The retail reinvention paradigm

How brands could up their game

Foreword

Amidst unprecedented disruption driven by the meteoric rise of e-commerce and the emergence of quick commerce – more than 280%[1] during the last two years – India's retail sector continues to evolve at a rapid pace. Brands now have a greater number of channels to sell their products across different categories to consumers. However, in order to reap the benefits of the choice of channels available, brands must strategically deploy a combination of channels to enhance consumer engagement and profitability, and capture a larger share of the market by maximising consumer utility.

To help both consumers and brands achieve this goal, our paper 'The retail reinvention paradigm: How brands could up their game' explores the intricate relationship among brands, channels, consumers and retailers in the offline and online space. Insights shared in this report are based on a survey, conducted in collaboration with Hansa Research, of over 1,000 retailers and 800 consumers across metro cities, tier 1, 2 and 3 cities in India. These insights are further complemented with the data collected in a survey, conducted in collaboration with Kirana Club of 508 retailers.

While several striking findings emerged, one that caught our attention was the continued success of brick-and-mortar retail in tier 2 and 3 cities. Despite the aggressive expansion of quick commerce, brick-and-mortar retail remains a robust channel in these cities, supported by independent retailers' strong sense of service and engagement with their loyal consumer base. These retailers view the e-commerce landscape as an opportunity to enhance their offerings. What they are seeking is a level playing field in logistics, delivery and technology policies from the government, as well as equitable pricing from brands. Another revelation was the low awareness of and engagement with Open Network for Digital Commerce (ONDC), which underscores a critical gap in outreach, education and incentives pursued at driving retailer participation in the e-commerce ecosystem. Resilience, reinvention and resurgence define the mood of offline retailers, especially in tier 2 and tier 3 cities.

Both consumer and retail brands can use similar insights from this report. For example, they could seek ways of building a hybrid model in tier 2 and tier 3 cities which can deliver an engaging and personalised shopping experience of a brick-and-mortar retailer while retaining the utilities offered by digital channels. They could also consider actively collaborating with offline retailers to strengthen their technological offerings to make their business more agile.

1 https://www.businessworld.in/article/quick-commerce-sales-in-india-surge-by-280-over-2-yrs-report-534674#:~:text=The%20report%20noted%20that%20while,and%20more%20convenient%20delivery%20options

As the retail sector continues to evolve, brands must visualise how consumer utility is driven based on channel choices across different categories and target consumer cohorts. They need to be cognisant of the geographic nuances which can impact the consumer utility profile and also tailor their channels in accordance with how the target consumers perceive utility. This will help brands become more relevant for their target consumers. It will also facilitate minimising choices and aid optimal resource allocation. To assist brands in this journey we have designed a 'Retail reinvention framework,' which helps retailers capture the unique nuances of their product offerings across channels and consumer groups and guides them in prioritising their next actions.

We hope this report inspires you to reimagine your business strategy and seize the exciting possibilities that lie ahead.

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1 Navigating disruptions in the retail sector

Sometimes, it's hard to understand exactly what the customer wants. They often show us photos of products they've seen online, but it can be difficult to figure out where to source those items from. We have to search because there's so much variety.

– Apparel store owner | Amritsar

I give loans/credit to my customers. I used to do it earlier too, but now it has increased. I give around INR 10,000–12,000, in fact I have also raised it to INR 30,000 for a customer. They get 30-40 days to return it. I also do free home delivery for online orders.

– Packaged food store owner | Bengaluru

No matter how often we get new stock, we have noticed that customers always come in looking for specific trends. At first, it takes us some time to understand what is popular. By the time we figure it out and try to meet their expectations, the trend has already changed. This makes it difficult to always keep up with what customers want.

– Apparel store owner | Mumbai

Sometimes we think that a product might perform well in the market, but it doesn't. Similarly, for this quick delivery, we are not sure if the demand would be there and our money could be wasted in keeping these additional stocks.

– Beauty and personal care store owner | Bhopal

First they see a product, ask for its rate, and then they open an app online and tell me I am getting this rate online. What can I say to that?

– Home care store owner | Asansol

It is evident that not all is smooth sailing for the traditional retailers' ship. Retailers are batting on a sticky wicket, one that demands maneuvering and good navigation skills, an accurate assessment of the retail landscape and environment, awareness of the potential hazards and essentially, the knowledge and ability to manage grey rhino events, not merely black swans. Therefore, it is time for retailers to reinvent themselves to be on the crest of the digital wave and enable customers to exercise the flexibility of making a purchase virtually or physically based on the cost of the product, ease of access and comfort of the buyer.

Statistics indicate that

- Quick-commerce in India has expanded at an impressive 73% annual growth rate during FY 2023-24[2]
- 77% of Indian shoppers prefer to shop from an omnichannel brand.[3]

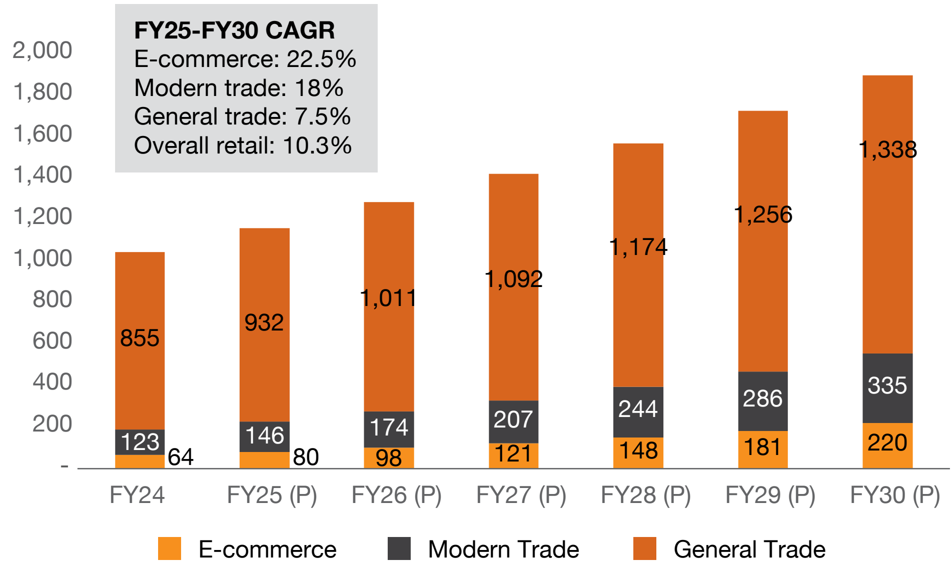
Overall, the retail market in India is expected to grow to USD 1,892 billion by FY30, at a compound annual growth rate (CAGR) of 10.3%, with e-commerce, the fastest growing channel, notching a CAGR of 22.5% and touching USD 220 billion by FY30.[4]

2 https://www.businessworld.in/article/quick-commerce-sales-in-india-surge-by-280-over-2-yrs-report-534674#:~:-text=The%20report%20noted%20that%20while,and%20more%20convenient%20delivery%20options

3 https://brandequity.economictimes.indiatimes.com/news/research/77-per-cent-of-indian-shoppers-prefer-to-shop-from-an-omnichannel-brand-report/101410510

4 PwC analysis

Figure 1: An overview of the retail industry in India (USD billion)



Source: PwC analysis

On the face of it, this augurs well for the retail industry as disruption in the retail landscape today is more a norm than an exception. Traditional retail has made room for e-commerce by way of reduced cost, and the availability of a wider range of products and convenience. Quick commerce (Q-commerce) has taken that to the next level with its promise of ultra-fast delivery times which is further intensifying competition among retail giants. Omnichannel retailing, with its integration of various shopping channels – online, in-store, mobile, social media – provides a seamless customer experience across multiple touchpoints, giving consumers the flexibility to shop anytime, anywhere. The retail sector therefore is clearly in a state of flux, suffering from Jevons Paradox[5] which implies that while e-commerce and omnichannel are leading the charge and facilitating, enhancing and accelerating the shopping experience, they are paradoxically making the competition fierce, prompting traditional retail to reinvent itself to stay the course.

To understand the current dynamics of the retail sector in India, PwC India conducted a survey between December 2024 and January 2025 to:

- assess how traditional retailers perceive e-commerce/online shopping platforms
- understand the shift in consumer behaviour from offline[6] to online[7] shopping
- sift out opportunities for brands to be ahead of the evolving retail curve.

The survey – conducted across metro cities and tier 1 cities such as Mumbai, Bengaluru, Jaipur, Bhubaneswar, Bhopal and tier 2 and tier 3 cities like Asansol, Amritsar, Gwalior and Karimnagar – included online interviews with several operational and sales heads of retailers and face-to-face interviews with 1,026 traditional retailers.

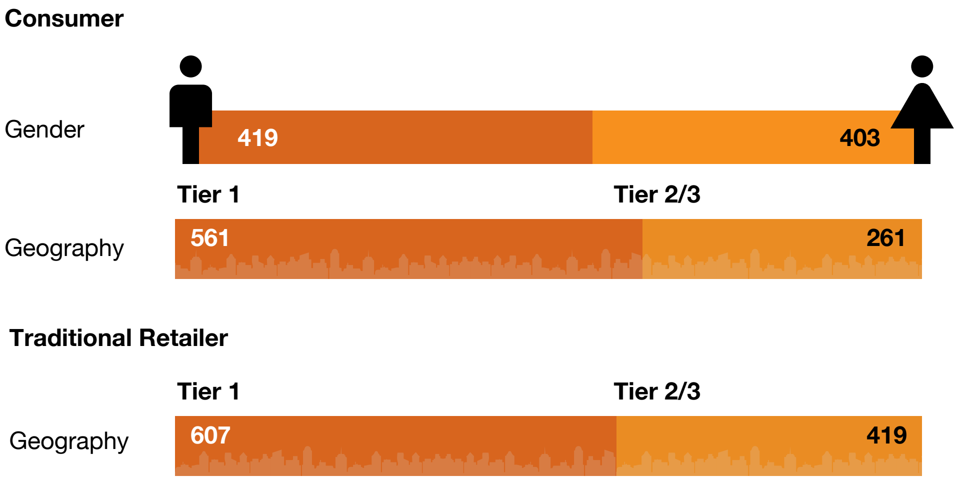
Approximately 120 traditional retailers were covered under each specified category – apparel, white goods, beauty and personal care, fresh produce, packaged foods/ groceries, home care, fashion and accessories, home furnishing, and sports and fitness. Online interviews with 822 consumers provided a perspective on how shopping experiences were impacting their preferences for physical and virtual environments.

