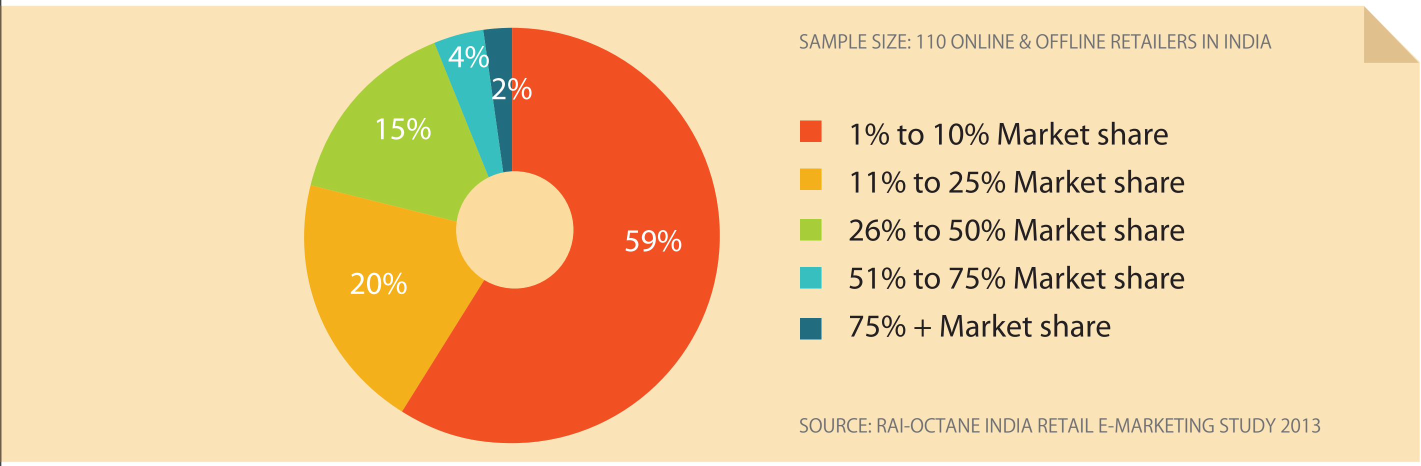
About 42% of all retailers surveyed revealed that their annual revenue goes up to 100 crores while about 29% of them shared that their annual revenue is in the range of 101 to 500 crores. 80% of all e-Commerce companies and about 51% of all offline retailers chose the first option (0-100 crores) while 20% of online retailers and 23% of offline retailers chose the second option (101-500 crores). According to our data, there are no e-Commerce companies in the 500+ crore range while 27% of our offline retail respondents fall into that category.



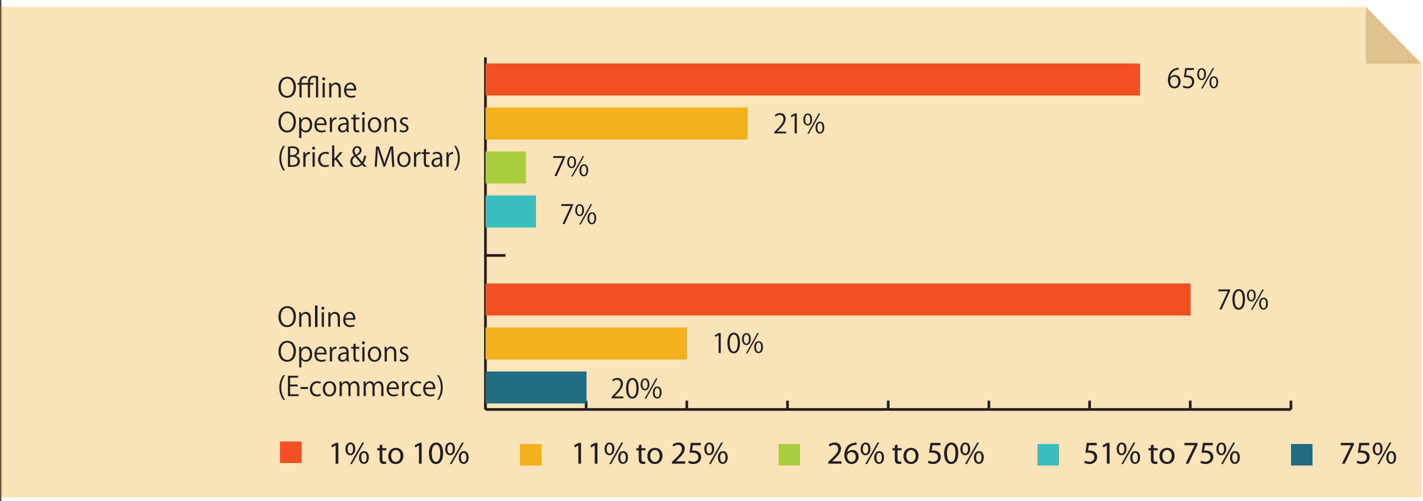



# A look at the retail market share in India

Only 2% of all retailers surveyed for this study seem to be dominating their markets with over 75% market share while a slightly larger 4% of the retailers revealed to have between 51% to 75% of the market. About 35% of retailers in India seem to be in the high competition range of 11% to 50% market share while a whopping majority of retail companies (at 59%) are still looking to find a sure foothold in the market with only 1% to 10% of market share.




Only 10% of the e-Commerce respondents shared that they are in the top 75%+ range while no offline retailer chose the same option. At the same time, about 65% of offline retailers and 70% of online retailers find themselves in the 1%-10% market share range. This data shows that newer companies are operating in a dynamic, high competition environment but if they grow, they enter into a smoother market category wherein competition is slightly lower and scope for growth is much larger.

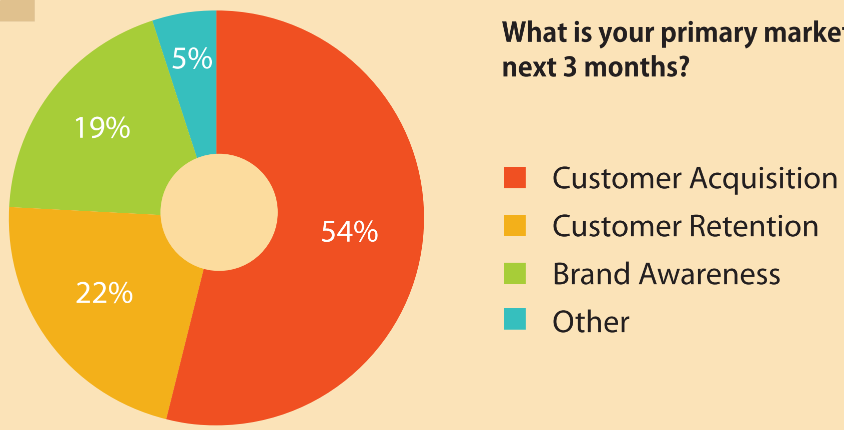


# 04 A CLOSER LOOK AT RETAIL MARKETING & OPERATIONS

## 1. The Primary Marketing Goal for Retailers

54% of the retail companies that participated in our survey chose Customer Acquisition as the primary marketing goal over the next few months. That is a good indicator of the aggressive and expanding marketplace in India. Simultaneously however, there is also ample consideration towards retaining customers with 22% of the companies choosing that as their primary marketing goal. About a fifth (19%) of all participating retailers chose Brand Awareness.

**What is your primary marketing goal over the next 3 months?**

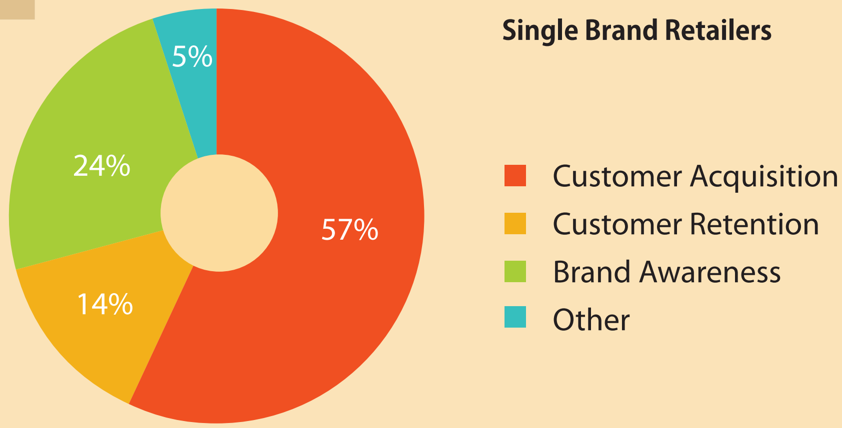


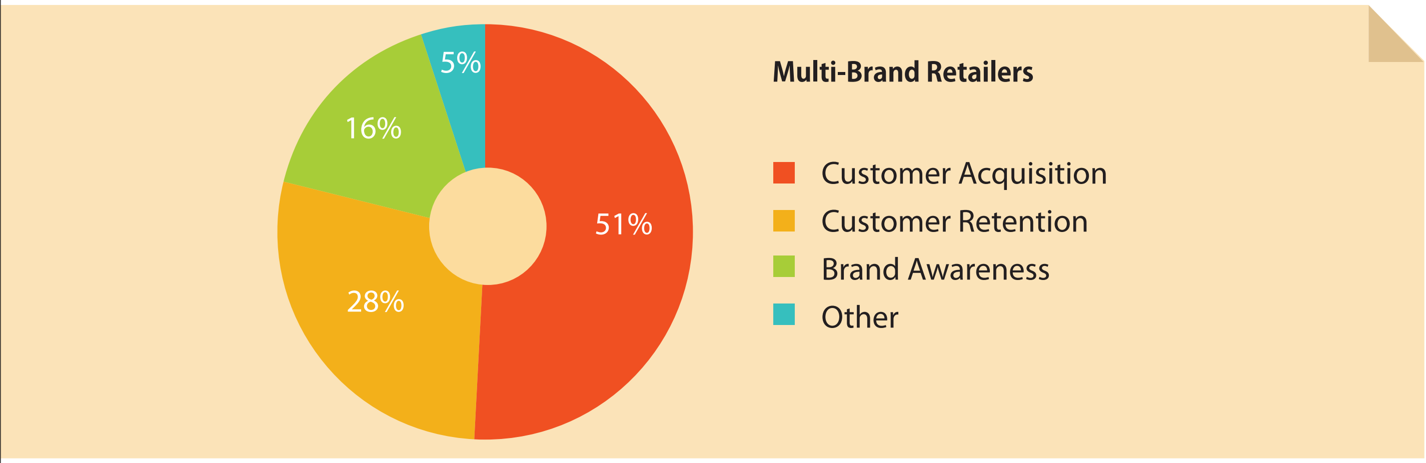

SAMPLE SIZE: 110 ONLINE & OFFLINE RETAILERS IN INDIA

SOURCE: RAI-OCTANE INDIA RETAIL E-MARKETING STUDY 2013

For single brand retailers, Brand Awareness seems to be slightly more important (about 24%) than for multi-brand retailers (almost 16%). On the other hand, customer retention is more of a priority for multi-brand retailers (at about 28%) than single brand retailers (14%).

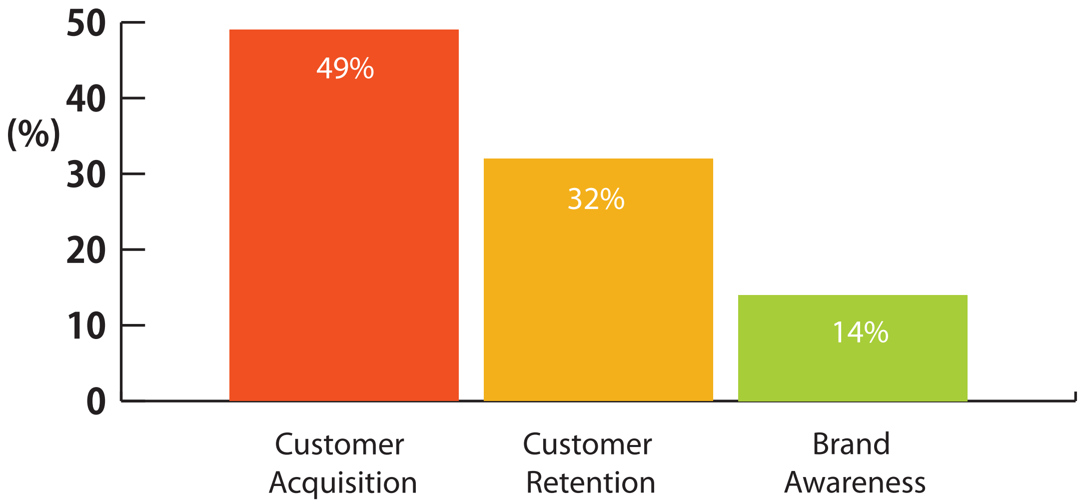
**Single Brand Retailers**



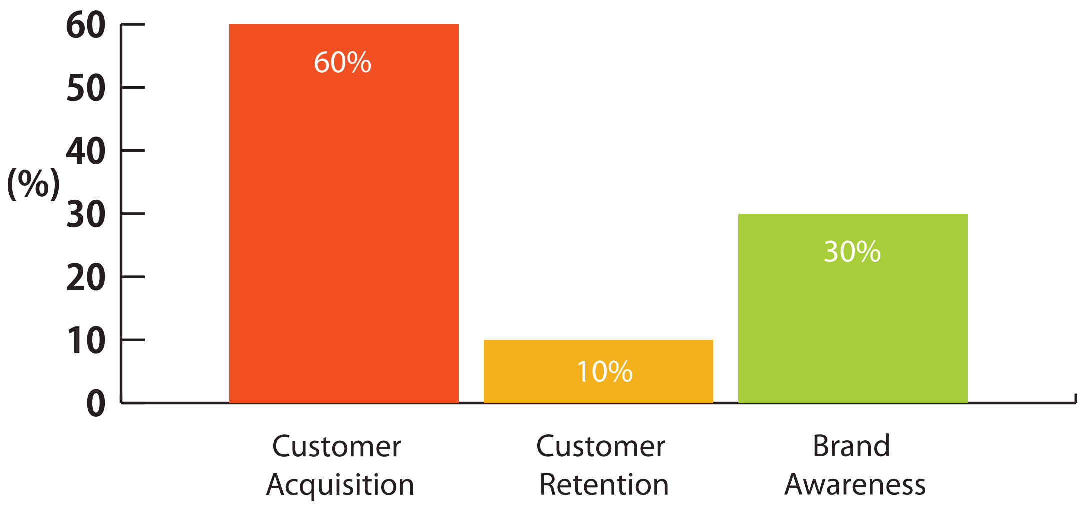



When we analysed the online vs. offline retailer split, we saw that in terms of marketing goals, for offline retailers, customer acquisition and customer retention are very important (at about 49% and 32% respectively). At the same time for online retailers, customer acquisition and brand awareness are the most important (at 60% and 30% respectively). Surprisingly, online retailers are not very bullish on customer retention with only 10% choosing it as their primary marketing goal over the next few months.

