

STUDY OF DIGITAL TRANSFORMATION IN THE RETAIL SECTOR AS A PART OF INNOVATIVE MARKETING

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KEYWORDS ABSTRACT

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The Retail Industry is going through a series of developments and changes from the past some time across the world. Introduction of innovative concepts and digitization has played an important role in the growth of the Retail Industry. It has helped the retail organizations in fulfilling the demands of the customers with enhanced customer experience and earning increased revenue in comparison to its competitors. Introduction and application of Digitization, Knowledge Management, Artificial Intelligence, Customer Relationship Management, Customer Centric Retailing, Customer Relationship Management etc has drastically changed and improved the working of retail industry. This study analyzes the effect of digital transformation in the retail sector with special focus on innovative marketing. No corporation can survive without understanding the needs and requirements of the customers and these strategies make it easy for the retailers to gather and analyze the customer behavior on the basis of data available in

the market. Retail industry has big retailers which gives it high potential to adopt innovative changes. It provides a competitive advantage to the companies in comparison to the companies who are still following the traditional methods of retailing. This paper focuses upon exploring the innovative strategies used by the retailers as a result of the digital revolution and their impact on their revenue and growth. The secondary source of data will be used for the study. The objective of the paper is to highlight the importance of innovative retailing strategies and promote them to the retailers to improve customer experience, brand image and retailer-customer relationship.

1. INTRODUCTION

Retail market is a place where goods are available to the consumers in small quantities as per their need. The retail market in India is one of the fastest growing markets in the world, with 1.4 billion people. It is the strongest pillar of the Indian economy and accounts for about 10 % of its GDP and around 8% of employment. The Indian retail market is estimated to be worth \$1.3 trillion as of 2022. With the change of time there has been changes in the retail industry also.

The retail sector in India is seeing an exceptional entrance of new businesses and is predicted to nearly treble to US\$ 1.3 trillion by 2020 from the present US\$ 672 billion. The fast driven shift in this sector is because of rising family incomes, greater consumption, e-commerce, favorable demographics, and cheap credit availability. Introduction of the internet has played a major role in bringing innovation in the industry. The marketers are finding new ways to interact with the consumers. The focus is more to engage the audience rather than just selling the products and services. Retailers also want to fulfill the customer's demand by providing innovative and quality products and services. The development of the Business to Business (B2B) e-commerce industry, which is predicted to reach US\$ 700 billion by 2020, is equally rapid, if not faster, than that of the Business to Consumer (B2C) e-commerce sector, which is expected to reach US\$ 102 billion by 2020. The retail industry is focused on searching for innovative products and services by using the available information. Technological advancement has led to new information systems which can easily modify old organizational processes. However, organized retail is about 8%, while the unorganized sector accounts for 92% of the whole retail business, maintaining its dominance. But the,

organized retail is likely to evolve more in tier 2 and smaller cities at a rapid pace, it will not simply be an urban phenomenon in the future years. The digital wave is likely to propel this rise even further, bringing up opportunities for revolutionary customer-oriented business and operating models. The innovation in retail not only supports the retailer but also the customer by fulfilling his demand. The drivers of innovation in retail are: Demand from customers for more support while shopping like suggesting more relevant products to fulfill demand, less waiting time, increased interaction etc enhances the shopping experience. Availability of technology to explore and react to the dynamic environment is the second reason for innovation in the retail industry. Retailers analyze the trend, identify the demand, match it with the consumer behavior and plan strategies. Third driver is uncertainty of acceptance of innovation which leads to continuous innovation that if the previous one fails then the other one may have the probability of acceptance. The innovation may improve the customer experience, streams of revenue and supply chain. What has piqued the curiosity of all industry analysts is how the overall growth dynamics in Indian retail, as well as the effect of GST, are impacting the way the sector plans to ride the wave of the Digital revolution.