5 Jevons paradox is an economic theory formulated by William Stanley Jevons in 1865. It states that when a resource becomes more efficient, demand for it may increase instead of decrease. This is because the resource becomes cheaper to use, which can lead to more people using it. Jevons observed that more efficient steam engines would not reduce the amount of coal used in British factories, but would actually increase it. As coal became cheaper, demand for it would increase, which would lead to the construction of more engines. The paradox can be applied to other resources including energy-efficient cars, appliances, and light bulbs and, in this instance, retail.

6 Offline- general trade, modern trade, multi-brand outlet and exclusive brand outlet

7 Online- Q-commerce, pure-play marketplace (PPMP), brand websites and category websites

Figure 2: Sample coverage of the survey (quantitative+ qualitative)



Source: PwC analysis

The survey highlights a **symbiotic relationship among various elements of the retail ecosystem, where each influences the other**. Brands aim to maximise the value they gain primarily from

- Categories of products
- Channels through which they sell
- Consumers/customers

This ushers in opportunities for them to realign and reinvent in accordance with the changing requirements of the retail world. From a growth perspective, capturing mindshare and wallet share across categories and channels demands a laser focus on maximising customer utility. This, in turn, entails finding the optimal combination of channels and categories to deliver maximum utility to an individual consumer at any given time. Importantly, while brands can control the utility to be delivered with their categories and channels, they can also influence the consumer's decision by engaging the utility levers of pricing, convenience, variety, engagement and experience. Therefore, it becomes pertinent for brands to understand what utility looks like for each consumer cohort across the channel choices that consumers could consider in a product category.

2 Insights from PwC India's research

Driving retail reinvention entails focusing on pivotal aspects of the retail ecosystem. Our research underscores the following four overarching themes that could perhaps set the course:

- Is the omnichannel retail success greater than the sum of its parts?
- Is Q-commerce more common in metro cities and tier 1 cities than in tier 2 and tier 3 cities?
- What is the offline retailer's recipe for success in the new-age digital world?
- How will the brick-and-mortar retail reinvention unfold?

1

Is the omnichannel retail success greater than the sum of its parts?

> "Customers don't want to choose between online and offline. They want both. Some days, they want to shop from the comfort of their homes, and, on other days, they enjoy walking into a store and experiencing the products. We have to be ready for both situations.
>
> – Apparel store owner | Karimnagar

The omnichannel retail experience in India is a work in progress. Though it has led to various levels of success for brands and consumers, the success is often perceived as more of a fragmented journey than a cohesive whole. The personal consumption space has embraced the online shift robustly, offering convenience and a wide array of choices. However, when it comes to family-oriented purchases, consumers still prefer a hybrid approach, blending online research with offline shopping to achieve a sense of tangible assurance and quality. Despite the potential technology has to offer to help them grow, brick-and-mortar retailers are yet to fully harness digital technologies to enhance in-store experiences effectively. The survey's findings indicate:

The shift towards online purchase is stronger when making purchases for individual consumption (53%) than for family/group purchases (36%).

For personal products, online shopping is the preferred choice for more than 50% of consumers, especially in categories such as apparel, beauty and personal care, fashion and accessories, and sports and fitness. On the other hand, family-related products, such as fresh produce, home furnishings, white goods and home care products, are still more commonly made in-store as these purchases often require more tactile and sensory engagement. While the shift to online shopping for personal items is indeed sharp and undeniable in metro cities and tier 1 cities, the overall trend is more nuanced. It is not an across-the-board transition but a segmented shift which differs between consumer categories and geographical areas.

Figure 3: Impact of e-commerce and online shopping apps (in percentage)

Retailer

	Overall (Base 1026)	Apparel (Base 124)	Beauty and personal care (Base 132)	Fashion accessories (Base 114)	Sports and fitness (Base 85)
Consumer shift to online shopping	43	63	56	46	46
Shopping on categories – Negative	34	42	38	34	35
Shopping on categories – Positive	27	23	26	29	24
Shopping on categories – Neutral	39	36	36	36	41

	Packaged foods (Base 261)	White goods (Base 123)	Home care (Base 124)	Home furnishing (Base 119)	Fresh produce (Base 122)
Consumer shift to online shopping	41	40	36	33	29
Shopping on categories – Negative	34	37	31	28	30
Shopping on categories – Positive	31	30	24	25	27
Shopping on categories – Neutral	35	33	45	47	43

Source: PwC analysis

While apparel and beauty and personal care categories are primary drivers of the ongoing shift toward online consumerism, nearly 45% of consumers still prefer a combination of both online and offline channels.

As digital platforms continue to evolve, some categories have capitalised on the inherent advantages of online shopping – increased demand for convenience, personalisation and immediacy. Interestingly though, nearly 50% of the consumers surveyed prefer a hybrid model, a combination of both channels when making purchases – driven essentially by the products to be purchased — thus keeping the tension between the offline and online channels alive. Physical stores still hold an appeal as 34% said they would prefer only offline shopping compared to 21% who said they would prefer only shopping online of the overall surveyed consumers. The primary reasons for shopping offline include the ability to see and try products before buying, the trust in the store/brand, and the in-store shopping experience. This is further corroborated by the fact that some retailers are beginning to personalise the offline experience for each customer, tapping into the hitherto untapped power of unique in-store experiences.

Figure 4: Mode of purchase – offline vs online (in percentage)

Consumer

	Apparel (Base 808)	Beauty and personal care (Base 808)	Fashion accessories (Base 793)	Sports and fitness (Base 733)	Packaged foods/ groceries (Base 814)
	Consumers' mode of purchase : Offline vs. online				
Both	**56**	**51**	**58**	**53**	**45**
Offline	24	24	20	19	29
Online	20	25	22	29	27

	White goods (Base 702)	Home care (Base 811)	Home furnishing (Base 734)	Fresh produce (Base 809)
	Consumers' mode of purchase : Offline vs. online			
Both	**37**	**48**	**33**	**27**
Offline	43	36	52	58
Online	20	16	15	14

Source: PwC analysis

Consumers today expect more than just easy access to products — they seek engaging experiences that add value to their shopping journey. In tier 2 and tier 3 markets, demand for immersive retail is rising, particularly in fashion, sports and other tactile categories where in-store interactions considerably shape purchase decisions. On the other hand, metro cities continue to prioritise experiential beauty retail and seamless convenience in everyday essentials such as packaged foods and fresh produce.

Figure 5: Demand for enhanced in-store shopping experience (in percentage)

Wearing and looking good

	Overall	Metro cities/ Tier 1	Tier 2/3
Apparel	39	37	42
Fashion and accessories	38	36	43
Beauty and personal care	35	36	32
Sports and fitness	34	33	36

Eating and consumption

	Overall	Metro cities/ Tier 1	Tier 2/3
Packaged foods	42	42	41
Fresh produce	39	36	40
Home care	37	38	36

Functional/tactile

	Overall	Metro cities/ Tier 1	Tier 2/3
White goods	40	37	46
Home furnishing	39	40	38

Source: PwC analysis

Despite the demand for in-store interactions, 53% of retail stores are yet to implement a technology solution in their traditional stores.

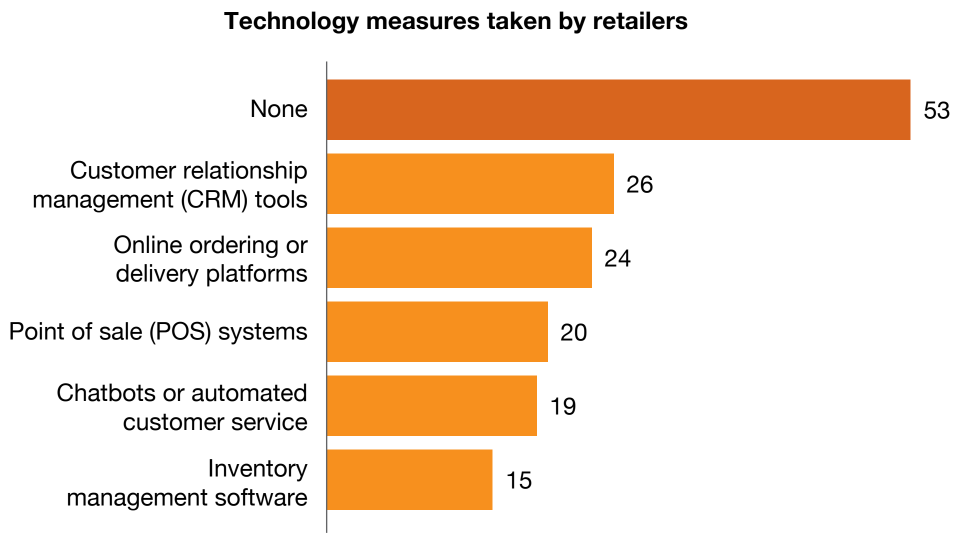
While traditional retailers clearly acknowledge the potential of technology to lure customers, many stores continue to use digital tools primarily for functional purposes rather than for enhancing the in-store customer experience. This highlights the opportunities arising from the significant digital gap waiting to be bridged. While AI-driven solutions such as recommendation engines and virtual fitting rooms have alleviated common online shopping barriers like sizing and fit, brick-and-mortar retailers are yet to leverage similar innovations to optimise the generative experience and facilitate a seamless, engaging customer journey.