**Offline Retailers (Brick & Mortar Stores)**

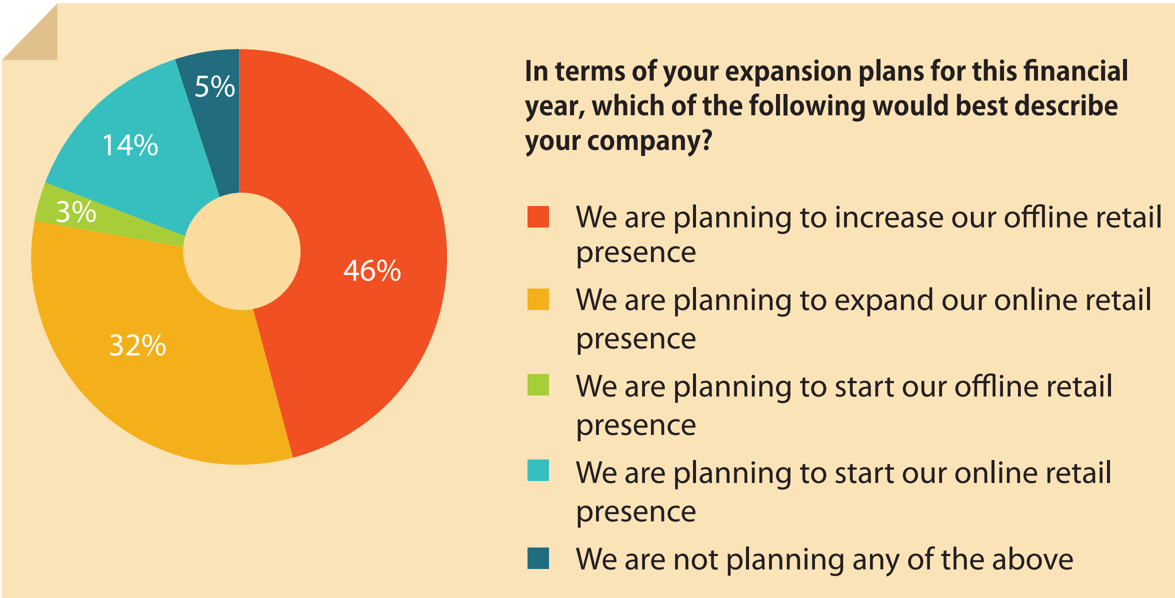



**Online Retailers (e-Commerce)**



# 2. Retail Expansion Plans for 2013-2014

Almost half of the retailers surveyed (at 46%) stated that they are actively planning to increase their offline retail presence (brick and mortar stores) while a slightly lesser number (at 32%) stated that they plan to expand their online retail presence (e-Commerce). About 14% are planning to start their online retail activities while a low 3% is not looking at e-Commerce at all at the moment.

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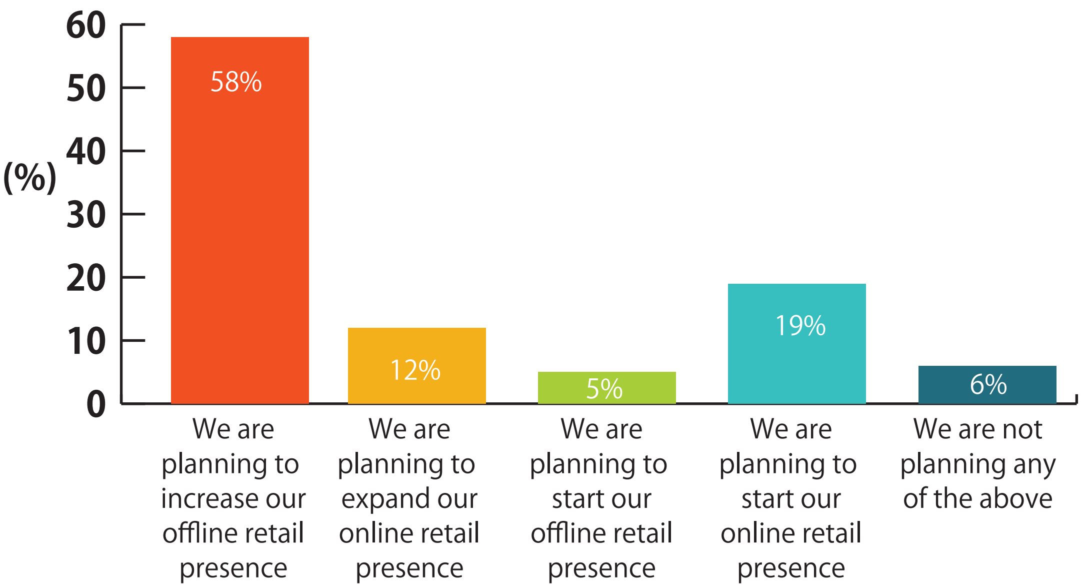
SOURCE: RAI-OCTANE INDIA RETAIL E-MARKETING STUDY 2013

When we will look at offline retailers exclusively, a strong 58% of them are looking to expand their offline operations but at the same time, almost 32% of them want to either expand their online offerings or start their online activities in this financial year.

**Offline Retailers (Brick & Mortar Stores)**

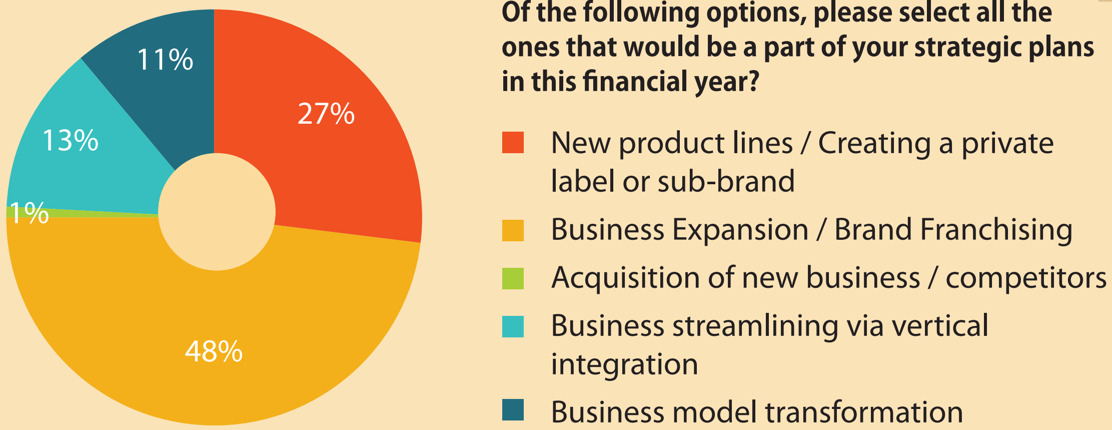


Simultaneously, when looking at online retailers exclusively, we see that 60% are planning to increase their online operations. Also, while some of them have offline operations currently, they are not actively planning any expansion(s) for the same. This shows us that online retailers are taking cautious steps towards offline retail; the same way traditional offline retailers are taking measured steps towards online retail.

## 3. Retail Strategic Plans for 2013-2014

Looking at the strategic plans for retailers who participated in the survey, we see that close to half (48%) of all respondents are looking at business expansion. This is followed closely by 27% of the companies that are looking to start new product lines or sub-brands. A few of the retailers (at 13%) are looking to streamline operations while about 11% are looking at a full business model transformation. Interestingly, while there is still scope for retail market consolidation (especially in the e-Commerce industry), only 1% of the total respondents are looking at acquisitions or competition buy-outs.

**Of the following options, please select all the ones that would be a part of your strategic plans in this financial year?**

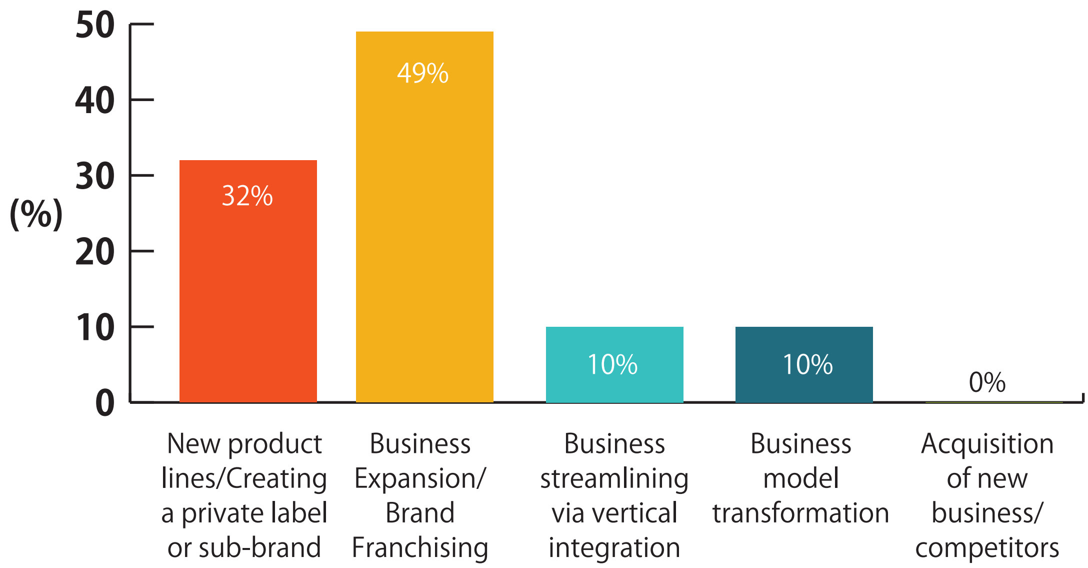



SAMPLE SIZE: 110 ONLINE & OFFLINE RETAILERS IN INDIA

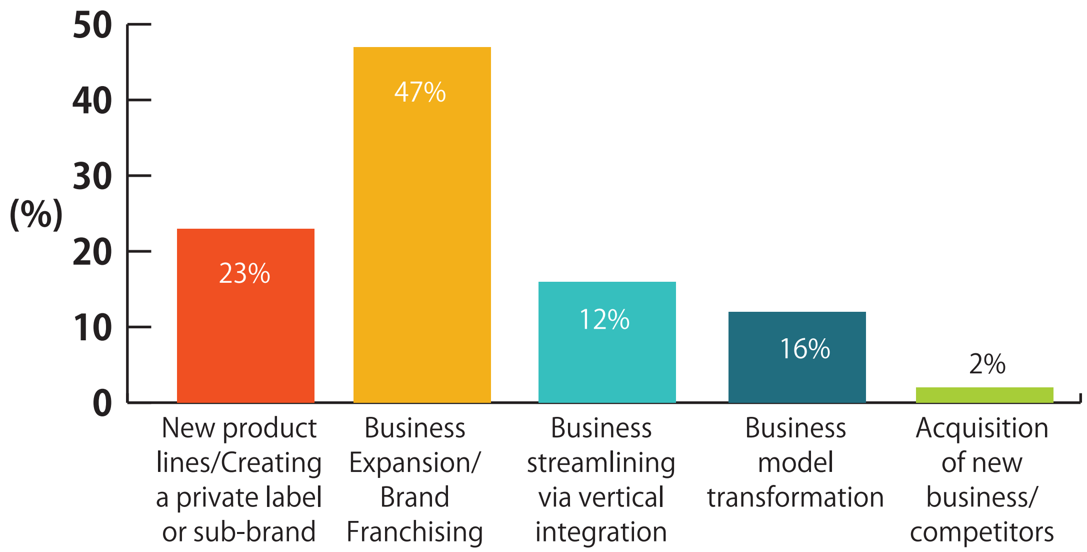
SOURCE: RAI-OCTANE INDIA RETAIL E-MARKETING STUDY 2013

When we further separate the data for single brand retailers, we see that almost 32% of the companies are looking at new product lines, private labels or sub-brands while almost half (at 49%) are looking at business expansion or brand franchising. Similarly, for multi-brand retail companies, a similar number of companies (almost 47%) have business expansion or franchising plans while a lesser number of companies (about 23%) are planning new product lines, labels or brands.

**Single Brand Retailers**

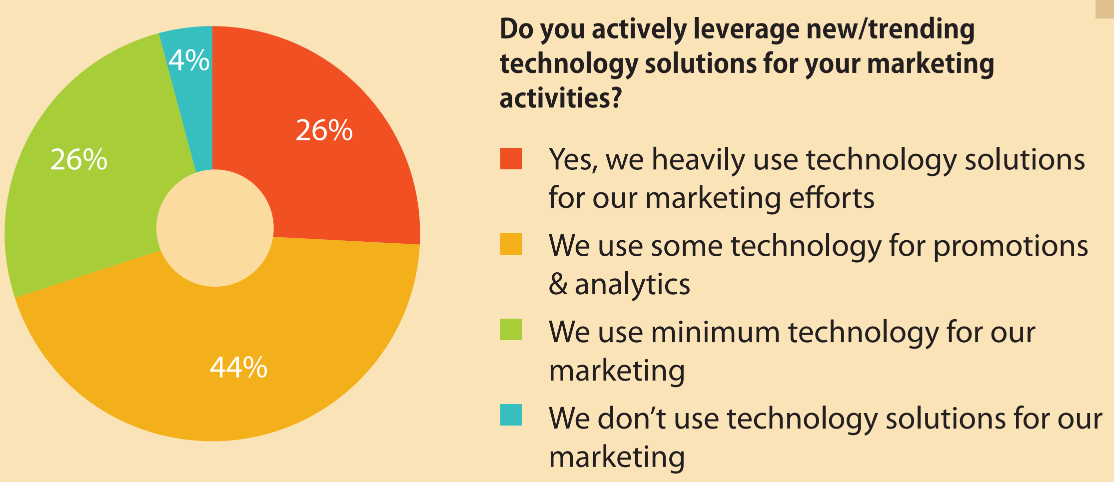



**Multi-Brand Retailers**



# 4. Using Technology Solutions for Retail Marketing

A massive 96% of the retailers surveyed indicated that they use some technology (solutions, platforms, tools, analytics) in their marketing efforts.