1.1 ROLE OF INTERNET

The Internet has become the backbone in everyday life. People are getting addicted and devote a lot of time on it. This has led to the heavy usage of digitization, social media, AI, knowledge management, IoT, virtual reality, augmented reality, blockchain, search engine optimization, search engine management etc. Though the success of innovation also depends upon the level of globalization, economic conditions, social environment etc. If these factors are not in favor then the chances of success of innovation is very less. Also it can be noted that the technological innovations have more focus on product based industry rather than service based industry. Service based industry is still under researched. The retailers are more focused on saving money rather than looking for what could make more money. Though the implementation of innovation automatically leads to high interaction, global presence, cost saving, ability to fulfill large customer demand etc. The innovation can be divided into two parts, internal and external. The external innovation includes sources like consumer, suppliers, competitors etc.

1.2 ROLE OF INNOVATION

Innovation in retail helps to maintain global presence with good financial returns. The developed nations purposefully support innovation. It accounts for GDP

growth upto 80%. It is also a strategic and necessary choice which helps in strong formation of the company and the industry in the cut throat competitive and dynamic environment. The economic environment keeps changing. Innovation has to be done to convert the uncertainties and risk into the opportunities.

1.3 REASONS OF INNOVATION IN RETAIL INDUSTRY

- With the introduction of the LPG concept, trade was being completely privatized between 1990 -1993.
- Penetration and expansion of international commercial chains. It changed the format of management and buying and selling of goods and services.
- Introduction of standards in global & international retailing helped in making the process effective and efficient.
- Quantitative and Qualitative changes led to adoption of innovation.

2. LITERATURE REVIEW

Author	Theoretical Framework	Review of Literature
Davies Gary(1992)	Innovation in Retailing	This study explains that successful innovation depends on the products sold or the process through which they are sold. In today's scenario market position can be sustained by a balanced combination of product and process. Various product and process differentiation are also discussed in this study by considering the examples of supermarkets, hypermarkets, marks and spencers etc.

Wahyudin & Yuliando ,(2017)	The Implementation of Knowledge Management on Traditional retail.	This paper discusses the strategies used by the retail sector in today's scenario to gain competitive advantage. Traditional retailers face difficulty in assessing the knowledge, training and mentoring strategies. Therefore the retail sectors should focus on improving the area of knowledge management to gain competitive advantage.
Tiwari, Anamika (2019)	Study of Digital Transformation in The Retail Sector: Impact and Challenges.	This paper discusses digitalisation and its seriousness in the retail sector. According to this study, digitalization provides the ease of doing business, increases the pace of work and provides automation services. As a result of this technological advancement retailers should invest more on Infrastructural and technological development such as IoT, cloud artificial intelligence, chat bots etc. With the help of these retail sectors will become more cost effective and there will be an increase in the operational efficiency.

<p>Mathew Jogi (2017)</p>	<p>Impact of Customer Relationship Management Initiatives in Indian Retail Scenario: A Review</p>	<p>This paper analyzes application and the implication of CRM initiatives for customer satisfaction, retention and loyalty in the retail sector. It also examines the latest trends and challenges faced in Practicing CRM in India. The study explains that delay in products or services, employee failure or other shortcomings can hinder the relation of customer with business. Therefore CRM can be used to identify and resolve these issues. Various CRM programmes can implemented to segment profitable customers while improving satisfaction and loyalty.</p>
<p>Khaled Amgad, Ahmed, Tabash, Homaidi and Hossain (2019)</p>	<p>The Impact of Technological and Marketing Innovations on Retailing Industry: Evidence of India.</p>	<p>This study analyzes the impact of innovation on the retail industry with main focus on technological and marketing aspects and evaluates its impact on satisfaction. It also provides suggestions to enhance consumer value, store image and brand equity. This study concluded that technological innovation holds more importance than marketing innovation.</p>

Ohlin Jennie (2019)	Retail Business Model Change in the Era of Digital Transformation.	This study discusses the case study of a company and analyzes the challenges faced in the retail sector and investigates the process through which the business model of the company could be changed so that it can stay competitive in the digital era. It also considers the E-commerce and omnichannel business as the vital key factors.
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3. OBJECTIVE OF THE STUDY

The objectives of this study are as follows:

- To examine the current state of innovative marketing in the Retail Sector.
- To explore the strategies used as innovation in retail marketing.
- To study the impact of innovative marketing strategies used in retail markets.