> "In the apparel industry, consumers are now more deliberate, particularly with their offline shopping, and expect high-quality experiences. With the convenience of free returns and a willingness to experiment, technology will be crucial in determining which offerings succeed and which do not.
>
> – CXO | Fashion and lifestyle brand | Mumbai

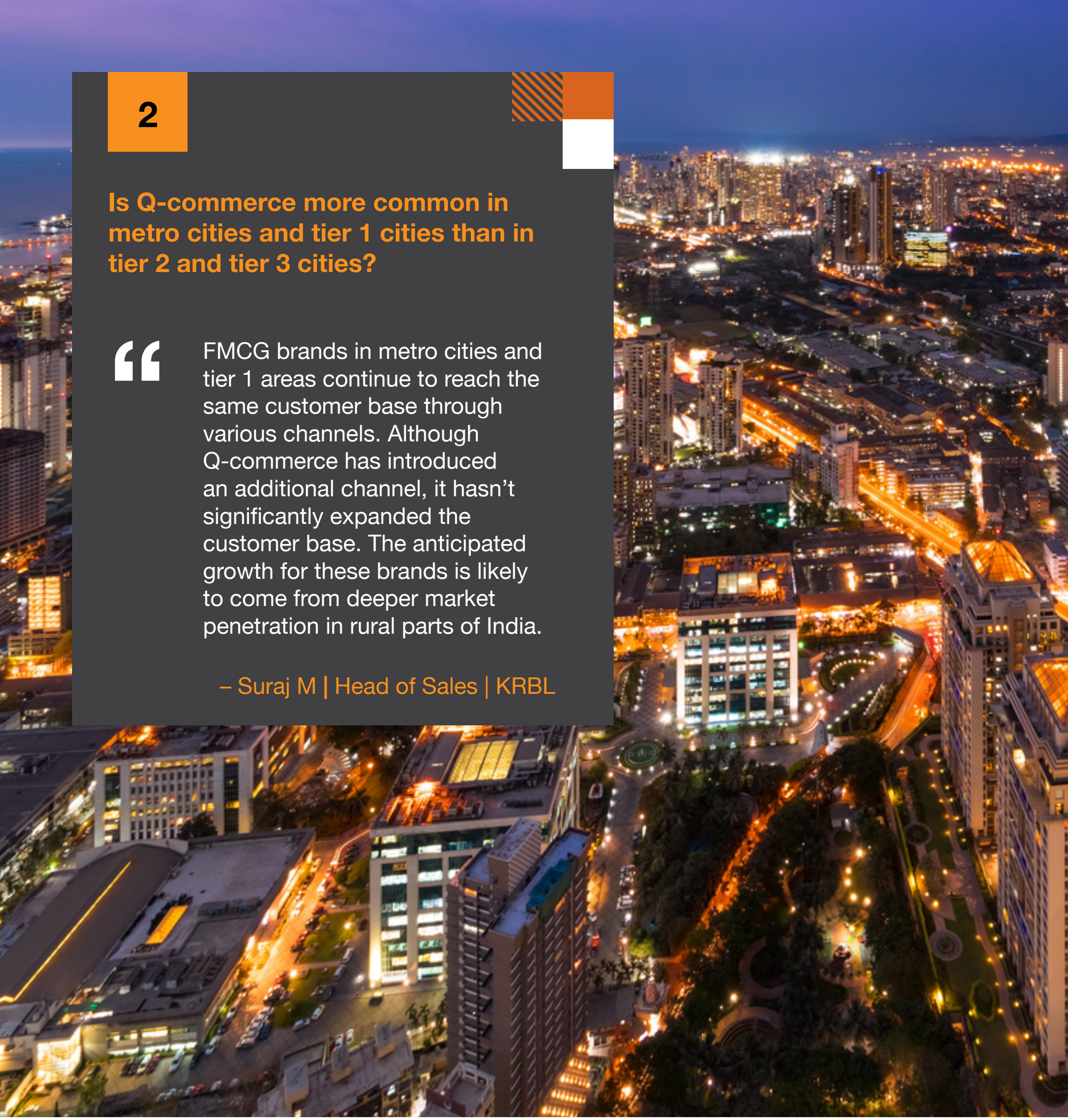
However, as opportunities to gather insights on consumer profiles and preferences grow, brick-and-mortar stores can enhance their customer centricity efficiently by staying current with the use of technology. As revealed from our interviews, fast moving consumer goods (FMCG) brands are increasingly introducing new products online for quick trials before expanding to offline channels across broader regions. Similarly, apparel brands are leveraging online consumer data to refine in-store merchandising at a local level.

Therefore, the ability to collect and analyse consumer data allows physical stores to optimise their operations, giving them steam to compete with online brands. Also, by gauging local consumer preferences, retailers can tailor their in-store product selections to better meet the needs of their specific customer base, potentially increasing sales and customer satisfaction. The integration of online insights with offline strategies therefore underscores the importance of an omnichannel approach, where both digital and physical presences complement each other to create a seamless and efficient retail experience.

Figure 6: Technology measures taken by retailers (in percentage)



Source: PwC analysis



2

Is Q-commerce more common in metro cities and tier 1 cities than in tier 2 and tier 3 cities?

> “FMCG brands in metro cities and tier 1 areas continue to reach the same customer base through various channels. Although Q-commerce has introduced an additional channel, it hasn’t significantly expanded the customer base. The anticipated growth for these brands is likely to come from deeper market penetration in rural parts of India.
>
> – Suraj M | Head of Sales | KRBL

Q-commerce has firmly established itself in India’s bustling metro cities and tier 1 cities driven by the convenience demands of affluent city dwellers. In a study undertaken by Kirana Club,[8] 508 surveyed traditional retailers reported a drop in frequency of customer visits to stores and a subsequent drop in foot traffic, which is higher in **tier 1 markets** and across **larger store formats**.

8 Note: Kirana stores – the backbone of India’s neighbourhood shopping — are facing a new wave of disruption. To understand how Q-commerce is influencing these retailers, Kirana Club conducted an in-depth research to capture insights directly from a diverse mix of 508 traditional retailers across its platform. Read more about Kirana club in the Appendix.

Q-commerce's impact on essential categories is significant, with 52% of retailers reporting a sales decline in food, beverages and confectionery. This is followed by personal care and hygiene (47%) and household cleaning and care (33%). On the other hand, there is minimal impact on niche categories such as childcare, beauty, and wellness, which remain least affected.

Figure 7: Percentage drop in frequency of visits by consumer category type

`	Metro cities (T1)				T2 cities and smaller towns			
Percentage drop in frequency of visit by consumer category type	Small retailers	Medium retailers	Large retailers	Total (metro cities)	Small retailers	Medium retailers	Large retailers	Total (T2 cities and smaller towns)
Food, confectionery and beverages	78	57	58	66	51	48	46	49
Personal care and hygiene	44	57	68	54	42	46	29	45
Household cleaning and care	50	37	37	42	29	27	28	31
Baby and childcare	22	20	11	18	16	16	13	15
Beauty and cosmetics	19	7	11	14	13	11	15	13
Heath and wellness	14	10	5	11	6	5	6	6

Source: Kirana Club Research

Interestingly, prices on notable Q-commerce platforms are at a premium of anywhere between 10% to 20% with a plethora of add-on charges. But that's a price affluent urban customers are willing to pay for hyper-fast delivery services, prioritising convenience over cost.

On the flip side, Q-commerce's expansion into tier 2 and tier 3 regions, as per our research, reveals a contrasting narrative as non-metro cities' retailers remain largely unpressured by Q-commerce's entry. The challenges for Q-commerce in tier 2 and tier 3 areas are manifold – delivery costs soar over greater distances and fragmented demand makes inventory management inefficient. Our survey's findings indicate:

In our survey 42% of consumer respondents from metro cities and tier 1 cities prefer quick delivery for urgent needs, and this rise of hyper-fast delivery services has reduced foot traffic to physical stores by 28%.

In its initial days, e-commerce was driven with pricing as a key utility lever. However, with the rise of Q-commerce, the game has now veered towards **convenience and impulse over pricing**.

> "The quickness of delivery aligns closely with the impulsive nature of the category. In Q-commerce, customers are more focused and intentional, akin to hunting rather than grazing. Due to limited screen space and product variety, they tend to make more decisive choices. So, some categories are expected to thrive more than others.
>
> – Nissan Joseph | CEO | Metro Brands

Q-commerce, understandably so, is synonymous with instant gratification – and the ease of skipping checkout line is aligned with consumer expectations of convenience-on-demand. Certain product categories are trying to live up to that expectation in a nuanced manner.

> “In the fashion industry, which is highly engaging, we must meet customer expectations and provide excellent in-store experiences. Q-commerce offers an opportunity for this industry to present merchandise which prioritises convenience such as a white shirt or black trousers. These are items that don’t require much thought about size or fit as customers already know what they need.
>
> – CXO | Fashion and lifestyle brand | Bengaluru

Figure 8: Consumer preference for Q-commerce in metro cities/tier1 cities (in percentage)

Reasons for preferring Q-commerce	Average %
Quick delivery for urgent needs (usually within 10–15 min)	42
Access to a wide variety of products across multiple categories	40
Convenient for unplanned or last-minute purchases	40
Easy to use with minimal steps for ordering	39
Availability of detailed product specifications and reviews	38

Source: PwC analysis

> Over 65% of consumers in metro cities and tier 1 use Q-commerce to avail of packaged foods, fresh produce and home care products. Recent reports highlight that e-commerce giants are all set to launch dark stores.

The shift to Q-commerce in metro cities and tier 1 cities is intensifying with a few prominent e-commerce giants intent on expanding their Q-commerce segment by launching 300 to 500 dark stores within this year.[9] However, for tier 2 and tier 3 cities, the number is muted. Lack of clear return policies and limited assortments may turn out to be deal breakers for some consumers. To address these concerns, Q-commerce companies have begun to experiment by splitting the orders to a range of dark stores, which in turn impacts their lightning speed delivery promise.