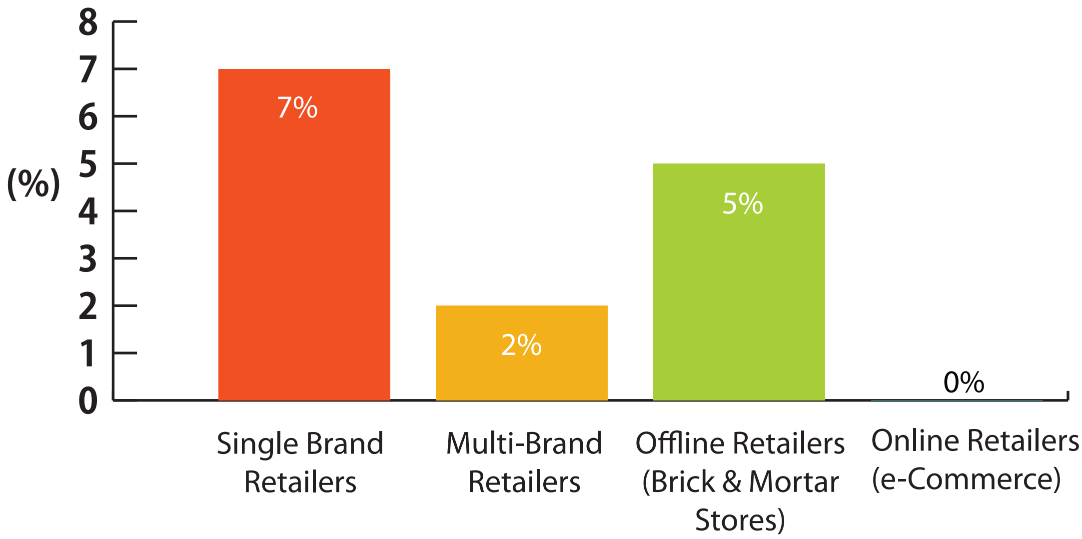



SAMPLE SIZE: 110 ONLINE & OFFLINE RETAILERS IN INDIA

SOURCE: RAI-OCTANE INDIA RETAIL E-MARKETING STUDY 2013

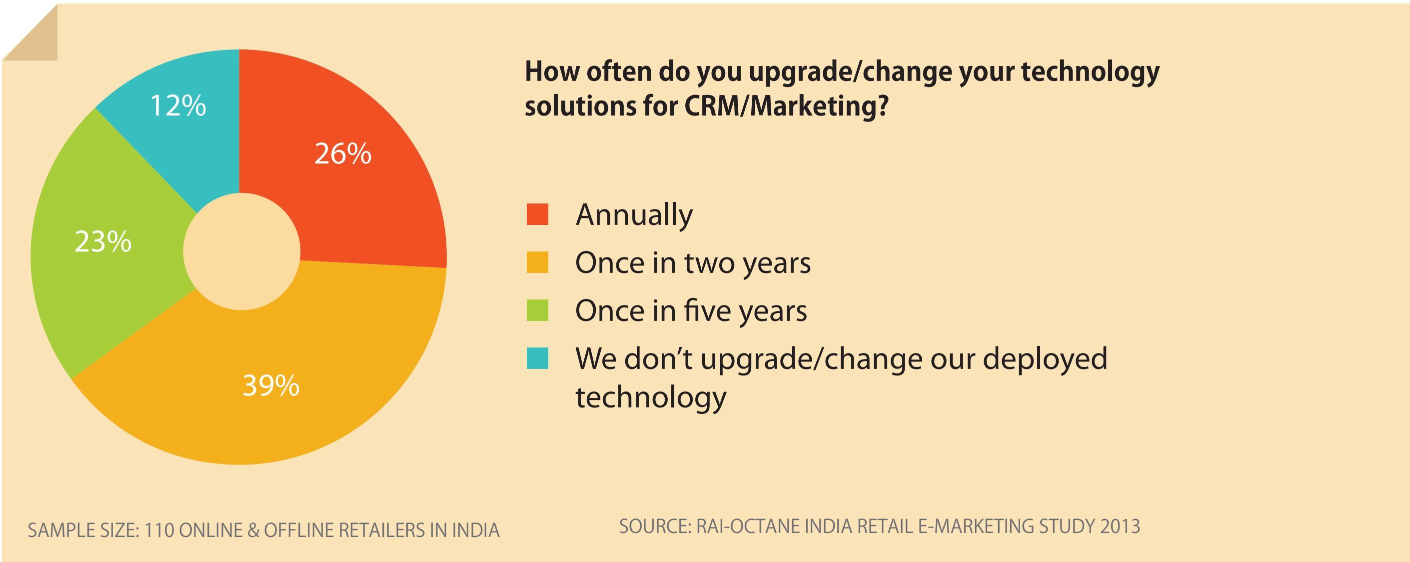
When we scanned the data for retail companies that don't use technology at all for their marketing activities, we observed that about 7% of single brand retailers and about 2% of multi-brand retailers picked that option. Similarly, when doing an online vs. offline retailer split, we see that while almost 5% of the offline retail companies are not leveraging technology for marketing, there are absolutely no online e-Commerce companies that chose that option. This is in line with expectations that online e-Commerce companies are more proactive and comfortable in deploying technology across the board.

**Not using technology in marketing**



# 5. Upgrading/Changing Technology Solutions for Retail CRM/Marketing

As expected, a good 88% of the retailers surveyed mentioned that they are proactive in upgrading or changing their deployed technology when it comes to customer relationship management or marketing. Meanwhile about 12% of the companies surveyed mentioned that they don't do the same.

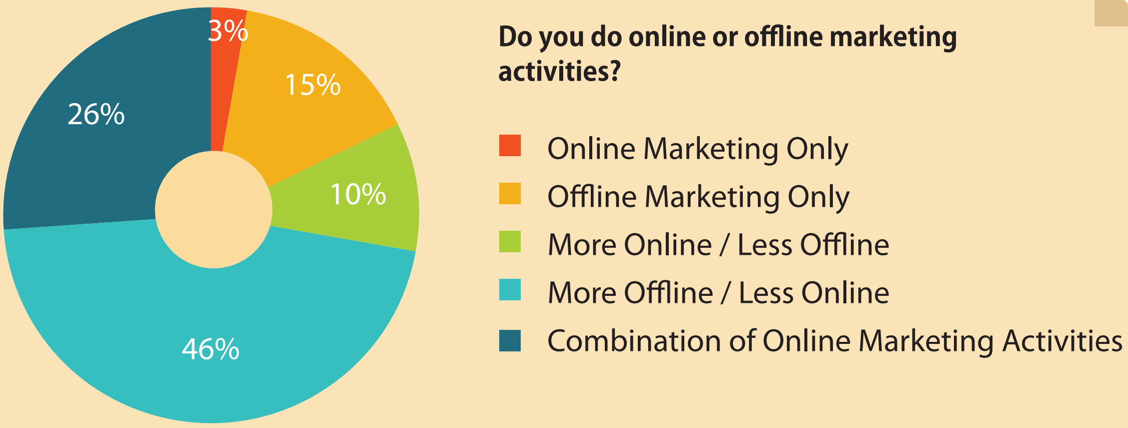



On further analysis, we also see an interesting variation between online and offline retailers as seen below:

**Online vs. Offline Split**

# 6. Online Marketing vs. Offline Marketing

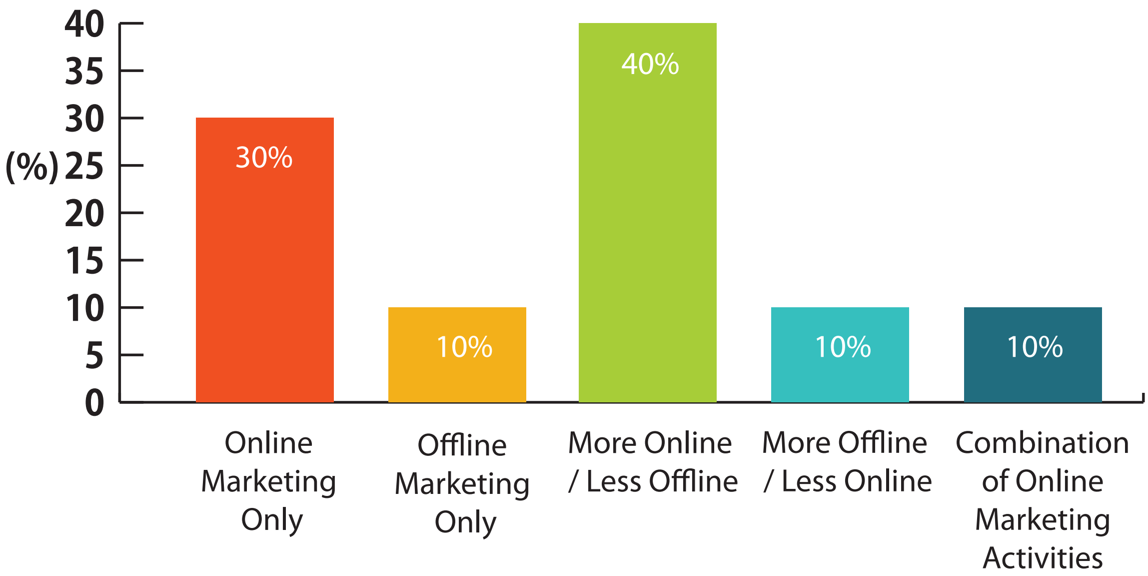
More than half (56%) of the retailers that took part in the survey revealed that they use a combination of offline and online marketing activities. But on further analysis, we see that out of that, the bulk is made up of retailers that favour more offline and less online (at 46%) as opposed to retailers who do more online and less offline (10% of total respondents). About 26% of all companies are using multiple online channels for marketing. About 15% of the total respondents indicated doing offline activities exclusively while a low 3% mentioned doing online activities exclusively.




SAMPLE SIZE: 110 ONLINE & OFFLINE RETAILERS IN INDIA SOURCE: RAI-OCTANE INDIA RETAIL E-MARKETING STUDY 2013

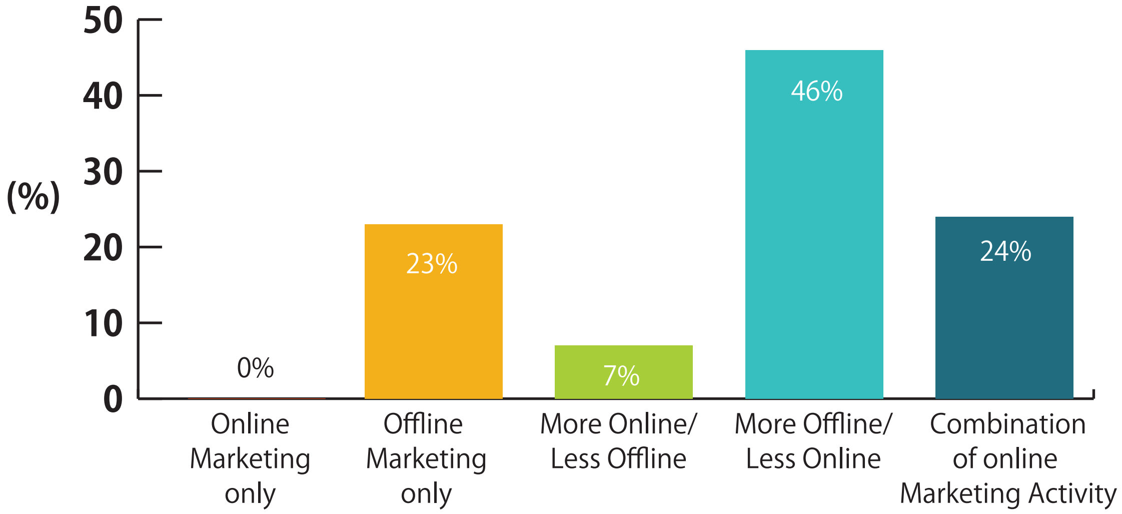
When we split the data based on type of retailer (e-Commerce or brick and mortar stores), we see that online retailers are very bullish on online marketing (e-Marketing including email, social and mobile) with 30% of them using that method exclusively. They do however also dabble substantially in offline activities like events, on ground promotions etc. as well with about 60% mentioning that they do some sort of offline marketing activity in addition to their online efforts.

**Online Retailers (e-Commerce)**



Perhaps not surprisingly, brick and mortar retailers are similarly bullish on offline activities. According to the data, almost 69% of the offline retail respondents said that they either use offline marketing only (23%) or use more offline and less online when marketing (46%). About a quarter of all companies in this group (24%) said that they use a combination of online marketing activities while a low 7% of them stated that they use more online and less offline.

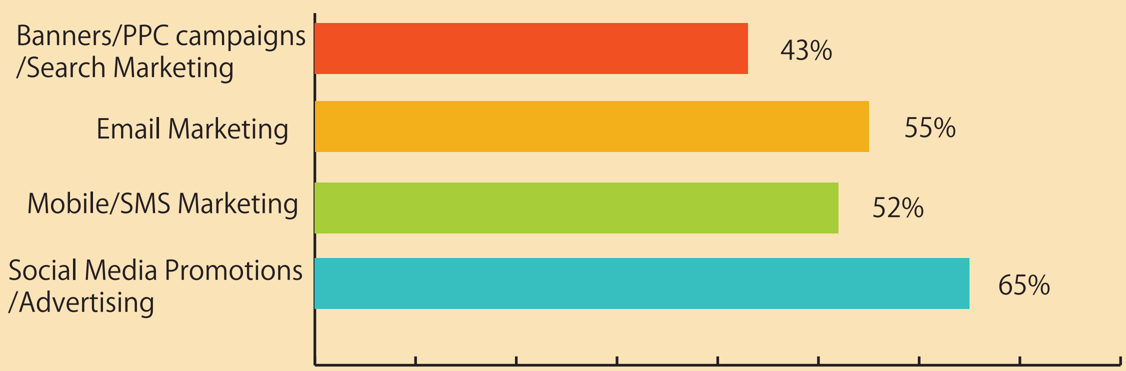
**Offline Retailers (Brick & Mortar Stores)**




# 7. A Closer Look at Online Marketing Initiatives

In terms of online marketing strategies employed by companies today, we see that almost 65% of our respondents are actively engaged in social media promotions or advertising. Clearly social media continues to surge ahead but that doesn't mean it's at the expense of other online channels. Email Marketing and Mobile/SMS Marketing continue to be popular (at 55% and 52% respectively) with retailers actively using them in their marketing mix. About 42% of the survey respondents also indicated that they are employing Search Marketing, Banner Ads or PPC Campaigns. It is clear therefore, that retailers are trying out all channels to see what works best for them. The relatively lower costs, expansive reach and great tracking tools of these channels enable quick decision making when it comes to choosing the right activity for a marketing campaign.

