

FUTURE OF THE RETAIL INDUSTRY

LIVING IN A WORLD OF CONSTRAINTS



Adopting experience-based business model

An ever-increasing appetite for more meaningful customer experiences coupled with emerging technologies has resulted in a sweeping transformation throughout the retail industry. Customers and retailers are evolving, and the entire marketplace has transcended beyond traditional aspects. With decentralized shopping experiences becoming more 'standard', retailers can no longer afford to operate in a traditional environment with previously-established business models.

As retailers embrace the opportunities ahead, they should consider key trends that are expected to shape the entire industry:

- Era of Attention Economy
- Death of Destination
- Psychographic Polarization
- Collaborative Consumption

Era of Attention Economy

Billions of dollars are spent in an effort to connect with customers, and online marketing budgets are increasing at a breakneck pace. As a result, due to the amount of marketing ammo used in the print and digital world, the average consumer faces a constant and unprecedented barrage of advertising through multiple channels. This is leading to increased clutter within the consumers' minds. The amount of clutter, combined with ongoing data overflow in the coming years, will lead to an emergence of the new scarcest resource – “Attention”. This phenomenon harbingers the “Era of Attention Economy”, which will have its own set of rules, roles, cycles, and values. Gaining – and retaining – the customer's attention will be a primary challenge.

Consider the statistics surrounding mobile and Internet data traffic, which exhibit how many text messages, advertisements and general product information can cause distraction.

Mobile Data Traffic

- Traffic increased 2.6-fold from 2009 to 2010, nearly tripling for the third year in a row
- By 2015, mobile data is expected to increase by a factor of 26

Internet Data Traffic

- 294 billion emails were sent per day in 2010 (89% spam related)
- 255 million websites are available
- 35 hours of video are uploaded to YouTube every minute

Today, over 5 million Terabytes of data exists on the Internet. It is predicted to double in size every five years. This would equate to more than 1,000 exabytes of Internet traffic by 2015, compared to 245 exabytes in 2010. (1 exabyte = 1 billion gigabytes)

What does this mean to a retailer?

- Taking into account these enormous data figures, retailers will have to revisit their planning strategies regarding product display, packaging and marketing to grab the customers' attention – the same ones who suffer from information overload.
- Retailers will have to find innovative ways where they can stimulate the senses and engage consumers in conversations that lead to sales. A valued experience will be sensory-

related and involve sight, smell, sound, touch and taste. (Studies have shown when a consumer recalls more than one sensory impression conveyed by a product, brand loyalty is approximately 60 percent).

- Technological advances that enable attention profiling will become a more prominent retailer need.

How can Wipro help?

- Wipro can build time and motion studies related to digital customer experiences to help retailers leverage on innovative changes taking place within this space.
- Wipro can build a Center of Excellence to focus on technology solutions that enable retailers to create and implement sensory engagement techniques.



Death of Destination

In the past, a physical store was the sole destination in which a retailer and customer could conduct a transaction. With the advent of eCommerce, the barriers of time and location were eliminated, and online portals became another destination where transactions could be carried out. However, even as eCommerce became integrated with smart devices, the idea of “destination” still lingered. Whether on-site, online or through catalog phone orders, customers today are still bound by the concept of “a destination” to make a purchase. In the future, customers do not want to be bound by this concept or a particular device to see, experience or purchase. This will lead to a marketplace not constrained by time and location, but one that is omnipresent.

Factors Affecting Retail

- The U.S. median household income before taxes is just below \$50,000, or about \$4,150 per month.
- The average U.S. household will spend at least \$700 more on gasoline in 2011, increasing vehicle fuel expenses by at least 28 percent.
- The average shopping trip duration is shorter. (90 minutes per trip in 1980; 40 minutes in 2000, and 23 minutes in 2011)
- Millennials, which are the youngest shoppers and constitute approximately 25% of the U.S. population, do not like to waste time in the store. They shop less often than other age groups, but as a result, they purchase more per trip.
- In 2011, the internet played a role in more than 45 percent of U.S. retail sales, as either a research tool or sales channel.

What does this mean to a retailer?

- To serve this new group of destination-adverse customers, retailers will have to review business models and traditional methods of operation. They will have to leave behind traditional thoughts regarding resources, such as staff, real estate and the internet. Instead, a retailer will need to view the entire world as the marketplace to display products and enable shopping.
- The traditional retail environment will no longer be a barrier, and retailers will need to invest in areas that mobilize the shopping experience. The introduction of connected technologies will lower the purchase barriers, and retailers will be required to offer products wherever and whenever the customer demands.

Sample Scenario:

As a woman walks on a crowded street, a blue shirt catches her eye. With interest, she points her mobile device at the garment to retrieve product

information, including brand, pricing and availability. To purchase, she could add the item to a cloud-hosted shopping cart and have it shipped overnight to her house.

How can Wipro help?