3

What is the offline retailers' recipe for success in the new-age digital world?

> We have realised that we cannot compete with the low prices and discounts offered online. So, to add value for our customers, we offer free delivery within a 2 km radius until 9pm. Over time, we have built strong relationships with our customers, and many of them now place their orders through instant messaging or phone calls.
>
> – Packaged Goods | Retailer | Asansol

9 The Economic Times

In an era where digital retail seems to overshadow traditional models, offline-first retailers are discovering that their narrative isn't one of inevitable decline but rather of resilience and adaptation. While 60% of traditional retailers view the rise of e-commerce as a looming threat, a forward-thinking 27% are transforming this challenge into an opportunity, using the digital shift to enhance customer service and diversify offerings.

Figure 9: Impact of e-commerce on retailers (in percentage)

	Overall	Metro cities/ Tier 1 cities	Tier 2/3 cities
Helped increase awareness about products I sell.	66	72	56
Made customers more informed and easier to deal with.	66	75	50
Motivated me to improve customer service and offerings.	66	74	50
Driven more customers to my store for unique/local products.	56	68	35
Made it easier to access trending or fast-moving products.	46	47	44
Wholesalers can make bulk purchases online and increase supply quantity.	45	44	47
Allowed me to partner with online platforms to expand my reach.	41	45	34
Buy online during the sale period and then sell it to consumers at increased prices.	30	31	29
Online platforms enhance the visibility of the latest trends, allowing consumers to purchase similar styles from our store at more affordable prices.	29	32	24

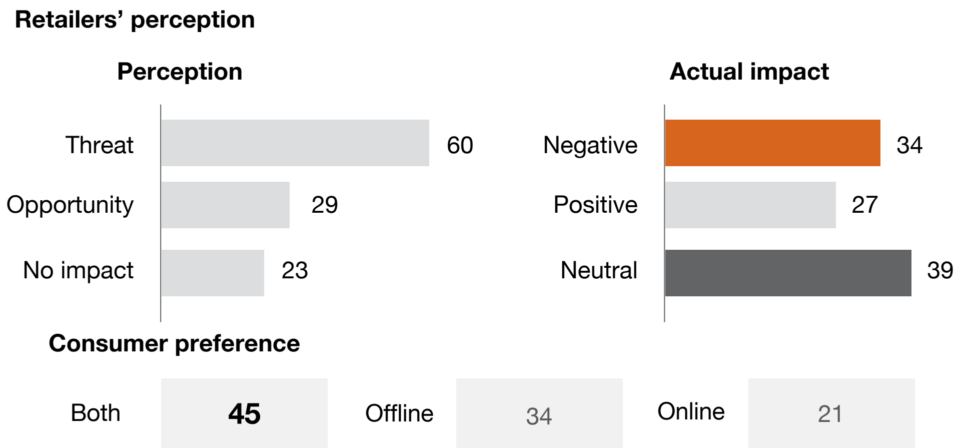
Source: PwC analysis

Survey findings indicate:

Offline retailers, perception of online shopping is more an apprehension than a threat for the time being.

Approximately 60% of traditional retailers perceive online shopping as a significant threat while 23% believe it has had no impact on their business. However, when assessing the actual impact, only 34% of traditional retailers reported experiencing negative consequences from the rise of online shopping while 39% were yet to see any impact. Thus, the perceived threat may be more of an anticipated risk, rather than one backed by substantial evidence. Our research also indicates that direct-to-consumer brands are looking to go offline to scale up.

Figure 10: Perception of e-commerce by retailers and consumers (in percentage)



Source: PwC analysis

According to the survey, 29% of traditional retailers perceive online shopping as an opportunity. Moreover, 27% have seen a positive impact of online shopping on their business.

Not all traditional retail stores across categories consider e-commerce as a threat. There are those that perceive it as an opportunity to elevate customer service, diversify their product offerings and leverage online platforms to expand their reach. For instance, 28% of apparel retailers and 25% of beauty and personal care retailers perceive online shopping as an opportunity to improve product awareness and customer service. Also, some retailers are of the view that while digital commerce is growing exponentially, on the ground it is not entirely eating into the traditional retail market. Rather, there is a rub-off effect wherein different channels, including traditional and modern trade, and e-commerce are influencing one other.

Figure 11: Perception about e-commerce/shopping apps by retailers across various categories (in percentage)

Retailer

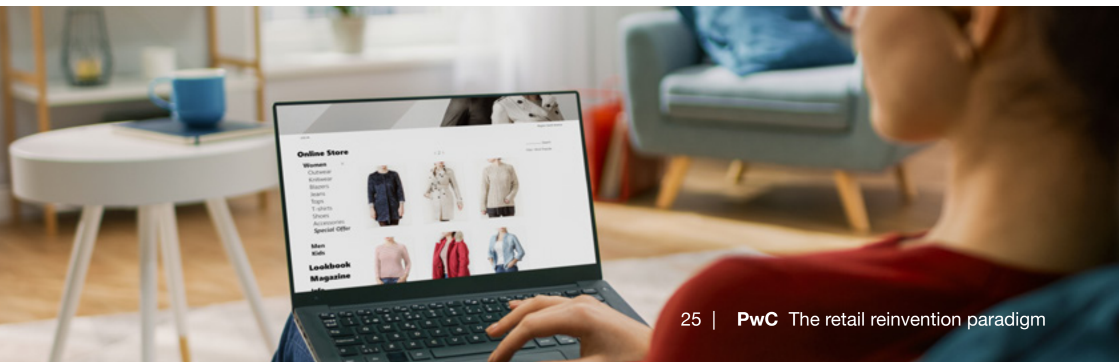
Retailers' perception about online shopping

	Overall (Base 1,026)	Apparel (Base 124)	Beauty and personal care (Base 132)	Fashion accessories (Base 114)	Sports and fitness (Base 85)
Threat	60	67	65	67	58
Opportunity	29	28	25	28	34
No Impact	23	18	18	20	24

Retailers' perception about online shopping

	Packaged foods (Base 261)	White goods (Base 123)	Home care (Base 124)	Home furnishing (Base 119)	Fresh produce (Base 122)
Threat	61	62	55	56	52
Opportunity	29	27	28	31	34
No Impact	20	23	30	25	25

Source: PwC analysis



Advantage Kirana stores: Highlights of a research conducted by Kirana Club with 508 traditional retailers

Traditional retailers are gradually adapting — balancing discounts with assortment improvements, strengthening local advantages such as home delivery and customer relationship management (CRM), and exploring new revenue streams. The bigger the sales hit, the stronger the response.

Discounts and offers

- 22% of impacted traditional retailers (and those that reported a dip in sales) are using deeper discounts (15% retailers with >10% sales dip, 7% with <10% sales dip) to stay competitive.
- 6% traditional retailers are introducing offers/schemes, with a stronger push from those hit harder (5% retailers with >10% dip, 1% with <10% sales dip).

Assortment

- 18% traditional retailers are optimising their product mix and quality to stabilise and grow sales.
- This is more common among 12% retail stores with >10% dip compared to 6% with <10% dip.

Home delivery

- 15% traditional retailers are doubling down on home delivery, leveraging personal relationships to beat Q-commerce's efficiency challenges (10% retailers with >10% sales dip, 5% with <10% sales dip).

CRM

- 13% are focusing on customer relationships, ensuring retention and engagement. There is more emphasis in stores with higher impact (9% retailers with >10% sales loss versus 4% with <10% impact).

Other measures

- 8% are experimenting with food stalls, credit extensions and other new business ideas to offset losses.

According to the survey, 64% traditional retailers are fuelling their marketing and customer engagement strategies predominantly from their own pockets, relying on internal savings or profits, clearly showing their willingness to engage with the perceived threat.

This trend is even more pronounced in metro cities, where most traditional retailers rely on self-funding, while tier 2 and tier 3 retailers show a higher dependency on informal loans and supplier credit. 44% leverage credit from suppliers or distributors while 55% seek bank loans and turn to financial institutions for support, thus showcasing a mix of resourcefulness and financial partnerships in driving growth.

Figure 12: Top initiatives implemented by traditional retailers to compete with e-commerce (in percentage)

Top five customer engagement activities	All	Metro cities/tier 1 cities	Tier 2 and 3 cities
Offering personalised customer service	44	57	26
Stocking products which are not available online	41	47	33
Offering competitive pricing	41	47	33
Flexible return or exchange policies	40	50	24
Ensuring that staff communicates politely and with patience	38	49	21

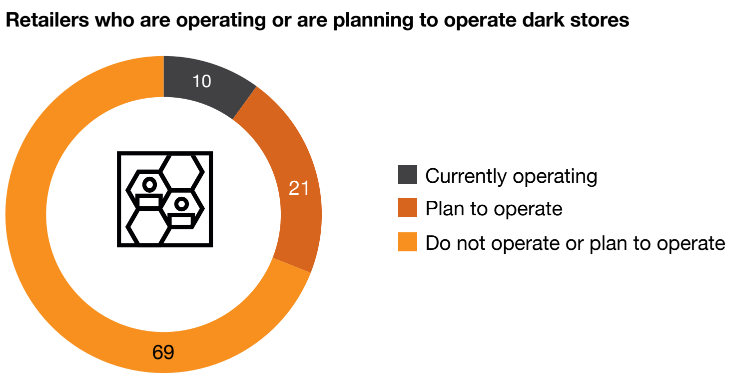
Top five marketing activities	All	Metro cities/ tier 1 cities	Tier 2 and 3 cities
Offering discounts or bundled offers	48	49	46
Using social media for promotions	43	43	44
Partnering with local businesses for promotions	41	41	41
Sending personalised messages (e.g. instant messaging services, email)	37	39	35
Organising in-store promotions and events	32	30	36

Source: PwC analysis

Moreover, about 21% of traditional retailers are exploring dark stores.