4. LIMITATIONS OF THE STUDY

There are some limitations which were considered during the study

- This research only considers innovative marketing strategies that have been used in recent years.
- The research considers only secondary data from various sources.
- The research includes only major innovations of the retail industry.

5. RESEARCH METHODOLOGY

The research has been done by using the quantitative research method to collect the data in an affordable way through the survey of the literature. The data was collected through secondary sources like articles, books, journals, magazines, conference papers, reports of companies, corporate websites etc.

6. INNOVATIVE STRATEGIES USED BY MODERN RETAIL

- **Digitization** helps to accumulate and analyze the information about the market, customers, history of purchase etc. It not only has a role in dealing with the

customers but also has a role in improving operational efficiency, supply chain and logistics and also in building IT infrastructure & security systems.

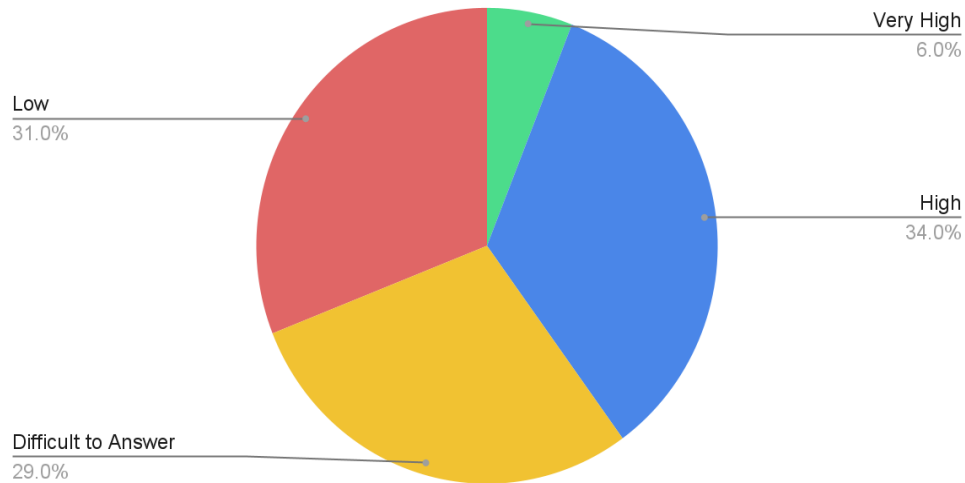


FIGURE 1 LEVEL OF DIGITAL ACTIVITIES OF RETAILERS IN 2018 (AS A PERCENTAGE OF THE TOTAL NUMBER OF ORGANIZATIONS)

- **Knowledge Management** is the process of diffusion of knowledge within and outside the boundaries of the organization. It is a complex process and impacts the large number of stakeholders like customers, suppliers, producers, etc.
- **CCR - Customer Centric Retailing** - It focuses on the needs of the customers by considering the requirements of the customer as the primary objective in taking any decision or making any strategies of the business. It tries to fulfill customer requirements by understanding their needs, wants, preferences and by providing exceptional experience in order to maintain long term relation & customer loyalty. CCR strategy is used by considering the customer as a center point of all the decisions. It provides valuable experience to the customers by continuously engaging them through social media, surveys, and feedback in order to understand and fulfill their demands. **Personalization** is also one of the strategies of CCR. It provides the selective recommendations to the customers and provides tailored products and services with help of purchase history, marketing efforts and by understanding consumer behavior.

