

Digitalized Retail Environment via SVI and Omni-Retailing: an Indian perspective

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Abstract

Organized retailing in India has been heavily depending on the physical infrastructure to distract customers and subsequently making conversions for many years. However, the adoption of technology in retailing and the use of digital gadgets have also changed the way the offline sales used to be done. The technology has also helped the retailers to identify the critical areas complimenting the sales process and concentrate on the changing habits of customers. One such area can be the order-fulfilment process via Omni-Retailing, which requires transformation in certain regularly followed phases of it due to the intervention of digital processes. Many emerging as well as established Indian retailers have been thoroughly assessing the challenges (mostly in terms of customer attrition) faced by them in the absence of certain tools like SVI (Single View Inventory) orders even for products like electrical vehicles (EVs). Thus the current study focuses on various cost reduction strategies by the adoption of such emerging but essential tools like this, which can help the retail managers and strategists to drive off-line sales more efficiently.

Keywords: Cancellations, Conversions, Digitalization, Inventory, Order-fulfilment, Retailing

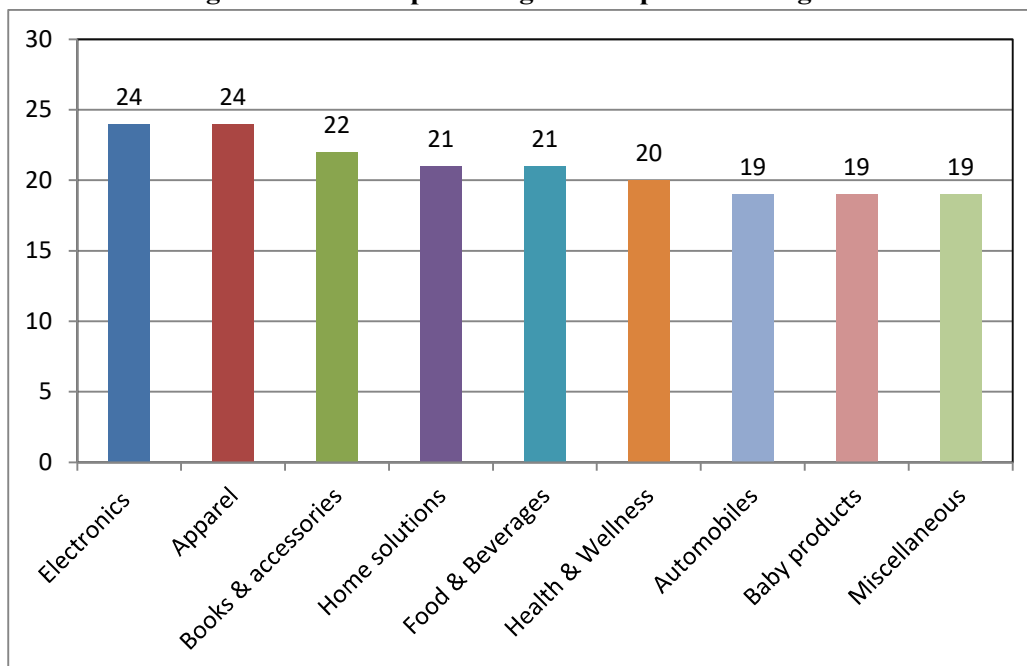
INTRODUCTION

Retailing, at the micro level is considered to be the ultimate phase in any economic activity thus enabling the seller to find a buyer. The retail sales generated through this process primarily indicates the effectiveness and efficiency of the concerned retailer (Tagashira and Minami, 2019). When this sales process happens within the surroundings of a physical environment, it is called the offline sales. In the simplest terms, it happens to be generated from a brick-and-mortar set up (Sung, 2022). This kind of store-based retailing provides customers hands on support while they visit, choose and buy the products of best quality and most relevant as desired by them. Additionally, offline sales can increase the chances of creating brand loyal customers, as the retailer gets

an interface to enhance the personal rapport with the former (Frasquet *et al.*, 2017). In order to bring customers to the stores or in other terms to increase the footfalls, the retailers generally take the help of various media and forms of advertisement, e.g. newspaper, outdoor, social media etc. However, increase in the footfalls inside a store does not necessarily ensure proportionate increment in conversions thus putting the retailers in dilemma while selecting the tools to woo the prospects (Ayodeji and Kumar, 2019).