Of the 1,026 traditional retailers surveyed, 10% are currently operating dark stores, while 21% plan to soon. With e-commerce continuing to dominate, the concept of dark stores is gaining prominence to expand retailers' reach by efficiently serving online customers and to save on operational costs. Notably, retailers in the fashion, accessories and apparel sectors, particularly those in tier 2 and tier 3 markets, are more eager to adopt dark stores.

Figure 13: Percentage of traditional retailers operating/planning to operate dark stores



Source: PwC analysis

4

How will the brick-and-mortar retail reinvention unfold?

> We feel like we're being left behind. The world is changing so fast, and we're struggling to keep up. We need someone to guide us about these online apps, to show us how to use technology to grow our business. I wish the government could have been supportive towards us because we are struggling especially on how to go online.
>
> – White goods store | Gwalior

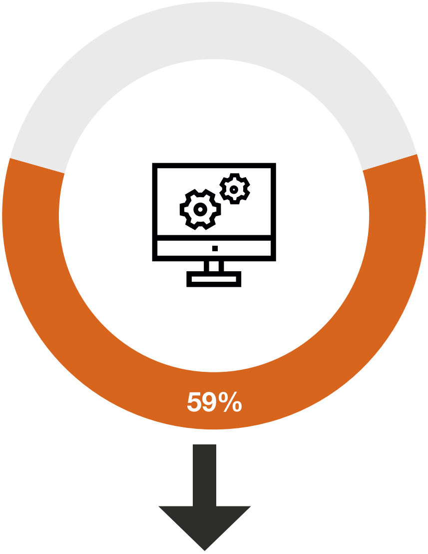
The landscape of brick-and-mortar retail is poised for reinvention as digital commerce continues to disrupt traditional models. While the rise of online shopping presents challenges, it also offers a unique opportunity for brick-and-mortar retailers to level the playing field. Approximately 60% of traditional retailers believe that improved access to technology – particularly chatbots, automated customer service tools, point of sales system, inventory management software – could empower them to compete effectively against digital platforms, highlighting how digital tools can be harnessed as powerful allies rather than threats. Amidst this disruption, ONDC remains an under-the-radar revolution, with limited awareness among retailers and consumers.

Survey findings indicate 60% of traditional retailers believe improved access to technology can empower them to enhance their competitiveness.

Brands and traditional retailers believe integrating AI-driven analytics and mobile applications can enable them to understand customer preferences better and tailor their offerings, accordingly, making it an interactive experience with human touchpoints. Further, a data-driven approach could also help them enhance their ability to compete with online platforms by offering competitive prices and targeted promotions.

Figure 14: Percentage of traditional retailers who prefer better access to technology (across categories)

Retailers are demanding better access to technology



Category	Overall	Metro cities	Tier 2 and 3 cities
White goods	68	63	76
Sports and fitness	64	66	61
Apparels	62	66	57
Fashion and accessories	61	62	59
Beauty and personal care	60	65	51
Packaged goods and Beverages	60	66	53
Home furnishing	59	64	53
Home care	57	57	57
Fresh produce	49	45	55

Source: PwC analysis

Flexible return policies (40%), efficient after-sales service (39%), and better payment options (39%) top the list of consumer priorities.

For consumers, hassle-free shopping and post-purchase support are important. When deciding to visit offline stores more frequently, they often prioritise assortment, convenience and the overall purchase experience over pricing and discounts. **After-sales service (39%) is important for tier 2 and tier 3 cities (41%)**, reflecting the need for continued retailer support beyond the initial purchase. **Product variety (31%) and availability with improved stock levels (37%) are also important factors**. Additionally, **running a monthly credit facility (36%)** remains an important feature, especially in local markets where retailer-consumer relationships are stronger. Thus, brick-and-mortar retailers have an opportunity to outserve their online counterparts by focusing on assortment, convenience and the experience of shopping as a therapeutic, social activity to be indulged in with friends and family.

Figure 15: Consumer preferences for offline shopping (in percentage)

	All	Metro cities/ tier 1 cities	Tier 2 and 3 cities
Easy and flexible return or exchange policies	40	40	41
Efficient after-sales service and support	39	39	41
Better payment options	39	39	40
Opportunity to see and try products before buying	38	38	40
Exclusive in-store benefits or loyalty rewards	38	38	37
Improved availability of required products/sizes	37	38	36
Faster checkout and billing process	36	37	36
Running a monthly credit facility with the shop	36	36	35
Availability of home delivery for in-store purchases	35	34	37
Enhanced in-store shopping experience	34	35	33
Wider variety of products	31	31	32
Better discounts and offers	30	31	29
Assurance of product quality	30	30	29
Helpful and knowledgeable staff	28	28	29
More convenient store locations	27	27	27

Source: PwC analysis

It may also be noted that despite ONDC's potential to empower retailers in competing against e-commerce giants, awareness of the platform remains low. This disparity suggests that the platform has not yet achieved the level of adoption necessary to leverage its full potential. The low awareness and engagement with ONDC underscores a critical gap in outreach, education and incentives aimed at driving retailer participation.

Figure 16: Retailer awareness about ONDC

Is ONDC bridging the gap or lost in the noise?

ONDC	
4%	1%
Aware about ONDC	Accept orders through ONDC

Source: PwC analysis

> 64% of traditional retailers believe fairer delivery and logistics policies are needed to ensure equitable operations across retail formats besides government subsidies and tax relief.

Traditional retailers across all categories emphasise the need for government intervention and support to create a level playing field. This includes regulations on online discounts, financial incentives and subsidies to modernise traditional stores along with tax relief. Collaboration with brands for exclusive product lines and better margins are also seen as key enablers for sustaining traditional retail businesses and this is where government's support can help retailers.

3 Implications of the research

The rise of e-commerce has led to an urgent need for retailers to change their traditional ways of operating. Some of the important aspects which retailers must understand in order to adapt to this change are:

- The omnichannel retail experience in India is a work in progress. For personal products, online shopping is the preferred choice while the offline mode works best for family-related products demanding tactile, sensory engagement. Be that as it may, consumers still prefer a combination of online and offline channels.
- Proactive technology application could be a gamechanger for traditional retail stores and could increase their competitiveness.
- With the rise of Q-commerce, the game has now veered towards impulse over pricing, and some e-commerce companies are set to launch dark stores to expand their Q-commerce segment.
- While traditional retailers perception of online shopping as a threat is higher than the actual threat it may pose, some of them actually perceive online shopping as an opportunity, and 27% have seen a positive impact of online shopping on their businesses.
- Only 4% of traditional retailers are familiar with ONDC and a mere 1% are actively accepting orders through the platform.

These findings indicate that the future of retail is about blending the traditional and modern, tactile and digital, natural and artificial. A shift towards generative, immersive and engaging retail experiences is not just inevitable but indispensable, especially when it comes to traditional retail. It is what the consumers are demanding. If traditional retail is to remain relevant, it needs to reinvent itself into a trending service, an immersive experience which is dynamic yet personal, and humanly engaging yet technically elevating.

Social media and influencer culture also have a role to play amidst the tangible value being generated. Influencers spark trends on platforms, share product reviews and create seamless shopping experiences through embedded links. This digital ecosystem fosters two-way conversations making the buyer’s journey more interactive and personalthan ever before.

Following are some of the implications of the research:

01

Omnichannel retail success is greater than the sum of its parts implies

Consumers crave for the best of both worlds: Nearly half of the consumers who participated in the survey still crave the best of both worlds – the convenience of online browsing and the tactile joy of in-store experiences. For some sectors, consumers prefer to shop on their terms – effortlessly hopping between screens and aisles, but for others click and buy without a certain level of trust fails to work. Here, the in-person experience remains king. Thus, the future entails a hybrid ‘offline + online’ model creating a seamless shopping journey in a complementary ecosystem where each channel enhances the other.

Retailers who focus on leveraging this relationship will thrive, while those that resist the evolution risk being left behind. They need to carve out experiences which let customers move seamlessly between the virtual and the tangible. Therefore, the perception of online shopping as a threat, rather than a challenge to be leveraged, may soon be a thing of the past.

02

Q-commerce is more common in metro cities and tier 1 cities than in tier 2 and tier 3 cities

Slow uptick of Q-commerce in tier 2 and tier 3 cities augurs well for the kirana stores: The promise of hyperlocal fulfillment works well in cities with consistent demand. But outside metro cities, Q-commerce becomes a costly challenge. Without a steady stream of orders, the cost of hyperlocal inventory and quick delivery options becomes unsustainable, turning the model into a financial strain. Thus, the demand fragmentation creates significant operational friction — delays, high per-order expenses — and profitability takes a hit. The unpredictability of demand for certain products like fresh produce or essential home care items can create significant challenges in stocking including longer holding times, higher levels of wastage and inefficiencies in inventory planning leaving the model unsustainable outside of metro cities and tier 1 cities .

Here is where traditional retailers, which are more than just neighbourhood shops, can be a gamechanger. As the backbone of community retail in tier 2 and tier 3 cities, they could soon become digital-first warriors in their markets, offering the speed and convenience that customers demand, but with a personalised, community-based touch. Their personal connection with consumers, deep understanding of local needs and the ability to serve small, often overlooked, markets can give them an edge in the era of Q-commerce. Therefore, by digitising inventory and adopting lean, hyperlocal delivery models, these stores can achieve a similar agility and convenience, minus the heavy infrastructure costs.

03

Retailers need a well-defined roadmap in the new-age digital world

Retailers need to move out of their comfort zone and clue into the online trend movements to up their game: While the prevalence of technology is becoming a must in retail, there is still a psychological resistance to integrating advanced technologies in physical stores. Retailers often feel overwhelmed or uncertain about how to implement these tools effectively, especially when the benefits are not immediately clear. A key challenge is the fear of change — many retailers still prioritise traditional customer service methods because they are familiar and perceived as low-risk. The hesitation to adopt innovation comes from a fear of alienating customers who may not be comfortable with too much digital interference.