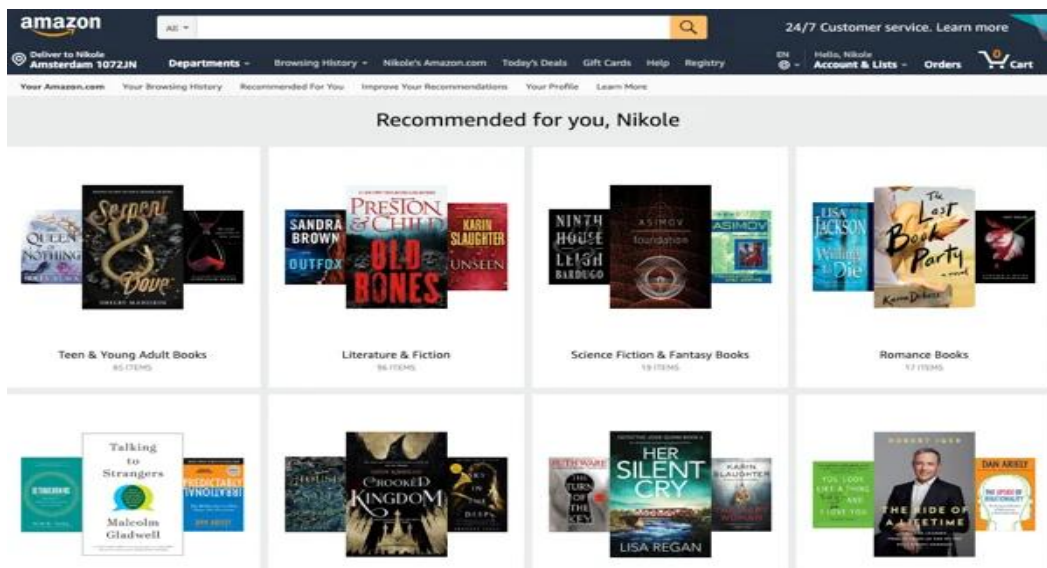


FIGURE 2 CCR - CUSTOMER CENTRIC RETAILING

- **CRM - Customer Relationship Management** - It includes the strategies, tools and practices used to manage customer's interaction and data. The main goal of CRM is to focus on customer loyalty, retention, satisfaction and providing personalized experience.
- **CSR - Corporate Social Responsibility** It focuses beyond profit making and involves businesses in fulfilling their social responsibility towards various groups like society, customer, government etc. it includes activities like engaging in social activities, community engagement, focusing on employee well-being etc.
Example of CSR: “ **Project Nanhi Kali**” by Nestle to support girl child education.
- **ERP - Enterprise Resource Planning** - It is a tool to manage resources of the enterprise. It provides a central repository from where information can be easily assessed by all. ERP helps in maintaining the data of regular activities, it also streamlines the various functions across the departments.
- **Artificial Intelligence**- AI is an imitation of human intelligence implemented in machines that is programmed to think and respond like humans do. Famous and known brands have implemented AI in the following ways:

Amazon has introduced Amazon Go which provides cashier less stores , customers are billed through their Amazon Accounts, no traditional checkouts process is required.

Sephora uses the virtual artist to allow customers to try on different makeup products and see how it looks on them.

Alibaba's Hema Store has implemented a Hema app that allows customers to scan products, get the detailed information about products and make payment. It also facilitates inventory management, personalized recommendation, and forecasting of demand.

- **BI - Business Intelligence** - It is a tool which is used for business analytics & reporting. It is a technology through which data is gathered, organized, analysed and turned into meaningful information which can be used for actionable goals.

7. IMPACT OF INNOVATION ON RETAIL SECTOR:

Digital transformation and Innovations had an extreme impact on the retail sector. It reshapes the way businesses operate as well as how a consumer can be encouraged with various products and services. Here are some key aspects of the impact of digital transformation on the retail sector-

- **Omnichannel Retailing-** It represents a transformative innovative approach that can integrate with various channels to provide seamless shopping experiences to consumers. It also allows consumers to transition between online and offline(physical) stores effortlessly. This Integration not only provides convenience to the consumers but also provides retailers a comprehensive view of consumer preferences and Behaviour.
- **Changes in Customer Behavior and Expectations-** The advent of digital technologies has empowered consumers with convenience, personalization and connectivity. Innovations in the retail sector have a positive impact on reshaping consumer behaviour, expectations and preferences. The modern retail landscape is characterized by tech- savvy consumers that expect more seamless, more effortless, more personalized and efficient shopping experiences across various channels. So retailers are under pressure to adopt these innovations to meet the consumer's expectations, preferences and foster brand loyalty. In a recent study, PwC found that 43% of shoppers are willing to pay more for a

better customer experience. This shows that customers are willing and willing to spend more money with businesses that offer a great experience.