**Which of the following online marketing activities are employed by you?**

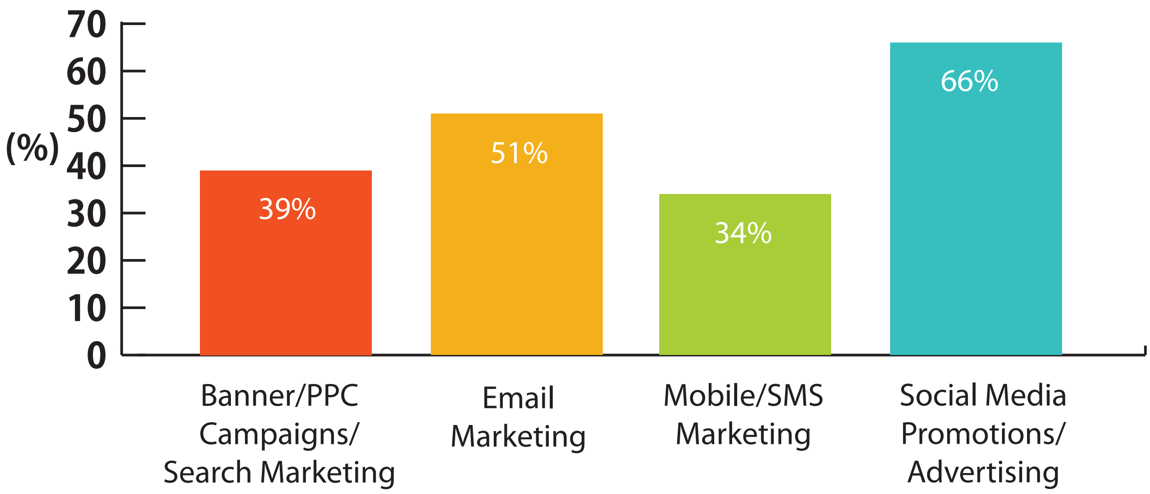



SAMPLE SIZE: 110 ONLINE & OFFLINE RETAILERS IN INDIA

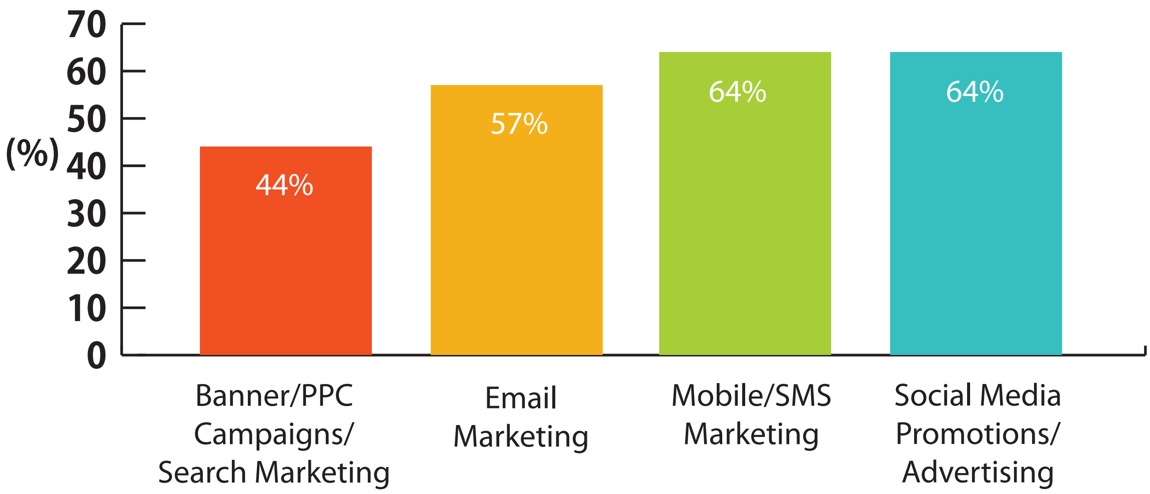
SOURCE: RAI-OCTANE INDIA RETAIL E-MARKETING STUDY 2013

Further, when we break down the data in terms of single brand and multi-brand retailers, we see a slight variation in the responses.  Single brand retailers are using Social Media and Email Marketing more heavily (at 66% & 52% respectively) than Mobile/SMS Marketing or Banner/PPC/Search Marketing (at 34% & 39% respectively). At the same time, for multi-brand retailers, the data suggests that they are using all channels more or less equally (64% for both Social Media and Mobile/SMS Marketing, 57% for Email Marketing and about 44% for Banner/PPC/Search Marketing).

**Single Brand Retailers**

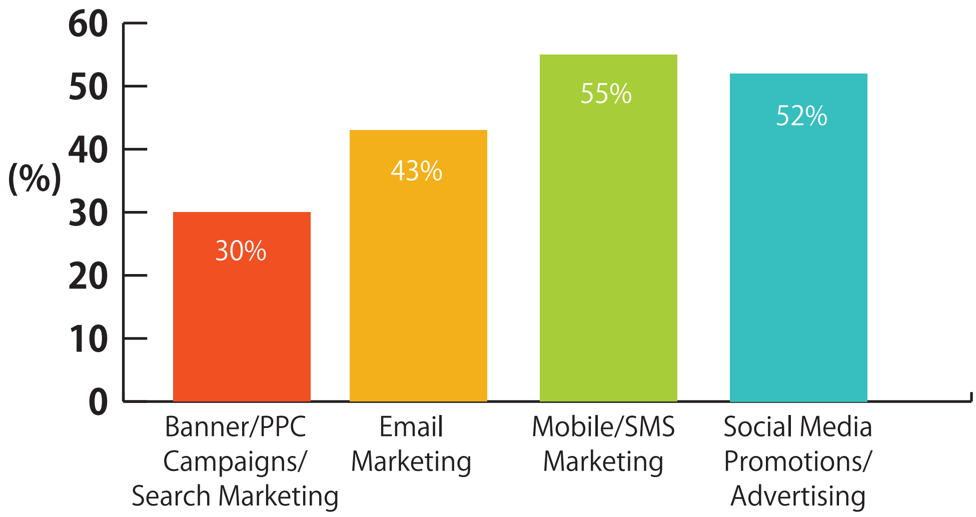



**Multi-Brand Retailers**

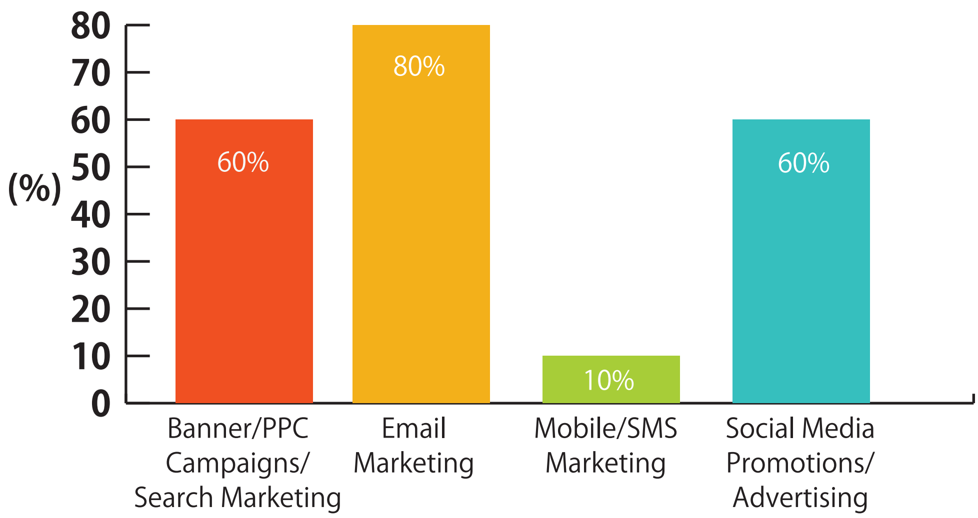



Interestingly, there also exists a pronounced disparity in the utilisation of Email and Mobile Marketing between online and offline retailers. About 55% of brick and mortar retailers are using Mobile as a channel while only 10% of the e-Commerce companies are doing the same. At the same time, less than half (at 43%) of offline retailers are using Email Marketing while a massive (almost double at 80%) of online retailers are doing the same. Clearly there seems to be different comfort zones for online and offline retail marketers when it comes to email and mobile.

**Offline Retailers (Brick and Mortar Stores)**



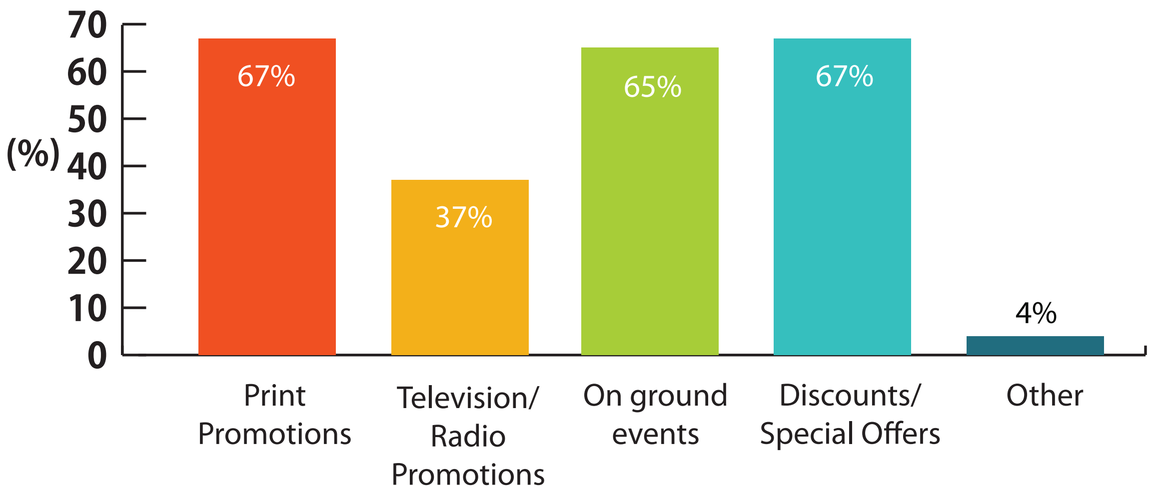

**Online Retailers (e-Commerce)**




## 8. A Closer Look at Offline Marketing Initiatives

Looking at the type of offline marketing activities employed by retailers, we see that it's a more level playing field. 67% of our respondents indicated that print promotions and discounts or special offers are at the top of their list while a slightly lower 65% shared that they organise on ground marketing events. Only 37% of all respondents revealed that they do television or radio promotions as a part of their marketing activities.

**Which of the following offline marketing activities are employed by you?**

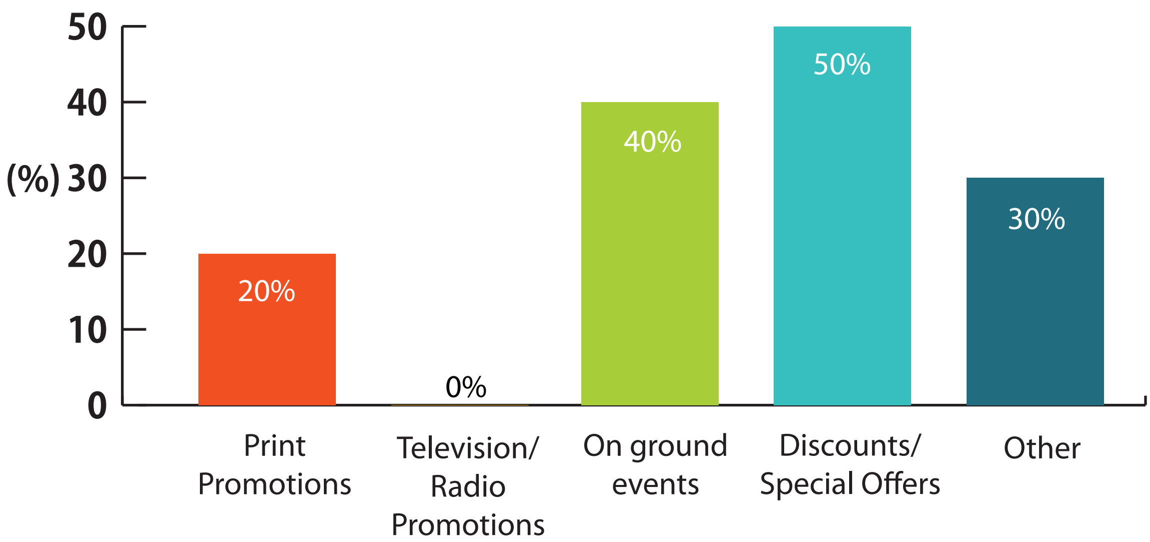



SAMPLE SIZE: 110 ONLINE & OFFLINE RETAILERS IN INDIA

SOURCE: RAI-OCTANE INDIA RETAIL E-MARKETING STUDY 2013

This trend holds firm even when we do a multi-brand/single brand retailer split as well as for pure offline retailers. On the other hand, the activities for online retailers vary a bit. While half of all them (at 50%) shared that they do offline discounts and special offers about 40% even do on ground events to engage with their customers.  Surprisingly though, not one respondent from the research sample opted for TV/radio advertising in any capacity. If TV/Radio was losing ground in the larger picture, it's certainly lost this battle already with digital marketers.

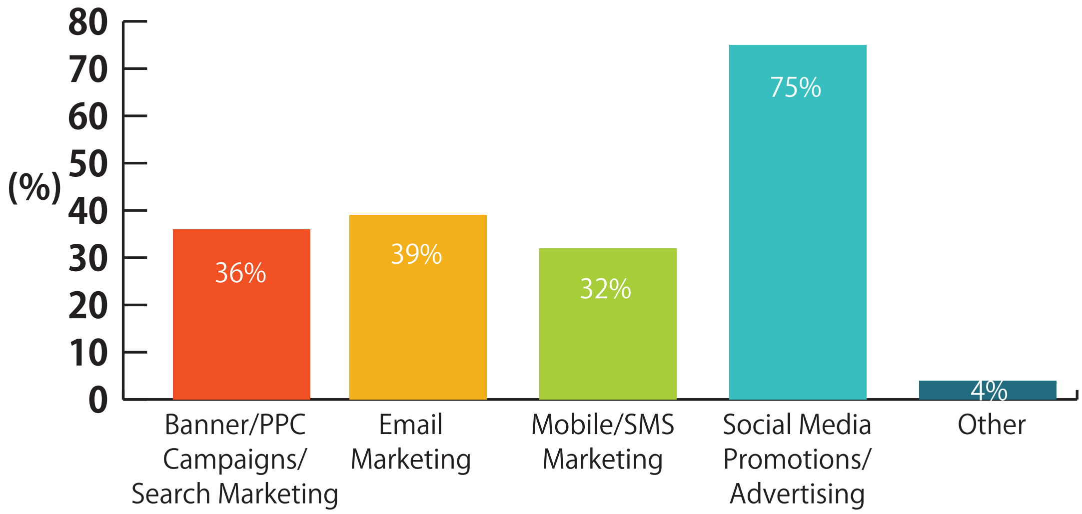
**Online Retailers (e-Commerce)**




## 9. Online Marketing Investments

With regards to investments in online marketing for the upcoming financial year, the results were a little skewed in favour of social media promotions with 75% of the respondents indicating increasing use of the same. Simultaneously, when looking at the aggregate picture for investments, we see that all other forms of online marketing share similar numbers with roughly one-third of the survey participants opting for each of them (39% for Email Marketing, 36% for Banner/PPC/Search Marketing and about 32% for Mobile/SMS Marketing).