Getting rid of that notion is critical as much as understanding that in the digital realm, trends aren't just quick — they are lightning fast. So, it is a race against the clock across all cities. The online platforms landscape has become the trendsetter where something can go from obscure to viral in a matter of hours. By the time these trends land in offline stores, they are already seasoned, popular and ready to be sold as the next big thing.

Thus, to keep up with the ever-changing trends in the digital space, offline retailers need to be trend catchers, relying on online movements to inform their in-store strategies. This trend underscores the growing reach of e-commerce, as consumers across metro cities, tier 1, tier 2 and tier 3 cities access the same brands at similar prices, making online shopping even more appealing. This would also decrease the pressure offline retailers feel and enable them to up their game to limit the impact of digital disruption.

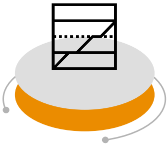
04

Brick-and-mortar retail reinvention

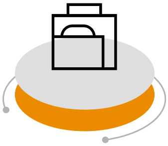
Being experiential and tech-centric could be the retailers' reinvention mantra: Retailers are increasingly diversifying their product offerings to counter competition. However, the variety offered by e-commerce platforms often surpasses their own offerings, thereby limiting the effectiveness of this strategy. Consumer preferences have shifted to larger retail formats and towards high brand consciousness across most categories. This compels traditional retailers to stock both branded and non-branded or less-premium products, impacting their profit margins due to higher inventory costs. As expectations continue to rise from physical retail stores to have larger assortment, convenient delivery, faster checkouts, generative immersive experiences and digital/social engagement, smaller retailers, unable to invest in technology at pace, are likely to look at consolidation to survive and thrive. Such consolidation can enable greater reach and competitiveness, reduce costs by combining resources and boost business capabilities by leveraging strengths of each entity involved.

4 Next moves

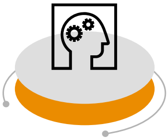
The discussion in the previous section highlights:



Consumers crave the best of both worlds – seamless digital convenience and in-store immersive experience.



The slow uptick of Q-commerce in tier 2 and tier 3 cities augurs well for the kirana stores.



Retailers and brands need to move out of their comfort zone and clue into the online trend movements to up their game. Being experiential and tech-centric could be an added advantage.

Retailers and brands recognise that major trends for their categories are now initiated by e-commerce platforms or online marketplaces. As a result, they operate in a reactive ‘pull mechanism’, fulfilling demand rather than driving it, marking a significant shift from their earlier ‘push’ strategies. This shift presents both challenges and opportunities. While collaboration with online platforms can drive growth, strategic agility is crucial to balance independence and digital integration in an evolving retail landscape.

What is next for brands and retailers? We outline some actions:

- **leverage e-commerce for success**
- **adopt a flexible, hybrid approach**
- **leverage ONDC**
- **flip the script and seize untapped opportunities**
- **focus on generative customer experiences**
- **analyse cost-benefit**
- **outserve rather than outprice online retailers.**

Leverage e-commerce for success

Forward-thinking traditional retailers are finding ways to use digital platforms to their advantage, with retailers in metro cities seeing greater benefits compared to their tier 2 and tier 3 counterparts. The largest opportunity comes from increased product awareness (72% in metro cities versus 56% in tier 2 and 3 cities), better-informed customers (75% versus 50%), and motivation to enhance customer service (74% versus 50%). This suggests that metro cities' retailers are more exposed to digitally savvy consumers, prompting them to improve their offerings, while tier 2 and tier 3 city retailers are yet to fully capitalise on these shifts.

However, some opportunities resonate more in tier 2 and tier 3 markets, such as wholesalers making bulk purchases online (47%) and easier access to fast-moving products (44%), indicating that online platforms help these retailers streamline supply chains and stay competitive. Additionally, partnering with online platforms (34%) is lower in tier 2 and tier 3 cities, suggesting a need for better integration and support for smaller retailers in these regions. Meanwhile, trend visibility through e-commerce (32% in metro cities vs. 24% in tier 2 and 3 cities) helps metro cities' retailers attract customers looking for affordable alternatives.

Our recommendation

As digital commerce continues to evolve, traditional retailers who strategically integrate online benefits – whether for supply chain efficiency, brand visibility or consumer engagement — will be better positioned for long-term success.

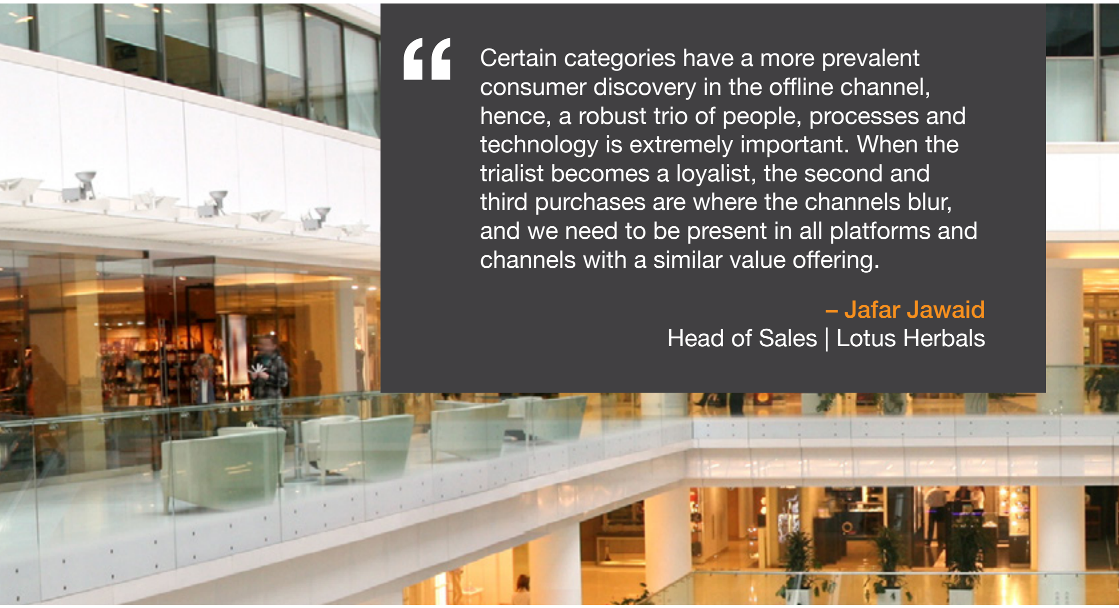
Adopt a flexible, hybrid approach

The retail industry must cater to evolving consumer needs with a flexible, hybrid approach which recognises evolving consumer behaviours, such as the specific demand for both personal and family-related shopping experiences. Consumers also want the flexibility of researching online and then making the purchase in-store or vice versa.

Several direct to customer or (D2C) companies are also doubling down on their omnichannel strategy.[10] They are leveraging insights gleaned from online sales to decide where to open offline stores and then use their physical presence to gain access to a larger consumer base, conduct product trials, have soft launches of offerings, and build trust.

Our recommendation

Retailers and brands who combine fast, reliable delivery with brick-and-mortar shopping experiences can create a strong hybrid model that keeps them relevant in the modern retail world.



> "Certain categories have a more prevalent consumer discovery in the offline channel, hence, a robust trio of people, processes and technology is extremely important. When the trialist becomes a loyalist, the second and third purchases are where the channels blur, and we need to be present in all platforms and channels with a similar value offering.
>
> **– Jafar Jawaid**
> Head of Sales | Lotus Herbals

10 The Economic Times, Offline stores are trending as new set of D2C firms emerge

Leverage ONDC

ONDC was set up with the aim to redefine India's e-commerce landscape by ending digital monopolies and creating a level playing field for traditional retailers. However, concerted efforts are needed to enhance its visibility, build understanding and incentivise adoption else it runs the risk of remaining an underutilised resource rather than becoming the transformative tool it was designed to be for the retail sector.

Our recommendation

Stakeholders, including government bodies, industry associations and platform developers need to focus on creating strategies that effectively communicate the ONDC platform's benefits and encourage widespread engagement among traditional retailers. Failure to do so may result in missed opportunities for the very retailers ONDC is intended to support.

> "ONDC presents significant opportunities for brick-and-mortar retailers, allowing them to tap into the online market boom once the hurdle of unit economics is cleared out. Retailers with an entrepreneurial spirit can leverage this platform effectively. Many brands are likely to be eager to offer the necessary product support if they can directly reach and serve customers.
>
> – Head of Sales
> FMCG | Mumbai

Flip the script and seize untapped opportunities

While around 60% of traditional retailers view online shopping as a looming threat, 29% are seizing it as a golden opportunity to elevate customer service and diversify their product offerings. Far from making shoppers impulsive, these savvy retailers see e-commerce as a tool for smarter, more informed customers — 66% agreed that the digital shopping experience empowers consumers to make well-researched decisions, ultimately paving the way for stronger, more meaningful engagement.

Our recommendation

Retailers and brands should leverage the advantage offered by some platforms which allow them to onboard their products with ease, enabling them to sell directly through social media platforms and stores. This ensures that brands stay top-of-mind, leveraging the immediacy of social media to engage with customers and drive sales in real-time.

Focus on generative customer experiences

Certain product categories have proven that the future of retail lies in creating dynamic, personalised and engaging consumer experiences which combine technology with human connection. However, most traditional retailers are yet to figure out ways to digitise the in-store experience for better product discoverability or brand advocacy. They also have the opportunity to collect insights on consumer profiles and preferences to enhance the customer experience journey. However, integrating data from both online and offline touchpoints can be a struggle for retailers.[11] Retailers need to look at adopting advanced technological solutions to navigate this.

Our recommendation

Integrate technology to offer virtual product demos or interactive tutorials to help customers visualise the product in their homes. This can enhance the shopping experience. Engaging with online reviews and listing products on marketplaces can also give retailers a wider reach and boost credibility. A comprehensive post-purchase support system through digital channels can also enhance customer satisfaction and loyalty.