- **Payment innovations-** Innovations in payment technologies like- wallet Payments, online contactless payments have not only enhanced the security of transactions but also influenced consumers by the speed and convenience in payment. Retailers adopt these innovations not only to meet the demands of the modern consumer for speed and convenience but also position themselves in a digital and competitive marketplace.
- **Supply Chain Management:** The traditional supply chain relies on the standalone system where a series of events are connected to each other in a structured way in form of a linear chain, with little or no data sharing. As shown in the figure below, develop, plan, source, make, deliver and support are the sequence of steps followed in traditional system, any inefficiency in one step can result in similar inefficiency in the subsequent steps.

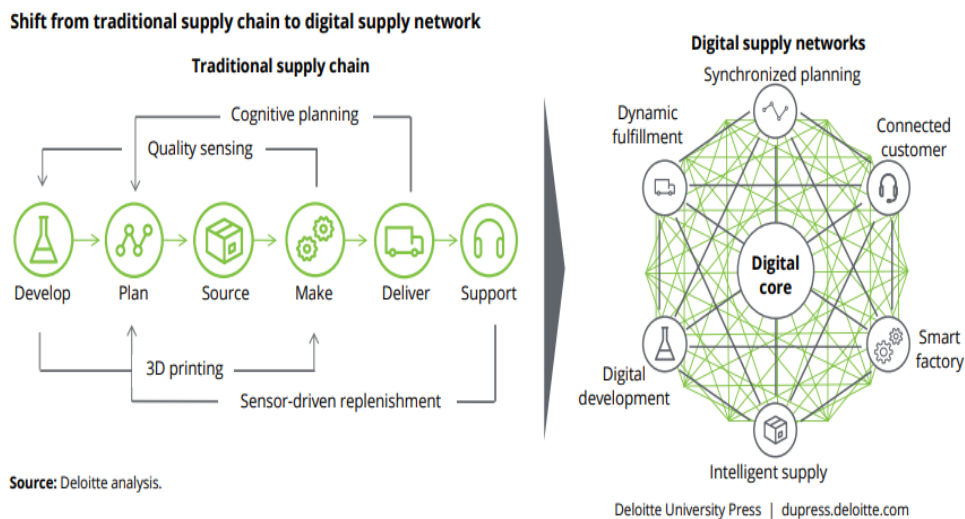


FIGURE 3 SUPPLY CHAIN MANAGEMENT

- **In- store Automation-** Innovation in in-store automation brings a positive change in the retail sector. It alters the way business operates and also engages the customers. Technologies like self-checkout systems, smart shelves etc reduce the checkout time and also it enhances the overall operational efficiency.

8. LATEST RETAILERS INNOVATION TRENDS

In a world where technology is king and the consumer market is constantly evolving, retailers need to be at the forefront of creative marketing strategies.

Offering customers anything new or improved in terms of technology, services, goods, or business systems is known as retail innovation. More precisely, adding value that offers a retailer an advantage over competitors and increases consumer desire is at the heart of retail innovation.

Retail innovation is not limited to companies with the resources to invest in attractive, expensive technology in order to give their customers thrilling experiences. Large and small businesses alike should instead concentrate on connecting with their customers in fresh, worthwhile ways that emphasize convenience, customization of the shopping experience, and differentiating themselves from the competitors. In a market where 48% of customers will shop with competitors owing to a bad personalized experience and 88% of consumers are willing to pay more for ease, merchants should focus especially on offering these distinctive, value-centric experiences to their customers in 2023.