**Which of the following online activities will see an increase in marketing investment by your company in this financial year?**

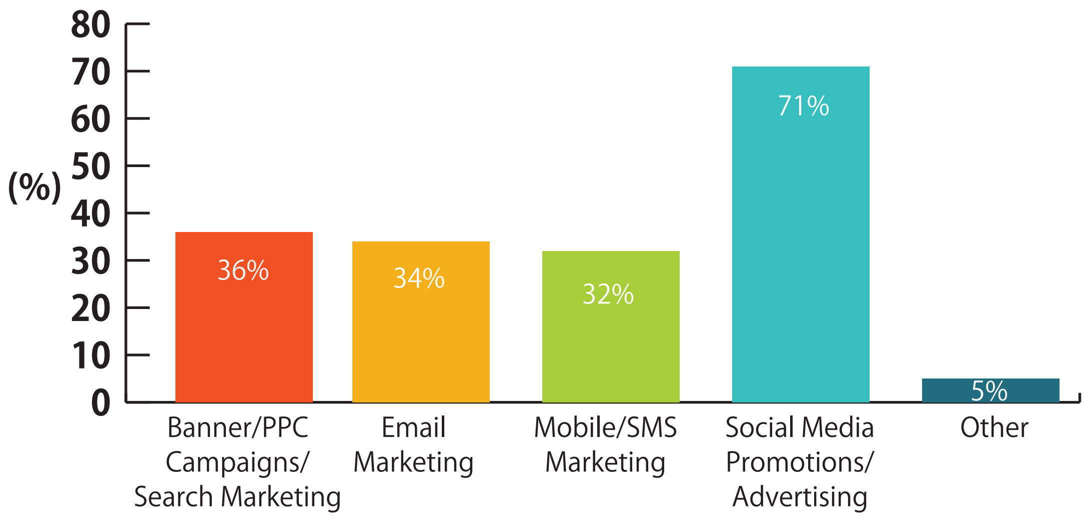



SAMPLE SIZE: 110 ONLINE & OFFLINE RETAILERS IN INDIA

SOURCE: RAI-OCTANE INDIA RETAIL E-MARKETING STUDY 2013

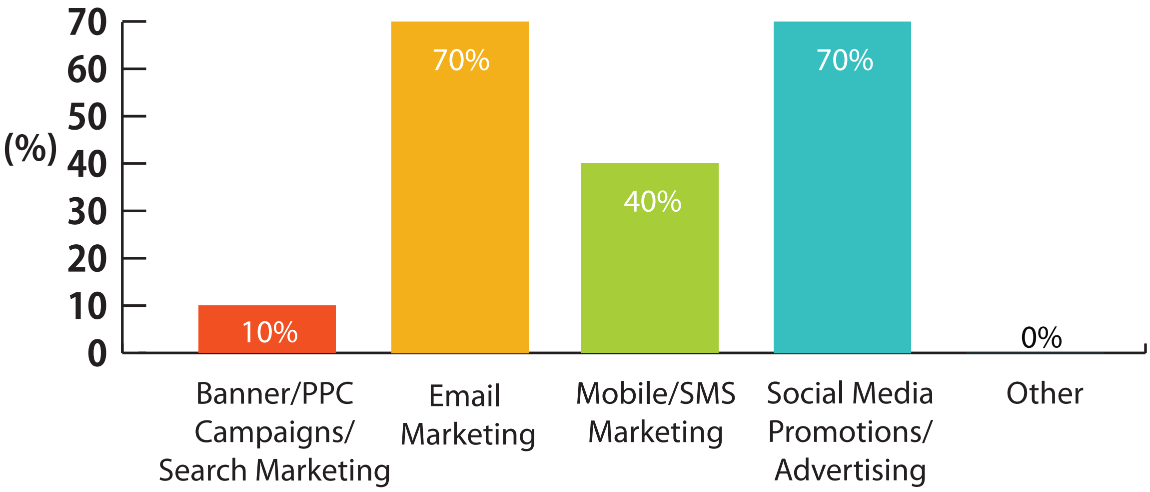
When looking at the data for offline retailers in isolation, we see that the results follow the trend of the overall data in general with minute variations.

**Offline Retailers (Brick & Mortar Stores)**




At the same time, when looking at the data from online retailers in isolation, what stood out was a two-horse race between Email Marketing and Social Media. While 70% of the respondents opted for Social Media as a channel for their investments, an equal number (again at 70%) chose Email Marketing as a channel for continued investment. PPC/Banners/Search Marketing was found to have surprisingly low uptake with only 10% of the respondents choosing it. The one-time torch-bearer of digital marketing has decidedly made way for newer guns.

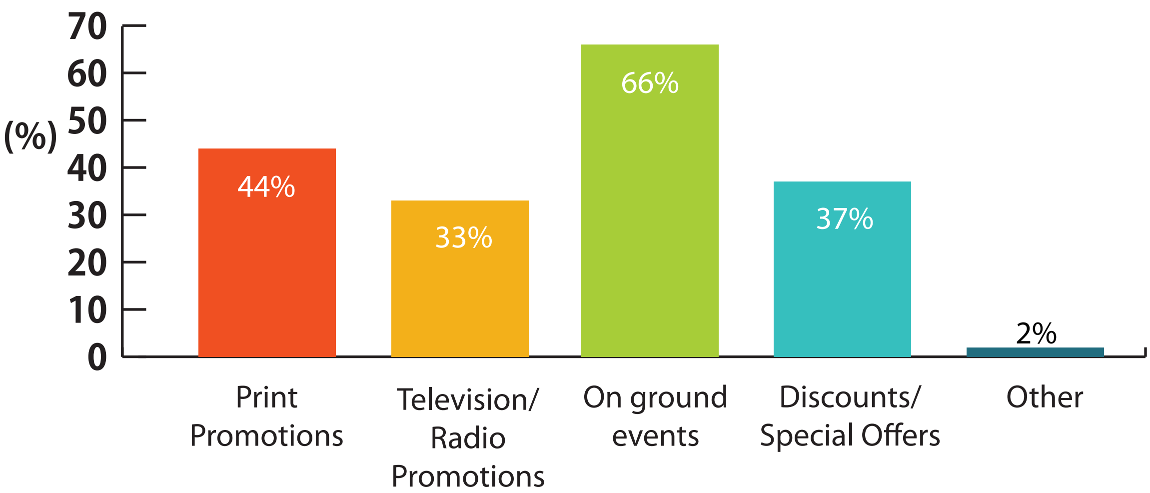
**Online Retailers (e-Commerce)**




# 10. Offline Marketing Investments

Looking at the offline marketing investments of retailers, our study revealed that a heavy majority of them (at 66%) favour investment in on ground events. This is perhaps unsurprising considering how much retailers value face time with their customers and potential customers. At the same time, print promotions showed strong figures with 44% of the respondents advocating greater investment for it in this financial year. TV/Radio promotions were the choice for 33% of the retailers while discounts and special offers were chosen by about 37% of the respondents. This breakdown trend didn't vary across retail categories when analysing data in the context of multi/single brand retailers or online/offline retailers.

**Which of the following offline activities will see an increase in marketing investment by your company in this financial year?**




SAMPLE SIZE: 110 ONLINE & OFFLINE RETAILERS IN INDIA

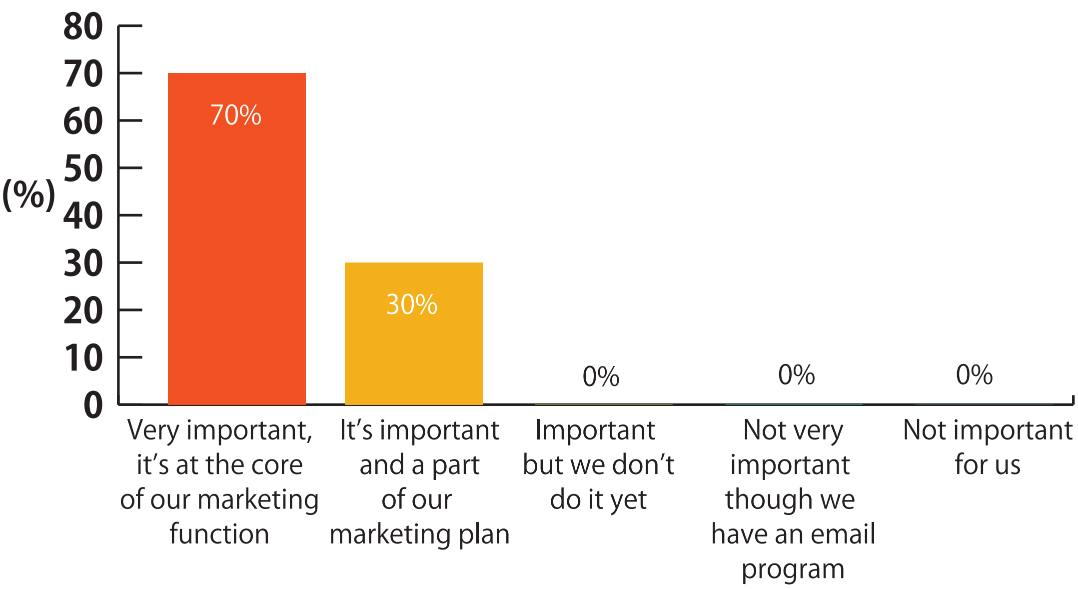
SOURCE: RAI-OCTANE INDIA RETAIL E-MARKETING STUDY 2013

## 11. The Importance of Email Marketing

A solid 66% of the total retailers surveyed revealed that email marketing is important for them and they are actively using it as a channel for customer engagement. At the same time, about 23% stated that while they feel email marketing is important, they are currently not using it. A low 11% of retail marketers feel that email marketing is not important for their companies (even though 5% of them are using it).

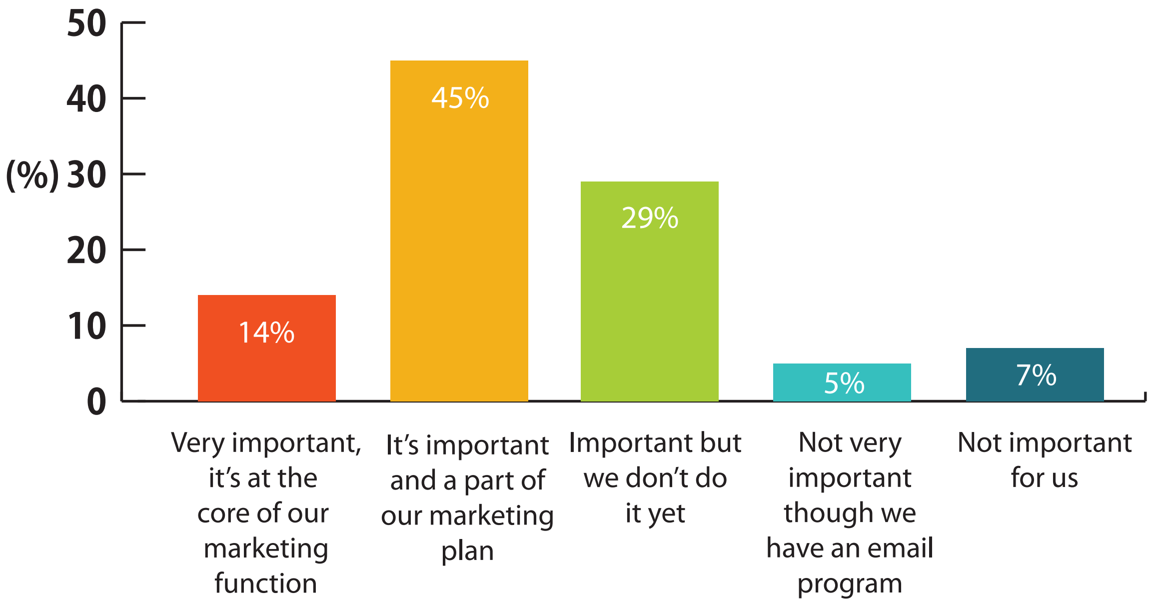

Even on segregation of the data to study groups of interest, it was found that email marketing was of immense priority across the board with multi-brand/single brand and offline retailers. As it can be seen below, all online retailers (100%) consider email marketing to be important and are deploying it heavily in their marketing mix. This is in line with our previous findings putting email marketing on equal footing with social media promotions for e-Commerce companies.

**Online Retailers (e-Commerce)**



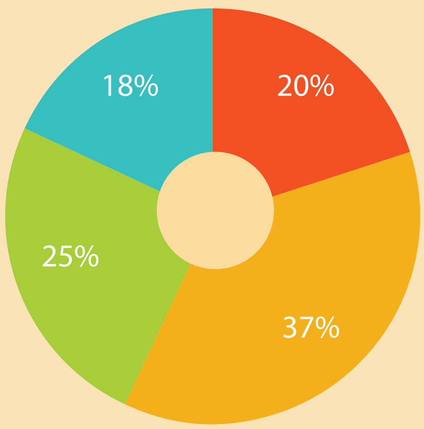
At the same time, about 41% of all offline retailers surveyed don't consider email marketing a priority. This is a rather surprising figure considering the vast reach, low cost and high level of response tracking for this channel. Clearly there is scope for traditional retailers to try out a new medium for engagement like their e-Commerce counterparts.

**Offline Retailers (Brick & Mortar Stores)**




# 12. Importance of Mobile to Marketing Plans

Mobile marketing as a marketing platform is faring well with 20% of the respondents stating it to be vital to their marketing plans and a further 37% deeming it to be important and soon to be leveraged. A quarter of the retailers (at 25%) revealed that it is a part of their strategy while a total of 18% said it is not important for them right now. This is in line with our expectations (especially for SMS based campaigns) as regulations by TRAI over the past year to combat the menace of spam have capped the number of SMS that can be sent by marketers.




**How important is mobile (Smartphones/ Tablets/Apps) to your sales & marketing plans?**

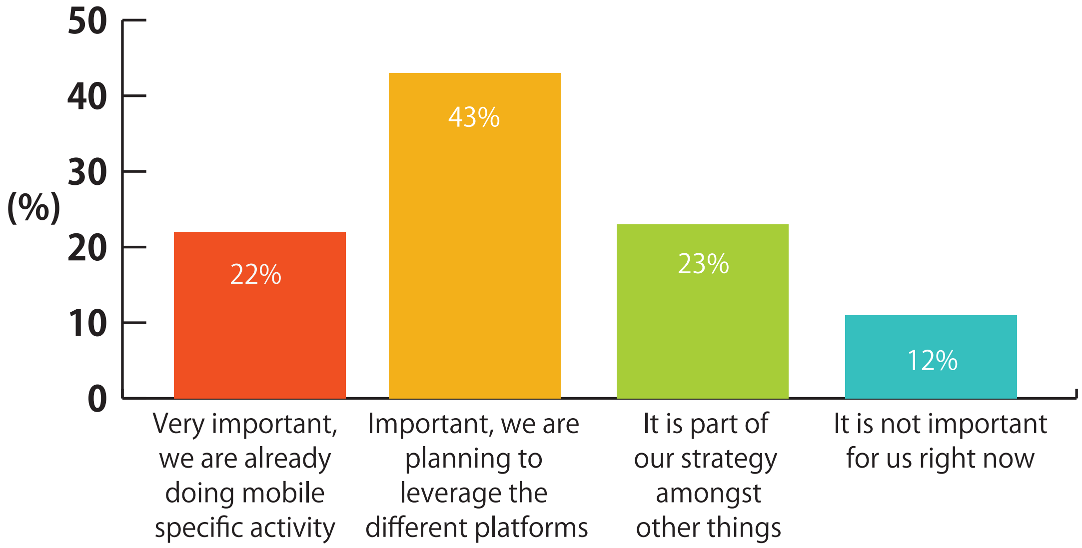
- Very important, we are already doing mobile specific activities
- Important, we are planning to leverage the different platforms
- It is part of our strategy amongst other things
- It is not important for us right now

SAMPLE SIZE: 110 ONLINE & OFFLINE RETAILERS IN INDIA

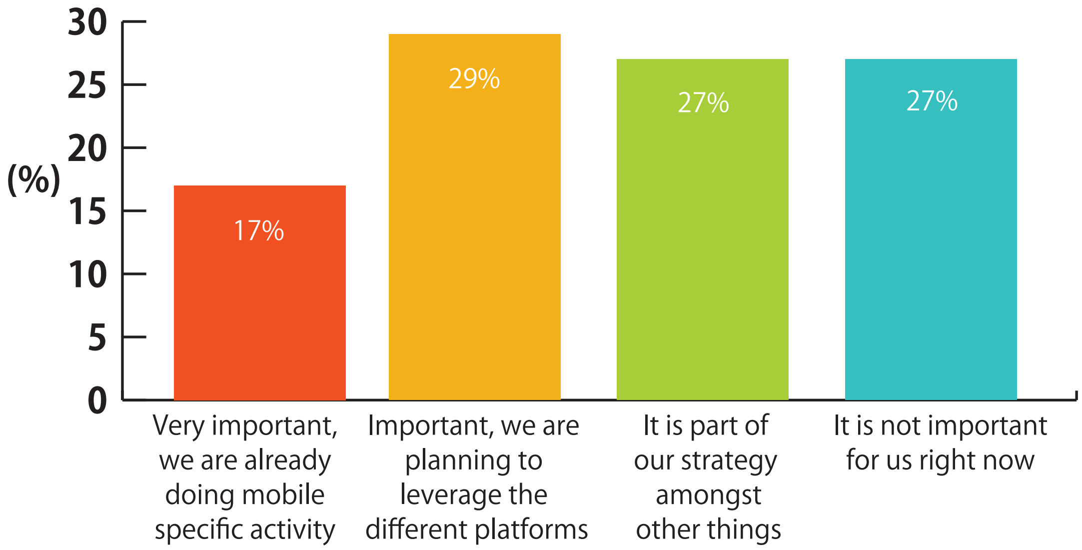
SOURCE: RAI-OCTANE INDIA RETAIL E-MARKETING STUDY 2013

Multi-brand retailers showed a particular affinity for mobile marketing as shown below. In all, nearly two-thirds of multi-brand retailers surveyed (at 65%) revealed that marketing over mobile is a high priority for them while a healthy 23% declared it to be a part of their marketing strategy besides other things. Only 12% of all multi-brand retailers stated that Mobile Marketing is not important for them. In the case of single brand retailers, slightly more than a quarter of them (at 27%) said that Mobile Marketing is not important for them at this time (in percentage points, this is more than double of the number of multi-brand retailers).