> Besides allowing the customers their first touchpoint with the brand from anywhere, anytime, especially for lower tier regions where offline store viability is a question mark, digital commerce offers brands with aligned values, the chance to collaborate and build a community that enhances customer experiences.
>
> Driving unique product offerings rooted in the right set of values and focus on customer service excellence will continue to bring customers to stores and, in fact, online and offline channels can actually complement each other and grow the overall business pie for the brand.

– Amrish Garg
Head of Strategy and Planning | Fabindia

11 ET Retail, Navigating digital transformation: Retail leaders share key challenges in adopting an omnichannel retail strategy

Analyse cost-benefit

Driven by the Q-commerce boom, the demand for dark stores in India, which was at about 24 million square feet in 2023, is projected to grow at a CAGR of 12% to 37.6 million square feet till 2027.[12] The critical question, however, remains whether dark stores are the next evolution of traditional retail or do they represent a step backward in terms of reducing traditional stores' sales while accelerating the growth of online sales.

Our recommendation

Stores considering the setting up of dark stores need to weigh the set-up and operational costs against potential benefits. It is also worth exploring other models that may benefit both the local stores struggling with dwindling customers and the Q-commerce players grappling with a high cash-burn model.

12 Moneycontrol, Demand for dark stores touched about 24 million sq ft in 2023. Here's a deep dive into the concept

Outserve rather than outprice online retailers

Assortment, convenience and purchase experience trumps pricing and discounts in online purchases. Traditional retailers need to outserve online retailers rather than focusing on outpricing them. Instead of jumping on the bandwagon of free delivery and online ordering to replicate digital perks, retailers have an opportunity to stand out by offering one-of-a-kind in-store experiences, tailored services or exclusive products which can't be found in the online world.

Our recommendation

Offline stores can tap into the therapeutic value of shopping for some customers wherein they don't just shop for products but consider it to be more of an interaction where they can enjoy the experience and develop a connection. It's often a shared experience with friends or family which makes it much more than just a transaction.

> Although e-commerce platforms are shifting consumer behaviour from 'stock up' to 'top up' in urban markets, the brick-and-mortar channel is constantly evolving to maintain its relevance. Emphasis on home delivery, a deep understanding of customer preferences and the right assortment of products are all key factors which can enable the brick-and-mortar channel to reinvent itself.
>
> **– Anubhav Krishan**
> Sales Director – Consumer Products Division | Himalaya Wellness

5 PwC India's retail reinvention framework

PwC India's retail reinvention framework provides brands with the ability to visualise how consumer utility is driven based on channel choices across different categories and also by varying socio economic segment. Brands need to be cognisant of the geographic nuances which can impact the utility profile and also tailor their channel actions in line with how consumers perceive utility. This will not only help brands to become more relevant for their target consumers during decision-making but would also facilitate the narrowing down of strategic choices and aid optimal resource allocation for brands. It is critical for brands to understand how each consumer cohort perceives utility for a product category across the channel choices they make. It is, therefore, important for brands to first factor in the following questions of pricing, convenience, variety, engagement and experience which gets impacted by the choices made by their target consumer segment. The framework measures the utility level across Low, Medium and High levels for each of these areas and helps brands arrive at an overall utility score for each of their consumer cohorts and channels.

Figure 17: PwC's retail reinvention framework

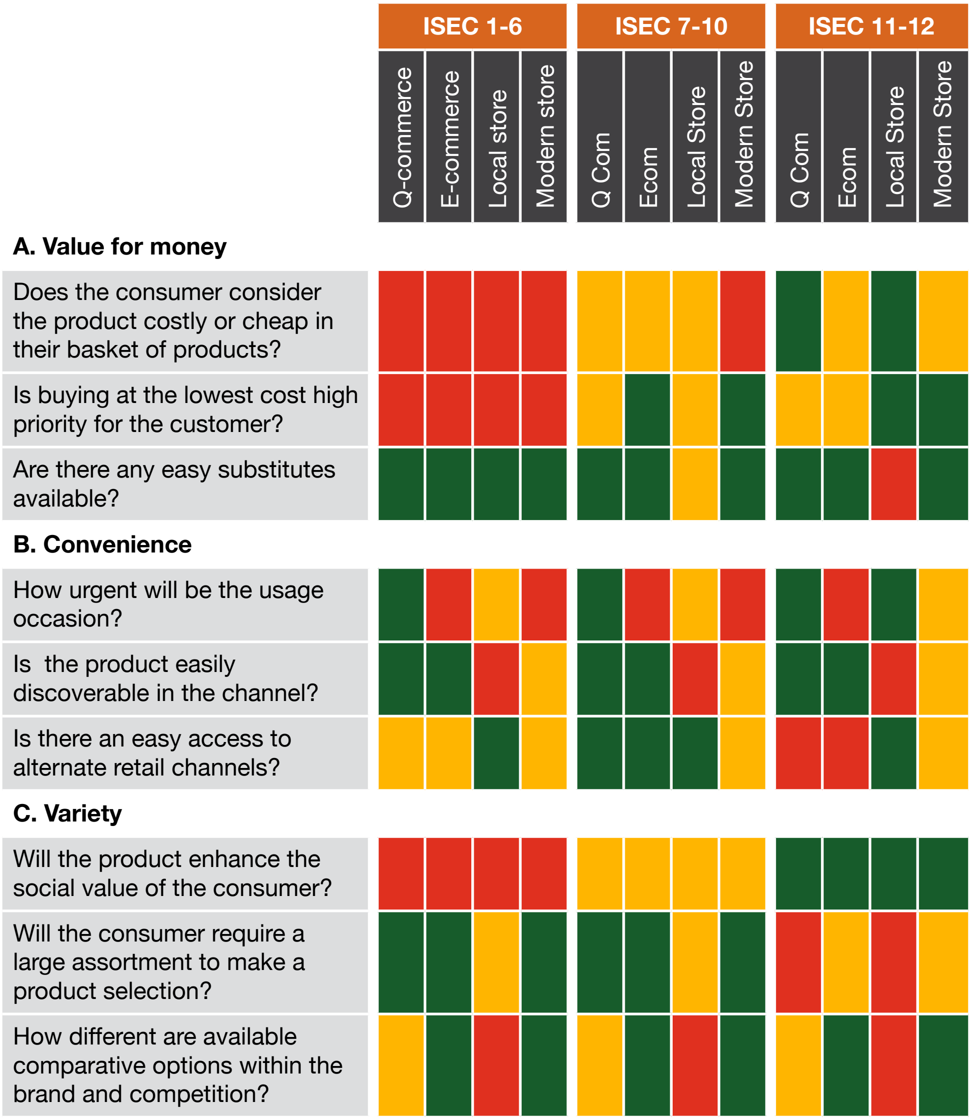
	Online	Offline
A. Value for money		
• Does the consumer consider the product costly or cheap in their basket of products?	M	L
• Is buying at the lowest cost a big priority for the customer?	M	H
• Are there any easy substitutes available?	M	M
B. Convenience		
• How urgent will be the usage occasion?	H	M
• Is the product easily discoverable in the channel?	M	M
• Is there an easy access to alternate retail channels?	L	M
C. Variety		
• Will the product enhance the social value of the consumer?	M	L
• Will the consumer require a large assortment to make a product selection?	H	H
• How different are available comparative options within the brand and competition?	M	M
D. Engagement		
• How well does the consumer know about the brand/category and is willing to advocate it?	L	M
• How easily can the consumer be influenced by external opinions to induce trials/repeat purchase?	H	M
• What is the ability of the channel to drive loyalty (with or without programme)?	M	M
E. Experience		
• Is the consumer looking for a value-added experience in the occasion?	M	H
• Does the purchasing occasion add social value to the consumers?	L	L
• Is the purchase decision individual or influenced by friends/family?	M	M

Source: PwC analysis

Note: L, M and H denote Low, Medium and High in the table.

The following illustration captures how the utility profile for a premium chocolate brand in the urban geography evolves across channels for different consumer cohorts.

Figure 18: Illustrative example of PwC India's retail reinvention framework for a premium chocolate brand



D. Engagement

How well does the consumer know about the brand/category and is willing to advocate?	High	High	Medium	Medium	High	High	Medium	Low	Medium	Medium	High	Low
How easily can the consumer be influenced by external opinions to induce trial/repeat?	High	High	Low	Low	High	High	Low	Low	Medium	Medium	Low	Low
What is the ability of the channel to drive loyalty (with or without programs)?	High	High	Medium	Medium	Medium	Medium	Low	Low	Low	Low	Low	Low

E. Experience

Is the consumer looking for a value-added experience in the occasion?	Low	Low	Low	Low	Low	Low	Low	Medium	Low	Medium	Medium	Medium
Does the purchasing occasion add social value to the consumers?	Low	Low	Low	Low	Medium	Medium	Medium	Medium	High	High	High	High
Is the purchase decision individual or influenced by friends/family?	Medium	Medium	Medium	Medium	Medium	High	High	High	Low	Medium	High	High

Source: PwC analysis

Low impact

Medium impact

High impact

From the illustration above, one can see that the approach of prioritising online channels with a sharp focus on driving assortment, product discoverability and engagement levers can help the brand in maximising its utility for the Indian Social Economic Classification 1-6 (ISEC1-6) cohorts.[13] Focusing on offline trade availability and tactical price points through new packs or offers will induce consumption for the ISEC 11-12 consumers.

Brands must recognise that the utility balance between consumer segments, the channels and the categories is dynamic and evolves with changes in consumer behaviour and profile. The following illustration carries forward the earlier example of the premium chocolate. The illustration shows how utility profiles across consumer cohorts shifts between channels (online and offline) and how each contributing consumer cohorts evolves differently.

Brands can also use Retail Price Index (RPI - Price to consumer indexed to volume of product) as an alternate measure of estimating contribution of consumer cohorts, under the assumption that RPI is correlated to the socio-economic demographics of the consumer group.