- Wipro can help retailers create innovative technologies to fulfil this futuristic shopping experience. It would enable retailers to become omnipresent and eventually offer any product, anywhere at any time.
- Wipro can co-innovate with retailers in areas such as product identification technologies that enable real time product research and buying, as well as the integration of smart devices, GPS technologies and indoor maps that display real time traffic or other detailed information about a retail facility.

Psychographic Polarization

In the past decades, we have witnessed the liberalization and globalization of economies which integrated people with varied backgrounds and skill sets to conduct business. The world of today is marching towards social integration, enabling people to share their beliefs, value systems and ideas across many age groups and geographical locations. The penetration of social media technologies in the life of an average consumer will act as a catalyst to this phenomenon.

Psychographics, a technique used to measure attitudes, value systems and opinions, will polarize customers of tomorrow into homogenous communities and groups having common beliefs. It will eventually become more meaningful for a retailer to target such communities rather than having a silo'ed demographic or geographic view of a particular target market.

What does this mean to a retailer?

- Among all the segmentation strategies available at the discretion of retailers, psychographics will take a higher precedence as more and more customers collaborate, share and make their social notions public and accessible.
- Retailers will have to leverage technological innovations that enable them to delve deep into the customers' minds and capture valuable insights to know where the target customer is socially integrated. Digital identity and analytics will play a significant role to leverage on this phenomenon.

- Retailers will need innovative tools and technologies that measure and predict psychographic variables of the target market and enable psychographic profiling of the end customer.

Sample Scenario:

Both a 70-year-old Australian male and a 20-year-old Argentinian female attach critical importance to a retailer's green supply chain and product safety rating. In order to interact with such psychographically-polarized customers, a retailer should view them as one segment versus separate demographical segments, and have the correct tools in place to effectively communicate with them.

How can Wipro help?

- Wipro can help retailers in a variety of areas specific to the psychographic profiling of target markets by facilitating the integration of analytical insights captured into multiple channels.
- Wipro can help retailers build tools to track the changing social graph of a customer.
- Wipro can help retailers build segmentation dashboards to provide a psychographic view of each target market, and enable retailers to provide dynamic pricing of products and services targeted at each psychographic segment.
- Wipro can help retailers provide platforms for their end customers to share ideas and polarize like-minded people, and thereby develop a larger pool of customer communities.

Collaborative Consumption

The age of spendthrifts is gone, and consumers are beginning to understand the criticality of the resources at their discretion. Consumers realize that one of the best ways to return to a sustainable way of life is to maximize asset usage through collaborative consumption. Concepts such as sharing, renting, trading and bartering will penetrate the lives of the common man. This phenomenon will lead to business models that are built on premises of growing collaborative consumption among customers. This will also lead to shared goods and services being distributed via the marketplace to a community of users. Consumers will spend their dollars for "access" rather than "ownership".

- Since 1900, the US population has increased 357%.
- In 1900, 41% of the natural resources that entered the US economy were recycled. Today, that figure is 13%.

- Every kilogram of recycled textiles saves the equivalent of 3 kilograms of CO₂.



- It is estimated that the sharing of physical objects and spaces will increase by 75% in the next five years.
- The social media revolution is lowering trust-related barriers. It is estimated that the number of large-scale shared communities will increase by 85%, considering the innovations occurring within the Internet and mobile space.

What does this mean to a retailer?

- Retailers will have to reinvent themselves and leverage technologies to enable customer collaboration. Retailers will have to shift their mindset from “selling” a product to “allowing access” to a product or a service. This will radically change the way products or services are created, distributed, priced, accessed and consumed. The demand for brand-new products will shrink as result of this phenomenon. Reuse will liberate the environment from excess consumption at the cost of market size.
- Retailing will evolve into “rentaling”, and technologies built around peer-to-peer models will emerge. Social media channels will allow consumers to validate a stranger’s identity, which will also reduce the barriers of trust.
- Innovations in pricing models, RFID tags, reverse logistics, and product information technologies will become areas for retailer investment.

Sample Scenario:

Imagine a retailer having a differential pricing mechanism based on the age and consumption stage of a particular product. Information regarding the product’s consumption history and ‘health status’ will be stored in RFID tags. Retailers will also have a matured reverse logistics program to enable

customers to return a product after a stipulated period of consumption. The retailer then rents the same product out to another customer as per his defined needs (e.g. books, DVDs or large, limited-use items such as infant strollers or high chairs).

How can Wipro help?

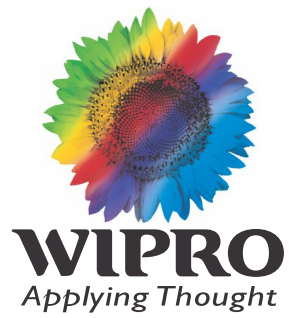
- Wipro can help retailers build used-asset pricing models and develop capabilities in the supply chain, return center management and reverse logistics aimed to enable collaborative consumption among customers.
- Wipro can offer technological solutions for production, distribution and marketing functions of a retailer that are targeted around collaborative consumption within different customer communities.

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