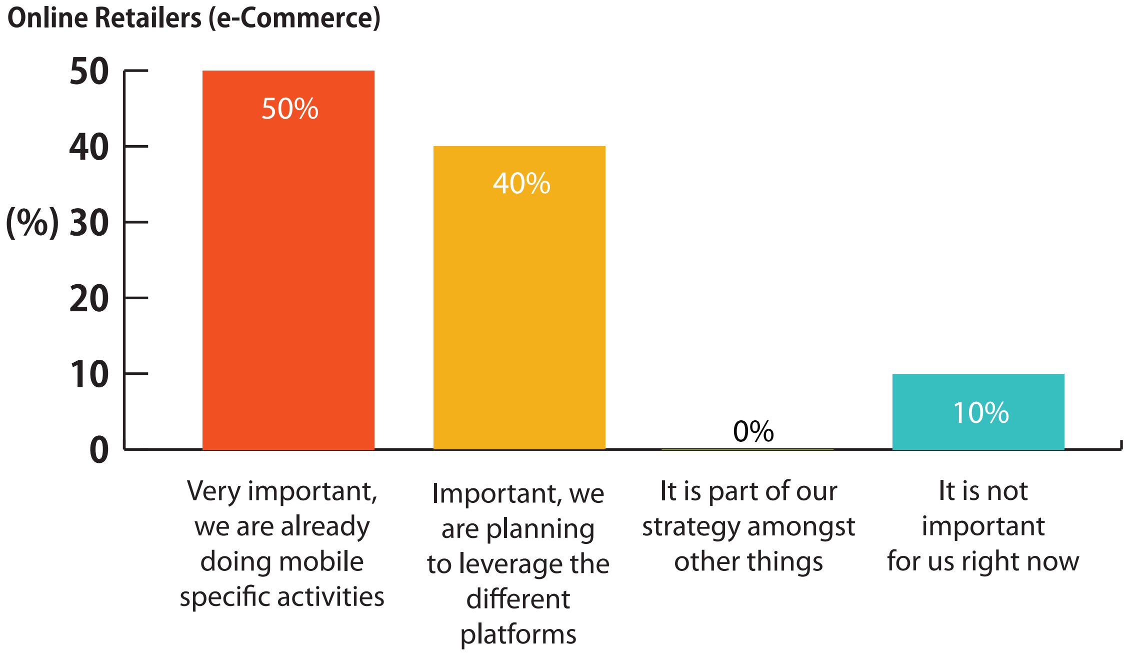
**Multi-brand Retailers**




**Single Brand Retailers**

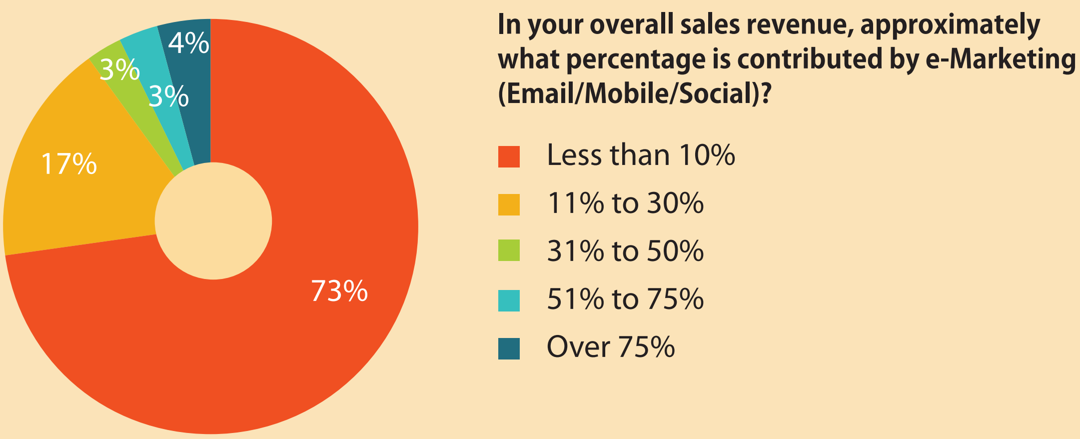



Online marketers quite expectedly value mobile marketing greatly with only 10% of the survey participants choosing to ignore the medium for the moment. A striking 50% of respondents from the online retailer space claimed they found mobile marketing crucial to realising their marketing goals while the remaining 40% found it to be important to them and are planning to leverage the channel in the near future.




## 13. Contribution of e-Marketing Towards Revenue

As expected, the potential of e-Marketing's contribution towards the revenue figures of Indian retail is largely untapped and the figures reflect that. Nearly three-quarters (73%) of our surveyed retailers stated that e-Marketing accounts for only up to 10% of their total revenue. A much smaller group at 17% shared that for them, e-Marketing activities contribute from 11% to 30% of their revenue while an even lower 3% stated revenue contribution to be between 31%-50%. About 7% of all retailers surveyed revealed that for them, e-Marketing contributes over 50% of their total sales revenue.



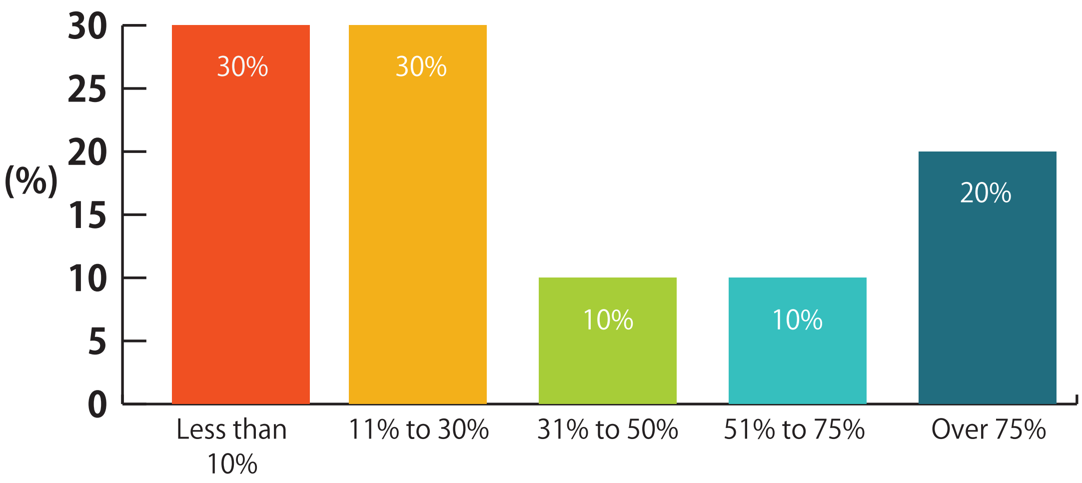

SAMPLE SIZE: 110 ONLINE & OFFLINE RETAILERS IN INDIA

SOURCE: RAI-OCTANE INDIA RETAIL E-MARKETING STUDY 2013

It was interesting for us to look at how e-Marketing was being utilised by online retailers in their efforts. A relatively large group (at 20% - a fifth of all online retailers surveyed) shared that e-Marketing was responsible for over 75% of their revenues. At the same time, a larger group (at 30%) declared that 11% to 30% of their sales revenue was coming due to their e-Marketing efforts while 20% of the respondents find themselves in the comfortable zone of 31% to 75% of sales revenue coming in as a the result of e-Marketing.

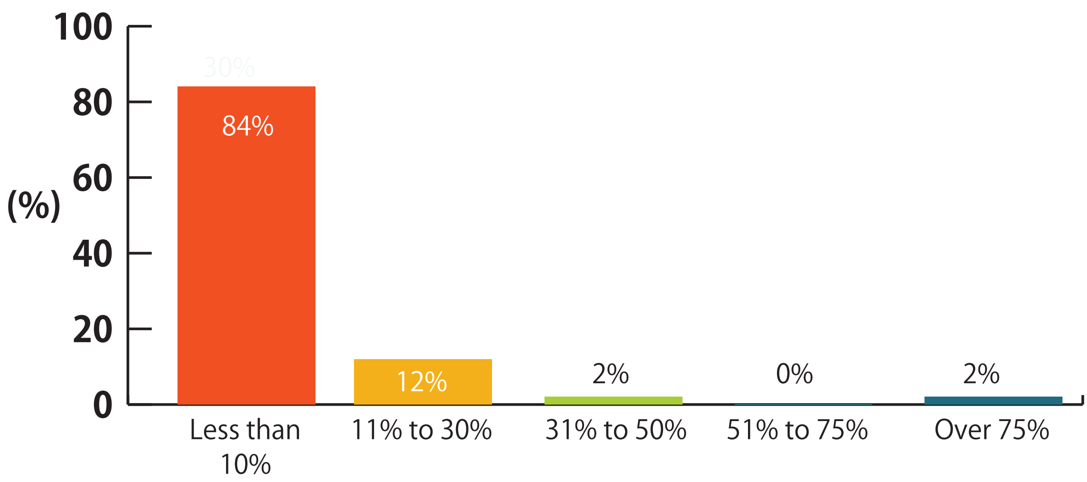
These numbers don't take away from the fact that 30% of online retailers are still struggling to effectively deploy e-Marketing as a force multiplier and see only 10% of their total sales revenue contributed by it.

**Online Retailers (e-Commerce)**



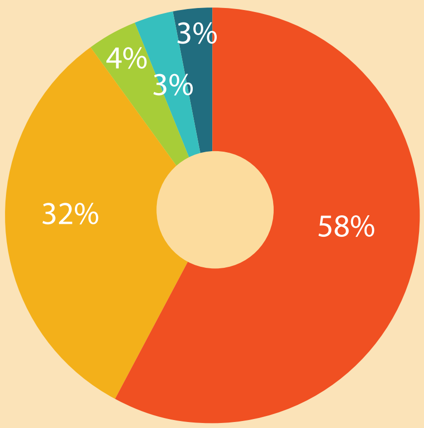

Things are very different when we segment the data for offline retailers. We see that a vast majority of them (at a massive 84%) get only up to 10% of the sales revenue from e-Marketing activities. A much smaller group (at 12%) selected the 11% to 30% contribution range while less than 2% of offline retailers surveyed chose the 31% to 50% and the over 75% revenue contribution ranges each. This seems to be in line with the expectations set by the data we saw earlier wherein brick and mortar retailers were revealed to be more proactive with offline marketing activities. Therefore, as it can be seen here, there seems to be an immense scope for e-Marketing led revenue growth for offline retailers in India.

**Offline Retailers (Brick & Mortar Stores)**



# 14. Budget Allocation for Online Marketing Activities

When we asked our survey respondents about their marketing budget allocation towards online marketing activities, a majority of retail marketers (at 58%) stated that they have allocated less than 10% of their total marketing budget towards the same. At the same time however, almost a third of all retailers (at 32%) revealed that up to 30% of their marketing budget is earmarked for online initiatives. Only 10% of the retail companies from the survey pool indicated that their online activities would benefit from more than 30% of marketing budget allocation.



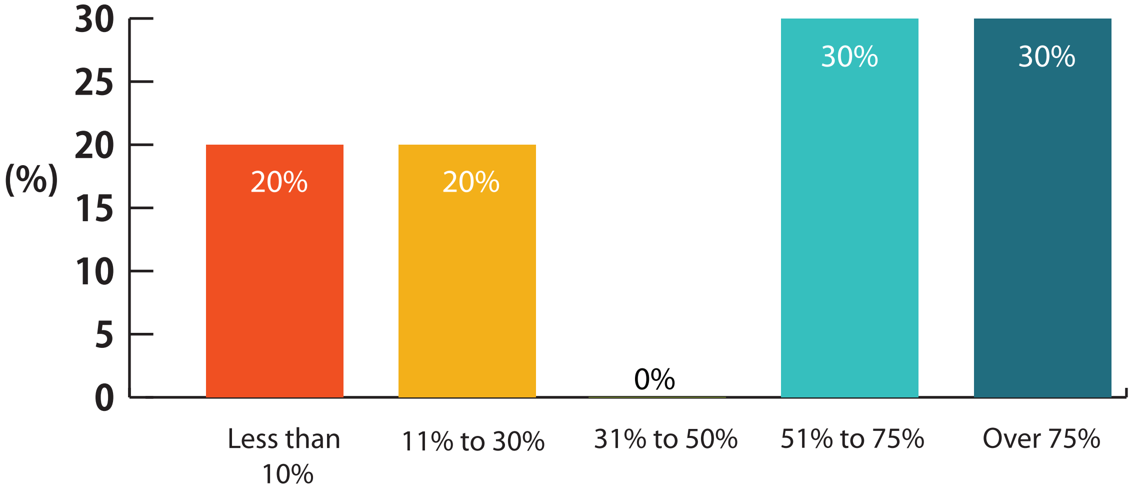

**For this financial year, approximately what percentage of the marketing budget is allocated to online marketing activities?**

SAMPLE SIZE: 110 ONLINE & OFFLINE RETAILERS IN INDIA

SOURCE: RAI-OCTANE INDIA RETAIL E-MARKETING STUDY 2013

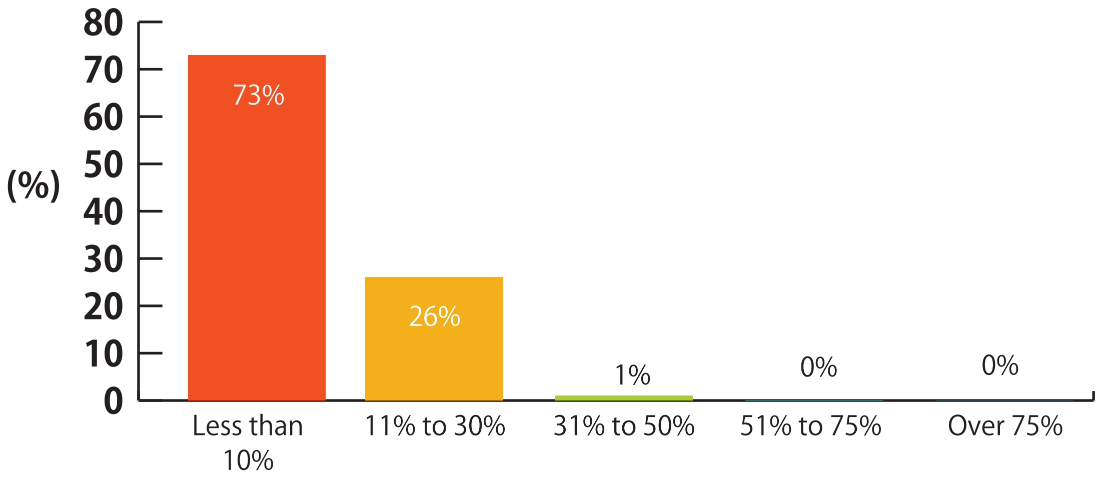
As it can be seen in the graph below, online retailers are largely responsible for the traction observed in high budgetary allocations for online marketing with 60% of them allocating more than 50% of their total marketing budgets for online marketing.

