

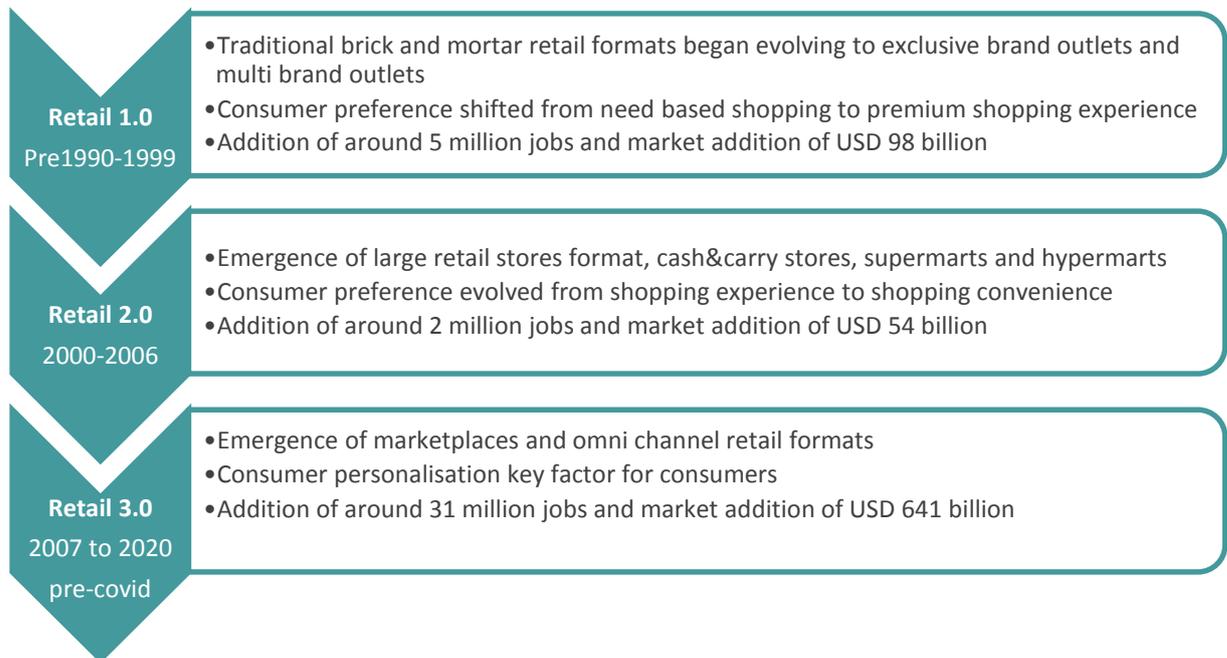
# NASSCOM-Technopak Retail Report Highlights

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## Introduction

NASSCOM in collaboration with Technopak published a report on 8th March, 2021 titled 'Retail 4.0 India Story: Unlocking Value Through Online + Offline Collaborations.' It analyses the evolution of retail sector in India and elaborates on the next growth phase for the industry in which technology will be the key ingredient. NASSCOM and Technopak over the course of 4 months period engaged in conversations with more than 360 stakeholders from the retail industry. Few highlights from the report are covered here.

- **Overview of retail industry in 2020:** The sector has evolved from traditional retail formats to a global multi-channel market with the second largest consumer base in the world. It contributed 10% to the GDP and 8% to the employment workforce in FY20. Further, the market size of the industry has grown from USD 60 billion in 1995 to USD 793 billion in 2020, a CAGR of 10.9%. Also, the industry size has increased by 1.5 to 2 times every five years since 2005.
- **The evolution of retail industry is described in the chart below:**



**Covid-19 accelerated the adoption of technology in this sector as traditional retailers resorted to online channels to survive during the lockdown and subsequent stages of unlock. E-commerce platforms is helping retailers in enhancing their supply chain capabilities, expanding market access and cost efficiencies among other benefits.**

- From pre 1990s to 2004, traditional brick and mortar retail formats and online channels existed separately. However, from 2005 onwards, online and offline channels began to overlap and from 2020 onwards online and offline channels began to collaborate. The convergence and collaboration of online and offline channels (O+O) with technology being the key enabler will lead to Retail 4.0 evolution in the country.

Advantages of Retail 4.0 (O+O Model)	
<b>Market Addition</b> Upto USD 640 billion	<b>Employment Addition</b> Upto 12 million
<b>Retail 4.0 led exports</b> upto USD 125 billion	<b>GST Contribution</b> upto USD 8 billion

- It is forecasted that retail market size will increase from USD 793 billion in 2020E to USD 1,476 billion in 2030P and Retail 4.0 will account for around 44% of total market size. *(based on best case scenario forecast)*
- The retailers are expected to proactively engage in digital adoption and build focussed and purposeful collaborations. According to the survey conducted by NASSCOM-Technopak, 78% of the traditional retailers are willing to operate with e-commerce players and 70% of the respondents in general have a positive outlook on the online and offline collaborations.
- It is expected that synergies from the existing e-commerce channels such as big data analytics, use of AI, ML and cloud services will provide support and help build the O+O model. Online retail grew at 3-4 times the rate of traditional retail in Retail 3.0 period. Further, online retail market size grew from USD 22 billion in 2015 to USD 34 billion in 2020 at A CAGR of 9.1%.
- Different kind of retail formats exist within the industry and they are evolving in their own ways to embrace the collaboration of O+O approach. The following 4 pre dominant types of models depict how different retail channels are evolving towards Retail 4.0:
- **Brand led O+O (in house):** Single brand retailers with presence in either online or offline markets are advancing into the O+O model through in-house efforts such as launching of either online or offline store to expanding their presence and integrating inventory with payment systems for real time tracking.
- **Brand led (inhouse + 3P) O+O:** Multi brand retailers are expanding their market reach through their own initiatives and also partnering will e-commerce players to advance their capabilities
- **O+O collaboration for traditional retail:** Neighbourhood kirana stores are registering themselves as resellers on online commerce portals
- **O+O collaboration for modern retail:** Modern retailers with brick and mortar stores are entering into partnerships with e-commerce players and will progress to Retail 4.0 growth phase
- Retail 4.0 is not bereft of challenges. Several challenges such as lack of awareness, inadequate infrastructure, high cost of digital adoption technologies and varied other operational and regulatory challenges exist.
- NASSCOM-Technopak report concluded with policy recommendations to lead the growth of Retail 4.0. Some of the recommendations were to provide support to MSME and traditional retailers to enable easier and faster adoption of technology, ease regulations to promote exports and create awareness about the O+O model to build confidence and trust for the model amongst the various stakeholders such as consumers and offline retailers.

#### Conclusion:

Retail industry has evolved from neighbourhood kirana stores into a comprehensive ecosystem with both online and offline presence. Covid-19 accelerated the adoption of technology for retail players and enabled them to survive during lockdown and the subsequent stages of unlock. Retail sector is expected to advance to Retail 4.0 that involves collaboration of both online and offline channels with technology being the key enabler but it will have to overcome its own set of challenges in order to grow and lead the growth for the next phase in the retail industry in India.

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