- **Nike “Lets You Create Your Own Shoes”-** Nike has embraced technology and customization by offering consumers **NIKE BY YOU** platform. Nike offers a tool to his customers that they can design their own shoes. Customers can also upload various images that can highlight their personality and through personalization the bot will design a pair of custom shoes according to the customer specification. This kind of innovation creates value to customers and also makes consumers brand loyal.

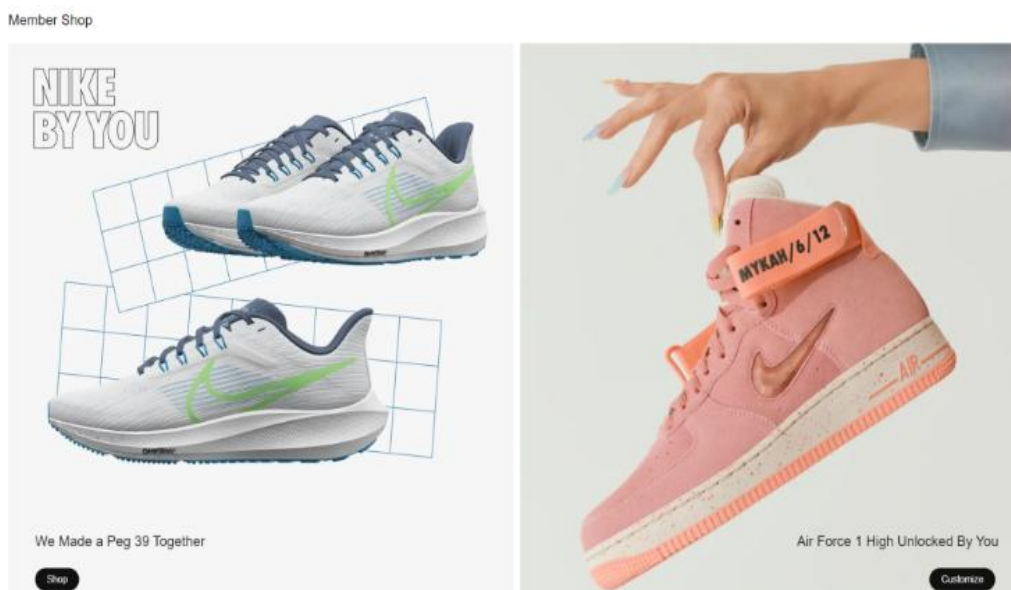


FIGURE 4 LATEST RETAILERS INNOVATION TRENDS- NIKE
SOURCE- NIKE OFFICIAL WEBSITE NIKE BY YOU

- **IKEA-** IKEA introduced **IKEA's Place App** that has embraced augmented reality, it allows customers to select a product and also can test that product in their own space before making a purchase. After making a decision of buying the product, customers can easily and directly order it from the IKEA website without any hindrance. Augmented reality apps give consumers confidence in their decision making.