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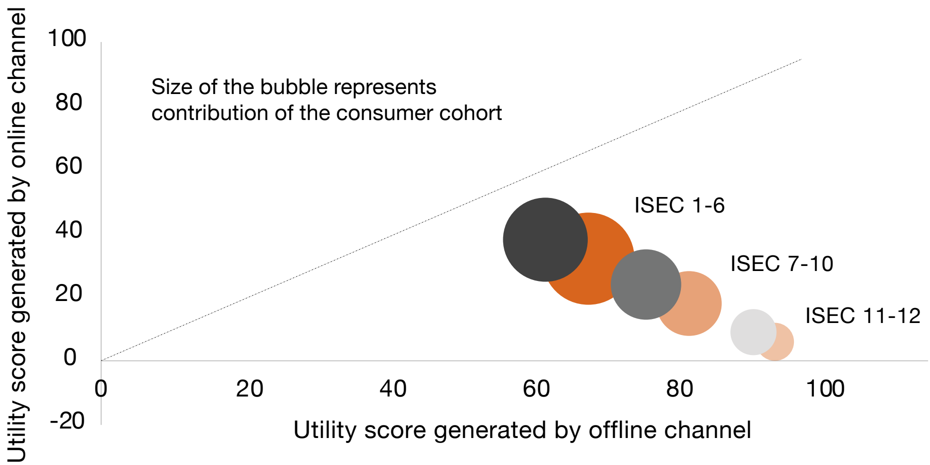
13 Note: Indian Socio-Economic Classification system is a standard as per Market Research Society of India

The illustration represents the three distinct consumer cohorts – ISEC 1-6 represents high income group, ISEC 7-10 represents medium income group and ISEC 11-12 represents low income group. As indicated in the illustration, consumption gradually moves from high income to medium and lower income groups, indicating the changing representation of the income groups' consumption profile. Additionally, the utility for all three consumer cohorts moves from offline to online channels corresponding with the difference in evolving consumer behaviour across the three consumer cohorts.

1 **Change in consumption patterns shown by the size of the bubble** (represented by numbers in the circle): the contribution of the high-income group for the premium chocolate category drops from 60% to 50% whereas the consumption of medium income group moves from 30% to 35% and low-income group from 10% to 15%. This is reflective of how with rising income levels and evolving needs, consumption patterns have evolved for brands in the premium space (i.e. premiumisation).

2 **Change in channel utility:** Different consumer cohorts reflect a variation in the propensity to find incremental value in online channels. For instance, high and medium-income cohorts (ISEC 1-10) grow at a much faster pace in online channels compared to the low-income cohort (ISEC 11-12). Therefore, brands must align their actions and investments based on this evolution for these two cohorts (ISEC 1-10) as they still contribute to the majority of the consumption. At the same time, they must recognise that the smallest, yet relatively fast-growing, consumer cohort, the low-income cohort (ISEC 11-12), can behave differently in comparison to the high- and medium-income groups. As seen from the illustration above, inspite of movement towards online channel the utility of low-income groups stands maximised with offline channels.

Figure 19: Illustrative example of utility profile evolution for a premium chocolate brand



Source: PwC analysis

Current state ■ ■ ■ Future state ■ ■ ■

Current

	Utility score generated by channel		
	ISEC 1-6	ISEC 7-10	ISEC 11-12
Offline	68	82	94
Online	32	18	6

Contribution of consumer cohort (in percentage)		
ISEC 1-6	ISEC 7-10	ISEC 11-12
60	30	10

Future

	Utility score generated by channel		
	ISEC 1-6	ISEC 7-10	ISEC 11-12
Offline	62	76	91
Online	38	24	9

Contribution of consumer cohort (in percentage)		
ISEC 1-6	ISEC 7-10	ISEC 11-12
50	35	15

Source: PwC analysis

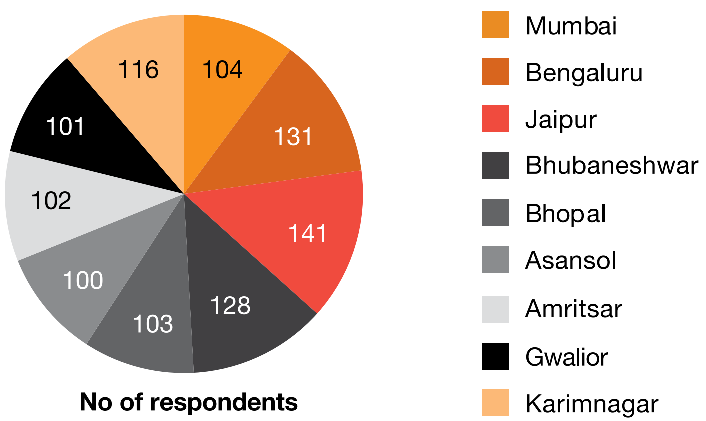
Therefore, retail reinvention, is not just about adapting to changes but proactively anticipating them. Brands could stay ahead of the curve by accurately predicting shifting consumer trends and strategically aligning their actions with specific channel-level shifts. An understanding of consumer utility profiles could enable brands to predict how they may move with time and align their actions in line with these predicted changes, These channel-specific actions could enable brands to be relevant to consumers as their buying preferences and expectations from channels evolve. This framework combined with a forward-thinking approach can enable them to meet evolving consumer expectations, enhance their market presence, and, ultimately, drive sustained growth in an ever-changing retail landscape.

Appendix

The survey – conducted across metro cities and tier 1 cities such as Mumbai, Bengaluru, Jaipur, Bhubaneswar, Bhopal and tier 2 and tier 3 cities like Asansol, Amritsar, Gwalior and Karimnagar – included online interviews with several operational and sales heads of retailers and face-to-face interviews with 1,026 retailers.

Online interviews with 822 consumers provided a perspective on how shopping experiences were impacting their preferences for physical and virtual environments.

Figure 20: City-wise breakdown of the retailer respondents



We surveyed multi brand outlets across categories

Majority of the surveyed outlets visited were standalone shops and not part of any national/regional modern retail chains in any category.

Figure 21: Gender-wise breakdown of the consumers surveyed

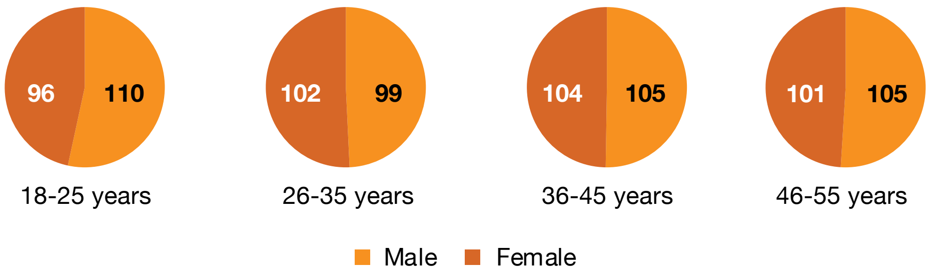


Figure 22: Classification of the consumers surveyed as per the new consumer classification system (NCCS)

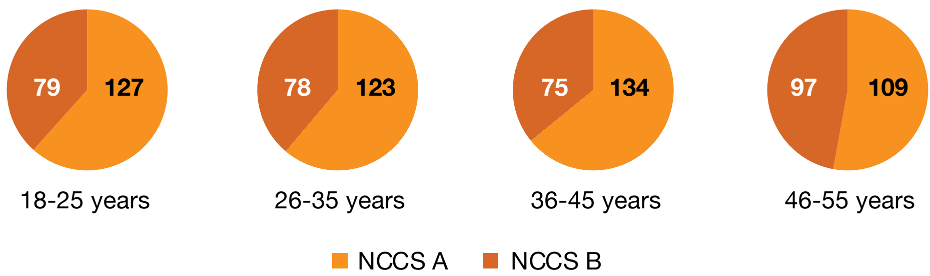
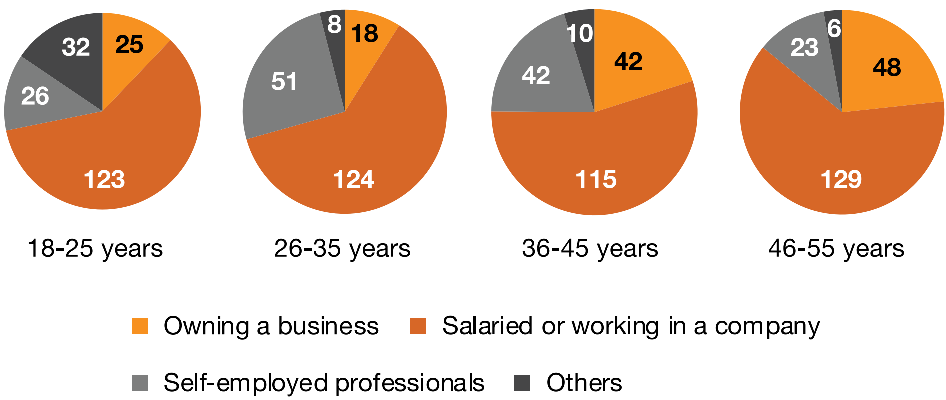


Figure 23: Classification of the consumers surveyed as per their occupation



Notes

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Our previous report in this series

How India shops online

This report delves into the key drivers and barriers which are shaping the online shopping behaviour of consumers in metropolises and tier 1- 4 cities in India.

Scan the code to download the report

Kirana Club

About Kirana Club

Kirana Club is India’s largest digital community for Kirana store owners, empowering 2.5 million+ retailers with insights, peer discussions and business growth opportunities. As the retail landscape evolves, Kirana Club serves as a vital platform where traditional retailers stay informed, adapt to market shifts and leverage new strategies to stay competitive in a rapidly digitising world.
It bridges the information gap between FMCG brands and retailers, fostering stronger collaboration and smarter decision-making – creating a win-win situation for both.

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