**Online Retailers (e-Commerce)**



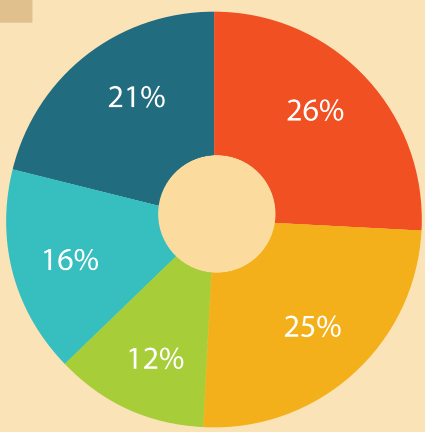

On the opposite end, when looking at the data segmented for offline retailers, we see that a vast majority of them (at about 73%) are allocating only up to 10% of their total marketing budgets for online activities while a little more than a quarter of the total respondents (at 26%) are allocating between 11% to 30% towards the same.

**Offline Retailers (Brick & Mortar Stores)**




## 15. Budget Allocation for Offline Marketing Activities

Looking at the marketing budget allocations when it comes to offline activities, we see that the division between the different ranges is more or less uniform across retailers. 26% of the survey respondents revealed that they would not spend in excess of 10% of the marketing budget towards offline marketing while at the same time, a little more than a fifth of participants (at 21%), asserted that they would be focusing heavily on offline marketing with investments exceeding 75% of the total marketing budget. About 25% of retailers expressed a growing interest in offline activities with 11% to 30% of their budgets being assigned to the same. A combined 28%, representing the remaining respondents selected the budget allocation ranges between 31% to 75% of their marketing budgets.




**For this financial year, approximately what percentage of the marketing budget is allocated to offline marketing activities?**

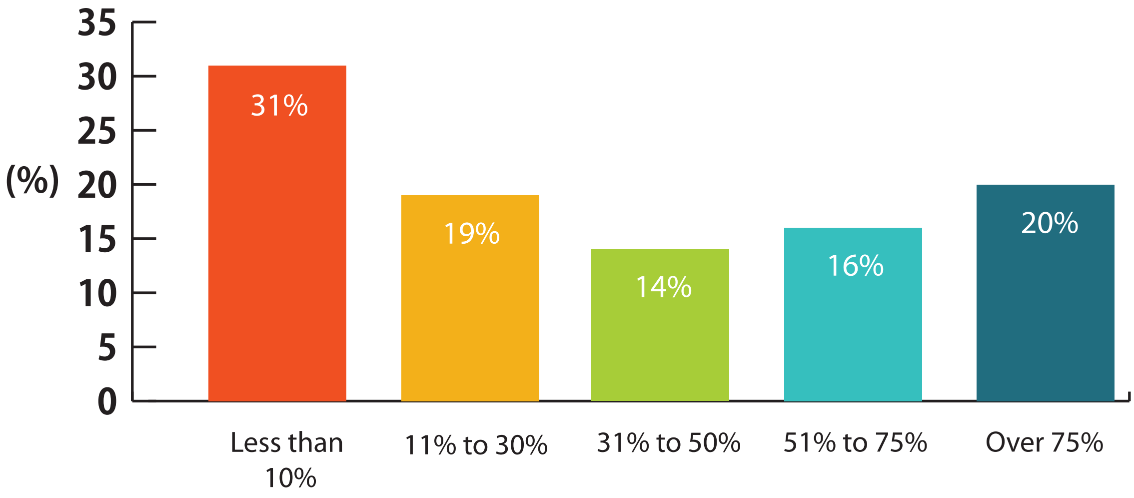
- Less than 10%
- 11% to 30%
- 31% to 50%
- 51% to 75%
- Over 75%

SAMPLE SIZE: 110 ONLINE & OFFLINE RETAILERS IN INDIA

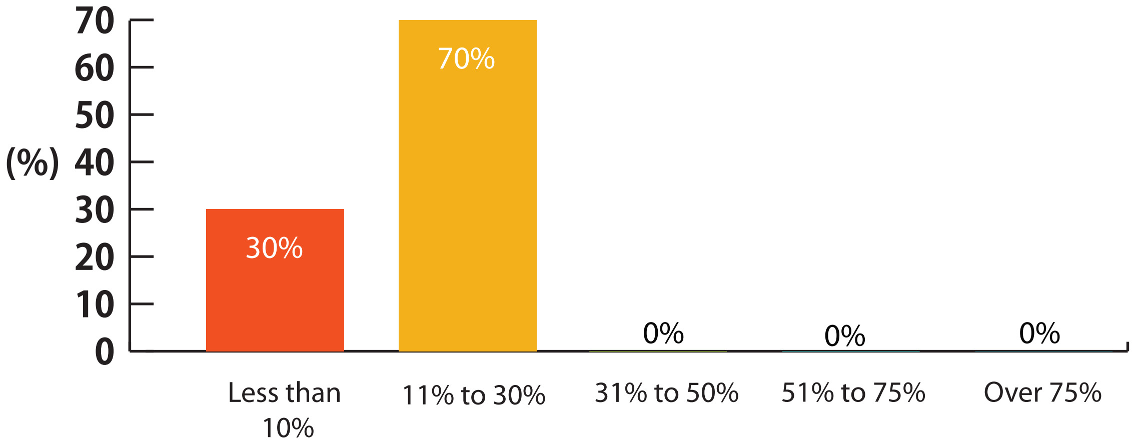
SOURCE: RAI-OCTANE INDIA RETAIL E-MARKETING STUDY 2013

Further detailed analysis of offline and online retailers shows us that while offline retailers are more comfortable with offline marketing (and are thus investing more towards those activities), online retailers are still heavily biased towards online initiatives with almost all of them allocating only up to 30% of their total marketing budgets towards offline marketing.

**Offline Retailers (Brick & Mortar Stores)**

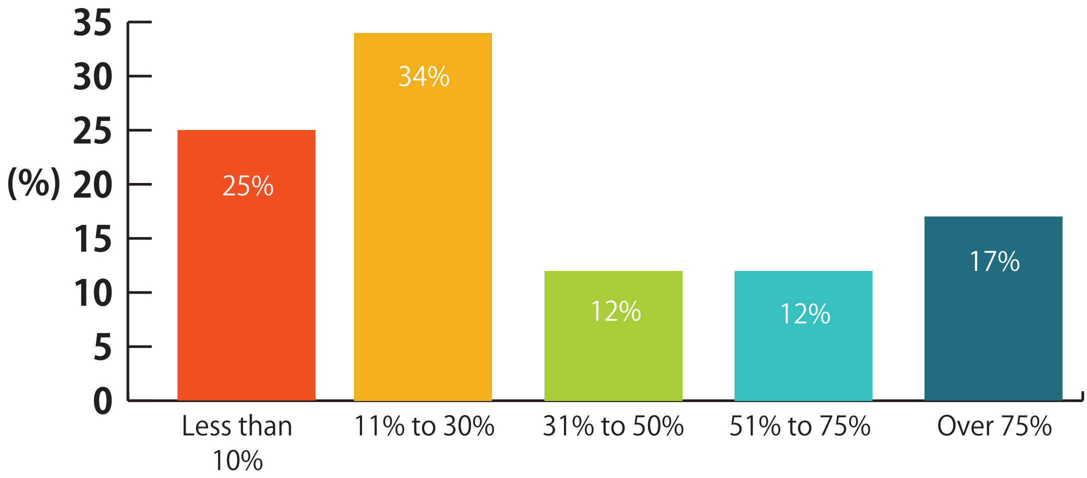



**Online Retailers (e-Commerce)**

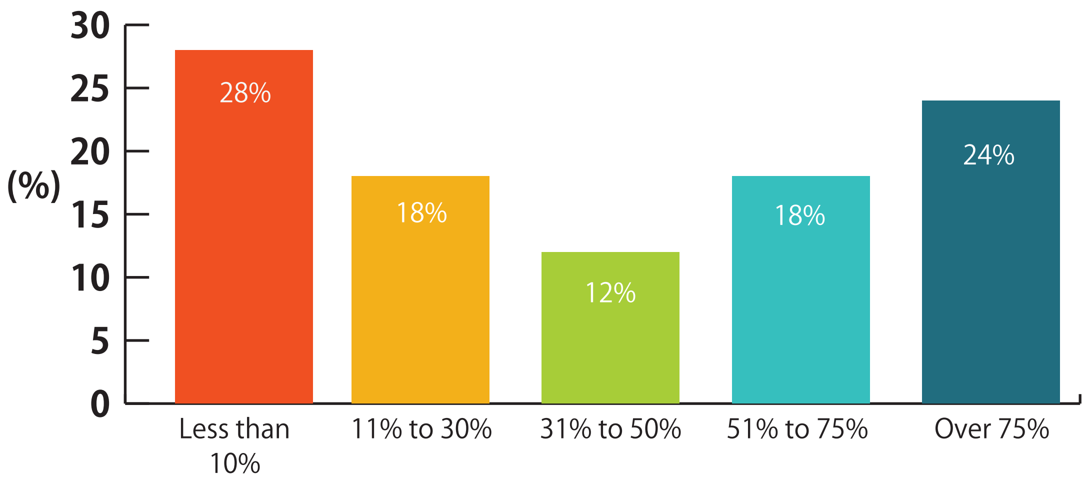



Data analysed after segmenting single brand and multi-brand retailers shows us that when it comes to offline marketing activities, multi-brand retailers are investing more of their marketing budgets towards offline than single brand retailers. While only 29% of single brand retailers have allocated more than 50% of their marketing budgets for offline activities, 42% of multi-brand retailers are doing the same.

Single Brand Retailers

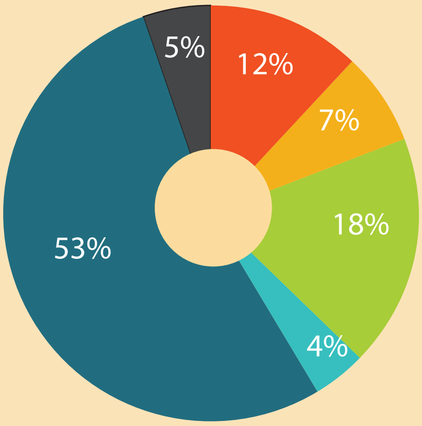



Multi-brand Retailers




## 16. Customer Engagement in the Retail Industry

Our research shows that retailers deploy a good selection of online and offline marketing initiatives to maximise their engagement with their customers. Leading by a long margin, sales and special offers were selected by more than half of the respondents (at 53%) as being responsible for maximum customer engagement. E-marketing channels led by social media and email come in at the second and third spots with a combined 30% of retailers choosing them for customer engagement. Mobile marketing and TV/Radio promotions were the choice of only 11% of the survey participants (at 7% and 4% respectively).




**Where do you get maximum customer engagement from?**

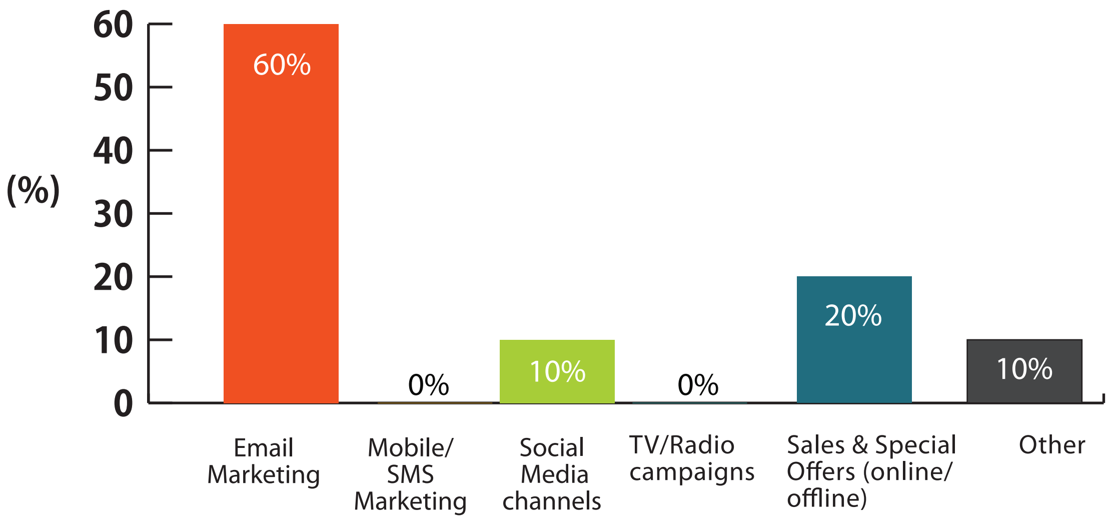
- Email Marketing
- Mobile/SMS Marketing
- Social Media channels
- TV/Radio campaigns
- Sales & Special Offers (online/offline)
- Other

SAMPLE SIZE: 110 ONLINE & OFFLINE RETAILERS IN INDIA

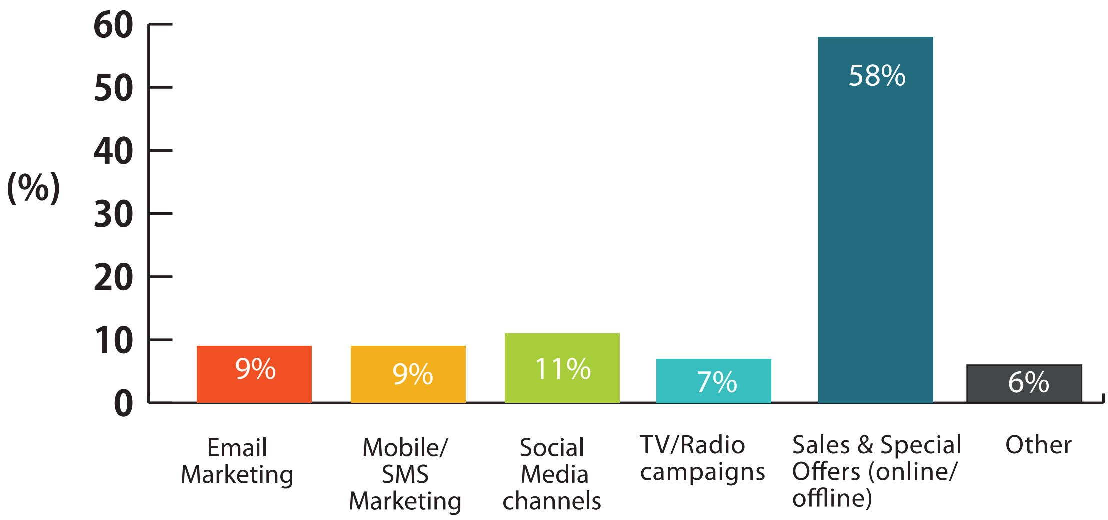
SOURCE: RAI-OCTANE INDIA RETAIL E-MARKETING STUDY 2013

Interesting results are obtained further still by means of splitting the data on the basis of offline and online retail operations. We see that a majority of e-Commerce companies (at 60%) prefer email marketing (as compared to only 10% for social media) as their primary mode of customer engagement. At the same time, only 9% of the traditional retailers from the offline space selected the same option. Instead they seem to favour offline sales and special offers more (at 58% of total respondents) for customer engagement.