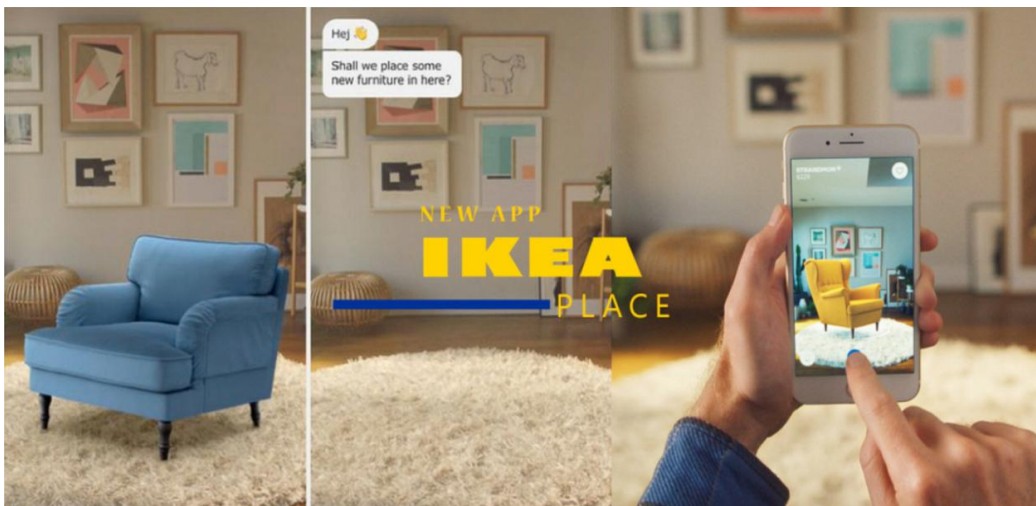


FIGURE 5 LATEST RETAILERS INNOVATION TRENDS- IKEA'S
SOURCE: IKEA'S PLACE APP OFFICIAL WEBSITE

- **Walmart-** Walmart has invested heavily in retail innovation, focusing on digital transformation and omnichannel integration. Walmart's use of automation in its fulfillment centers, cashierless technology, and the Walmart+ subscription service are notable examples of its commitment to innovation. Walmart's Walmart+ subscription service, offering perks like unlimited free delivery and discounts, reflects its strategic focus on customer loyalty and retention.
- **Amazon-** If we talk about innovations in the retail sector, Amazon continuously sets the bar by innovating various applications like **Amazon Go** stores. It also provides effective and efficient supply chain management and also frictionless online shopping experience to its customers. It also integrates with voice activated shopping with Alexa that make amazon a retail giant in the term of technology advancement.

- **Zara-** In the fashion industry, Zara also sets the bar in terms of innovation. In the terms of technology advancement ZARA enhanced the in store experience also it offers interactive displays and assimilated augmented reality components to engage and satisfy customers. It also forces data analytics and real time inventory for tracking the quick response to customer preferences, customer behaviour, reducing lead time and maintaining a vast product offering. Zara grasps its reputation as a retail innovator and also it sets the standard for the fashion industry by combining the supply chain management and commitment to hypnotic customer journey.
- **H&M “Wear the waste”-** If we talk about Sustainability, H&M sets an example for all the industries by their sustainable offerings. H&M is more focused on sustainability as it offers eco-friendly fashion, collections made from recycled materials or sustainable sourced materials. The introduction of the "**H&M Conscious Collection**" allows consumers to make informed choices about their purchases, aligning with a growing awareness of ethical and sustainable fashion practices. H&M efficiently fulfills the increasing demands of the customers for sustainable fashion or eco-friendly fashion by leveraging its technology.

9. CONCLUSION

To sum up, the examination of digital transformation in the retail industry as a component of creative marketing sheds light on a rapidly changing environment with strategic imperatives. Retailers looking to stay relevant and competitive in a changing market must embrace digital transformation, which goes beyond simple technology advancements. The results highlight its significant influence on improving customer experiences via Omni channel interactions and customisation.

Furthermore this research paper emphasizes how retailers have increased their operational efficiency by using data-driven decision-making, automation, and flexible supply chain management. It does not, however, downplay the difficulties that come with this revolutionary journey, advising shops to see them as chances for creativity and expansion. The success stories that are showcased act as markers, showing how creative marketing combined with digital transformation can provide outstanding results that become standards for the sector.

This study provides strategic recommendations and also highlights the importance of forward future outlook and continuous adaptation to emerging trends and

innovations. In the end, this study deepens our understanding of how innovative marketing strategies in the retail sector smoothly integrate with digital transformation, benefiting academic and industry expertise as well as providing retailers with useful information.

10. FUTURE SCOPE

- More innovative strategies can be explored in future for further analysis and study.
- Primary data can be collected from experts through email in the form of questionnaires to list the innovative strategies and find out its impact on the retail industry.
- Comparison and study of the success rate of the companies can be done in the retail industry using innovative marketing strategies to understand its impact.

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