**Online Retailers (e-Commerce)**



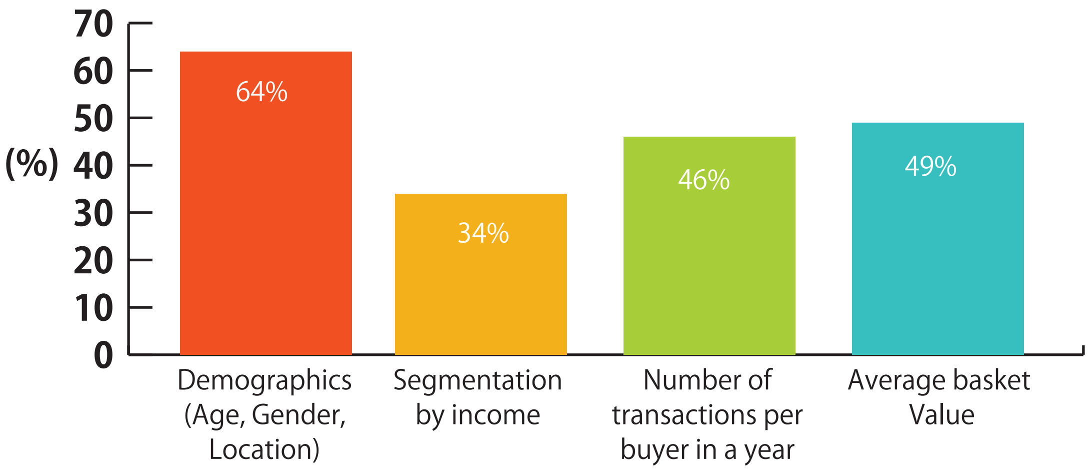

**Offline Retailers (Brick & Mortar Stores)**



# 17. Using Metrics to Understand the Customer Base

Customer engagement can be enhanced substantially if retailers know a little bit about their customer base. Therefore, we collected data pertaining to the preferred analytic metrics of Indian retailers to understand and analyse their customer segmentation activities. Studying consumer demographics was the popular choice with 64% of all participating retailers choosing it as their top option. Slightly less than half our respondents also favoured studying the number of transactions per year per buyer and the average basket value (at 46% and 49% of respondents respectively). Studying the consumer base on the basis of segmentation by income was the least popular option selected by about 34% of retailers.

**Which of the following metrics do you use to understand your consumer base?**

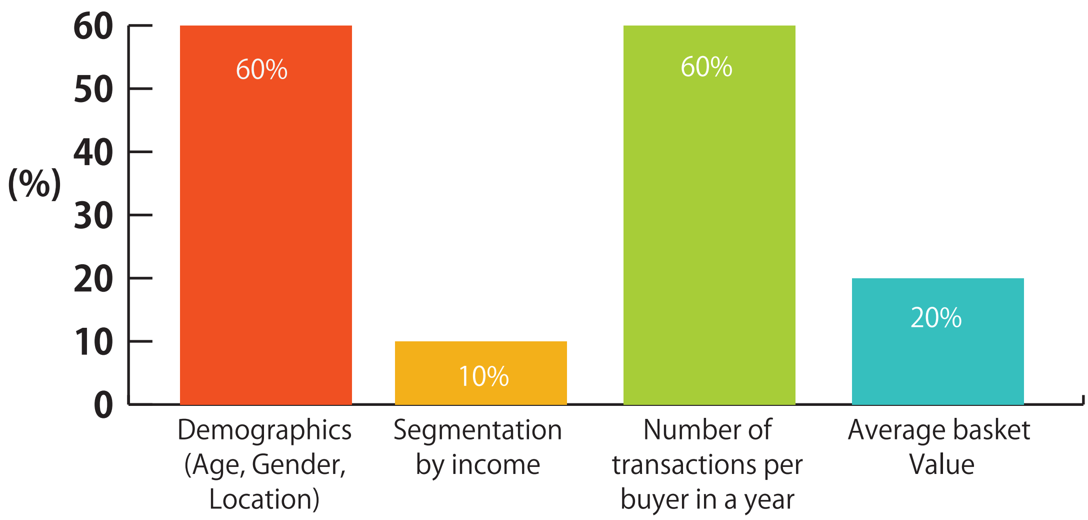



SAMPLE SIZE: 110 ONLINE & OFFLINE RETAILERS IN INDIA

SOURCE: RAI-OCTANE INDIA RETAIL E-MARKETING STUDY 2013

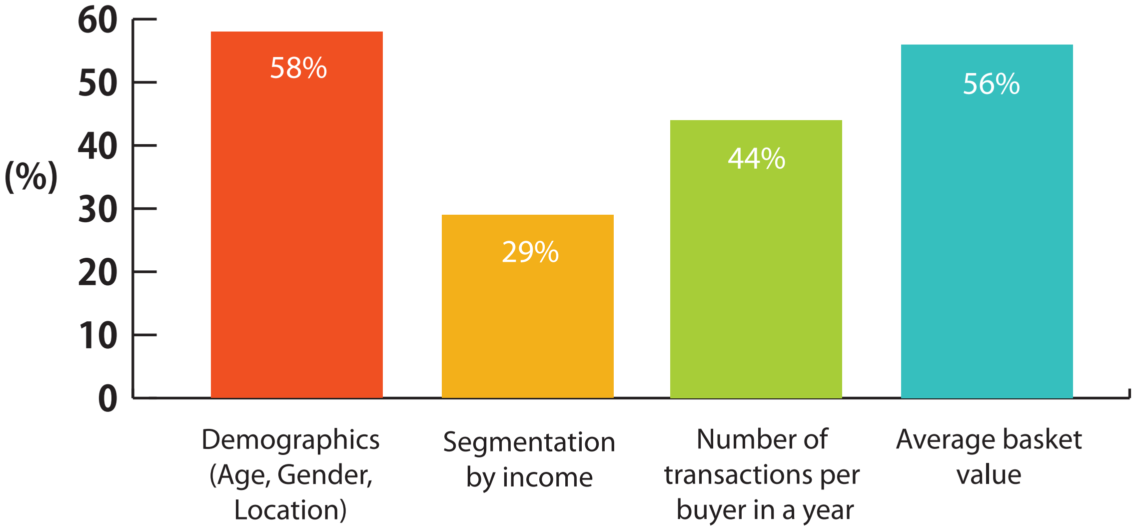
We believe that while using demographics at initial stages to understand customer preferences is good, thereafter it becomes imperative to move to other parameters like number of transactions per year and average basket value to enhance customer retention. Online retailers have exploited this fact in their evaluation of their consumer base. Thus we see that e-Commerce retailers accord equal importance to demographic study of customers and to the study of the number of transacti ons per buyer in a year with 60% of the respondents choosing each of these metrics.

**Online Retailers (e-Commerce)**



When it comes to offline retailers, the interest distribution is fairly even across the metrics but the study of demographics and average basket value still lead the lot (at 58% and 56% respectively).

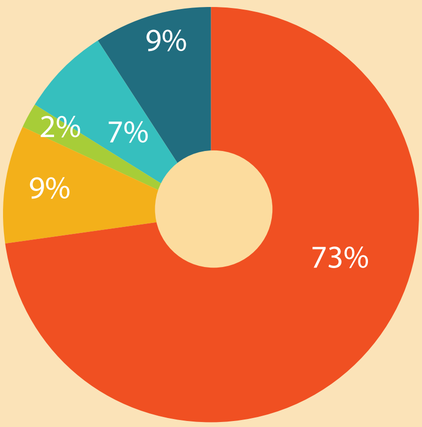
**Offline Retailers (Brick & Mortar Stores)**




## 18. Marketing Decision Making

With regard to final approvals and sign-offs on all things related to retail marketing, company CEOs stand head-and-shoulders above the rest with a massive 73% of the participating companies stating that it was within the CEOs jurisdiction to give the ultimate go-ahead for any marketing initiative. CMOs came in at a distant second with only 9% of the respondents choosing that option. CTOs and CFOs of retail companies brought up the rear (with 2% and 7% respectively) as per our survey respondents.

Only 9% of respondents said that the authority for marketing exercises and plans lay outside of the CXOs mentioning Directors and Business Heads as the other alternatives.




**For your company's marketing plans/budgets, who holds the final clearance authority?**

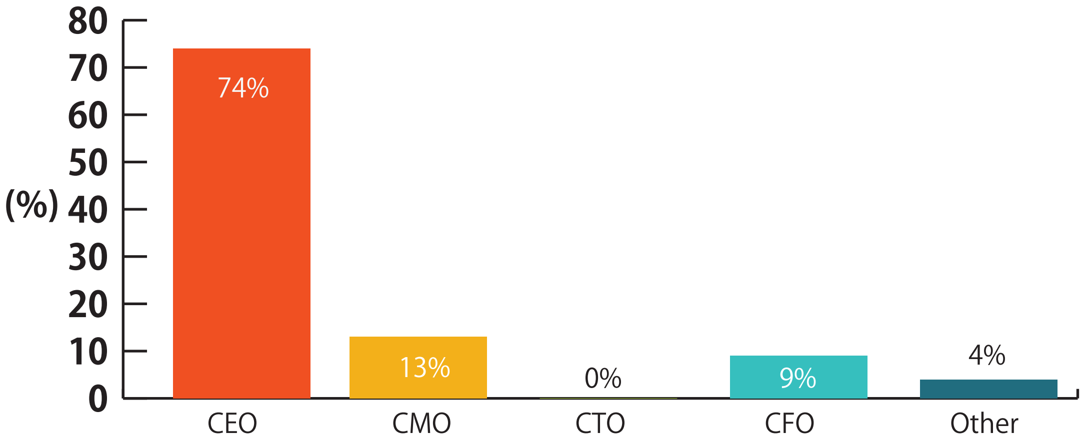
- CEO
- CMO
- CTO
- CFO
- Other (Director, Business Head etc.)

SAMPLE SIZE: 110 ONLINE & OFFLINE RETAILERS IN INDIA

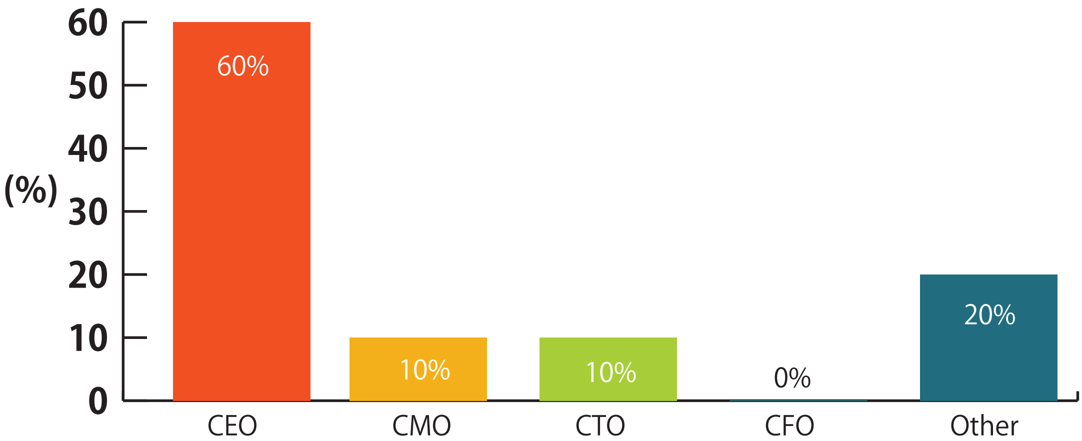
SOURCE: RAI-OCTANE INDIA RETAIL E-MARKETING STUDY 2013

Interestingly, CEOs dominate marketing decisions across online and offline retailers alike (at 74% for offline and 60% for online respectively).

**Offline Retailers (Brick & Mortar Stores)**




**Online Retailers (e-Commerce)**



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| | |
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| Aditya Birla Retail | Modhera Chemicals |
| AKAI (GBES) India | National Institute of Fashion & Technology (NIFT) |
| Amante | NBV Retail & Distribution |
| Anshu Retail India | Nilgiris Dairy Farm Pvt. Ltd. |
| Aswani Apparels | Nilkamal Limited |
| Banaras House Group | Nuts n Spices |
| Beaute Boutique | OptCulture |
| Chokola | Pantaloons Fashion & Retail |
| Claymould Interactive | Pine Labs |
| Creative Lifestyles | Planet M Retail |
| Diligent Media Corp. | Prime Retail India |
| EyeMax Opticals | Priority Marketing |
| Future Group | Reliance Fresh |
| Future Value Retail | Reliance Retail |
| G & C Global Consortium | Reliance TimeOut |
| Genesis Colors | Religare Wellness |
| Gini and Jony Apparel | Risal International |
| Globus Stores | s.Oliver Fashion India |
| Go Lifestyle Retail | Saisanj Retail |
| Guardian Lifecare | Shoppers Stop |
| Hardcastle Restaurants | Spencers Retail |
| HSIL India (Hindware) | SPORTXS |
| HyperCity Retail India | Suditi Industries Limited |
| IBM | Sulekha Yellow Pages |
| Imagindia Institute | Tata Consultancy Services |
| India Today Group | Thulasi Pharmacies India |
| Ishanya | Toonz Retail India |
| ITC | Trends In Vogue |
| Kapsons Fashion | Trent Hypermarket |
| KLISMA e-Services | Utsav Fashion |
| L.K.Impex | Viari Exports |
| Lifestyle International | Viveks |
| Luxury Connect | Vividha Home Fashions |
| Madura Fashion & lifestyle | VLCC Personal Care |
| Mahindra Retail | VMart Retail |
| Maple Digital Technology International | Walmart India |

# NOTES:

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# REPORT TEAM FOR THE INDIA RETAIL E-MARKETING STUDY 2013

This research report is a comprehensive collaborative effort between three different organizations, based in three different cities and specializing in three different fields. The following people form the core team(s) at the heart of this study and were responsible for the questionnaire, conducting the survey, participant outreach, data collection, data analysis, content writing, report design, report printing and logistics:

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RAI is a not for profit organization that works with all the stakeholders for creating the right environment for the growth of the modern retail industry in India. For more information, please visit www.rai.net.in

Octane.in is a marketing technology company that provides a state-of-the-art email, SMS & web-marketing platform. It is India's first multi-channel platform for integrated e-Marketing campaigns. For more information, please visit www.octane.in



Report Designed by Hemant Sharma & Ankita Popli.



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