Coming to Indian retail landscape, the organized retailing more visibly represents the store based retail operations and the retail sales generated through the same can be an efficiency metrics for the retailers (Grosso *et al.*, 2018). Though organized retail in India contributes only 18.5% of the entire retail market, the number continues to grow with some big corporate houses like Tata, Birla, Godrej, Reliance and others making it look quite significant. The formats of organized retail in India include gigantic hypermarkets to small sized SOS (shop-in-shop) present in all types of cities, i.e. Tier – I and Tier – II cities (Bulsara and Trivedi, 2016). Over a period of time, this form of retailing has been primarily focusing on building up customer experiences through spectacular and well-designed infrastructure, in the form of malls and so on. The retailers in India always have been trying to emphasize more on the store environment and the physical components of the same (Paulet *et al.*, 2016). However, with the growth of online platforms, their offline sales have been affected significantly. It has been witnessed that the customers are now inclined more towards the digital experiences for their requirements and the growth is considerable (Mishra, 2021). The acceptance of digitization of retail has become obvious because of several reasons like convenience; ease etc. along with the impact created by COVID pandemic (Sharma, 2020). However, there is no absolute choice called online or offline experiences which can define the customer considerations. It is thus observed that the biggies in Indian retail space once considered being solely dependent on servicescapes for their offline sales without bothering the digitization of processes, have started seriously considering a hybrid model to generate customer experience (Ramachandran *et al.*, 2017). Over the years several factors like the direct and indirect exposure of customers to the digital world, first customer-touch point (mostly being digital), impressions left both for short and medium term as well as an anticipation of losses in the absence of digitization have left retailers no options except going digital (Sharma *et al.*, 2022). The paradigm shift is more towards the digital processes as can be noticed from High Digital Influence Factor (DIF) across product categories (Childers and Boatwright, 2021). On an average the DIF was found to be 21% for customers and thus indicating the acceptance of digital platforms among them (Figure – I). Therefore, it is required to understand the impact created by digital environment on the customer experiences leading to retailers while redesigning their customer-experience-centric components and adopting certain wholesome practices like Omni-Retailing in a bid to boost offline sales (Fildes *et al.*, 2022).

Figure – I: DIF in percentage across product categories



Source: Deloitte, 2020

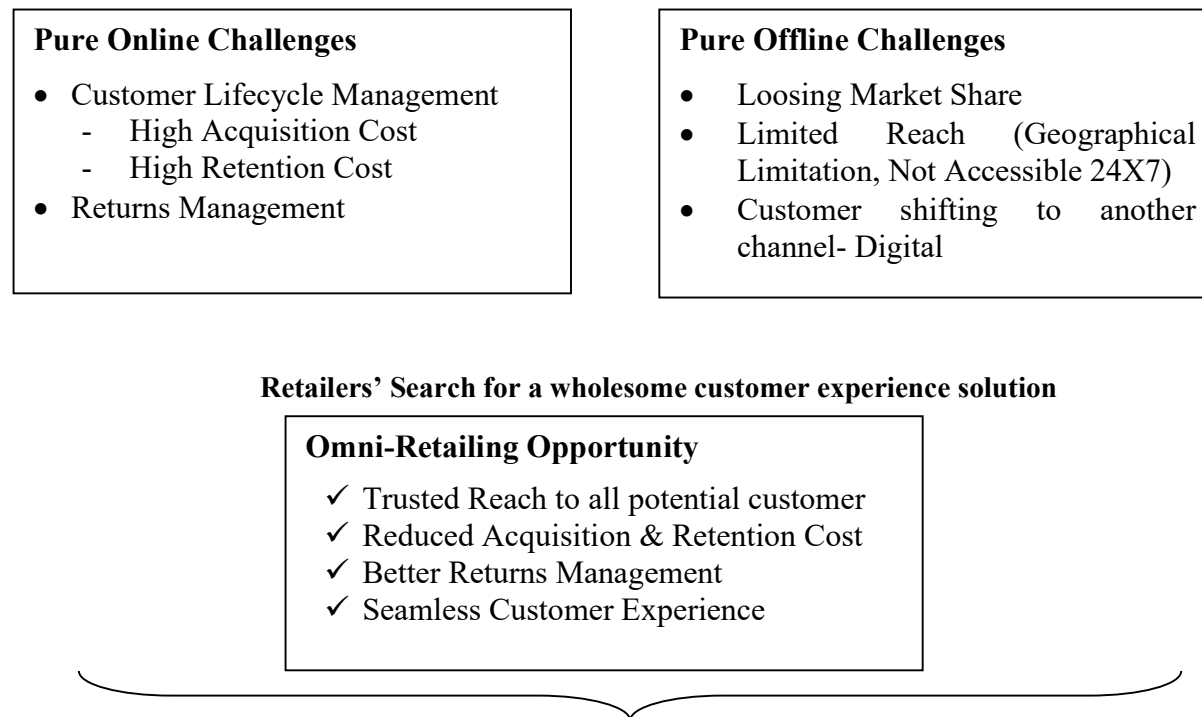
OMNI-RETAILING: AN EMERGING POPULAR PRACTICE

In the simplest words, the sales oriented approach which seeks to create a consistent, seamless as well as an integrated shopping experience can be termed as Omni-Channel Retailing or more popularly Omni-Retailing. It can support the customers from wherever they want to shop, be from their desktops or cell phones or even by visiting the stores physically (Hall *et al.*, 2017). Omni-Retailing can strengthen customer experience by providing them scope to:

- Interact with the company via various channels
- Find the products online and in-store more conveniently
- Order, receive as well as return orders with ease
- Frequent shopping and remaining loyal to the store

Omni-Retailing adopts a balanced approach in addressing the challenges in pure online or offline approaches to become the next game changer in Indian retailing landscape (Figure- II). While in the online front, typical challenges are in the form of acquiring and retaining a customer (which ask for substantial amount of financial consideration as well as managing the returns), offline challenges are natural (in terms of declining market share, market penetration and moreover the switching customers).

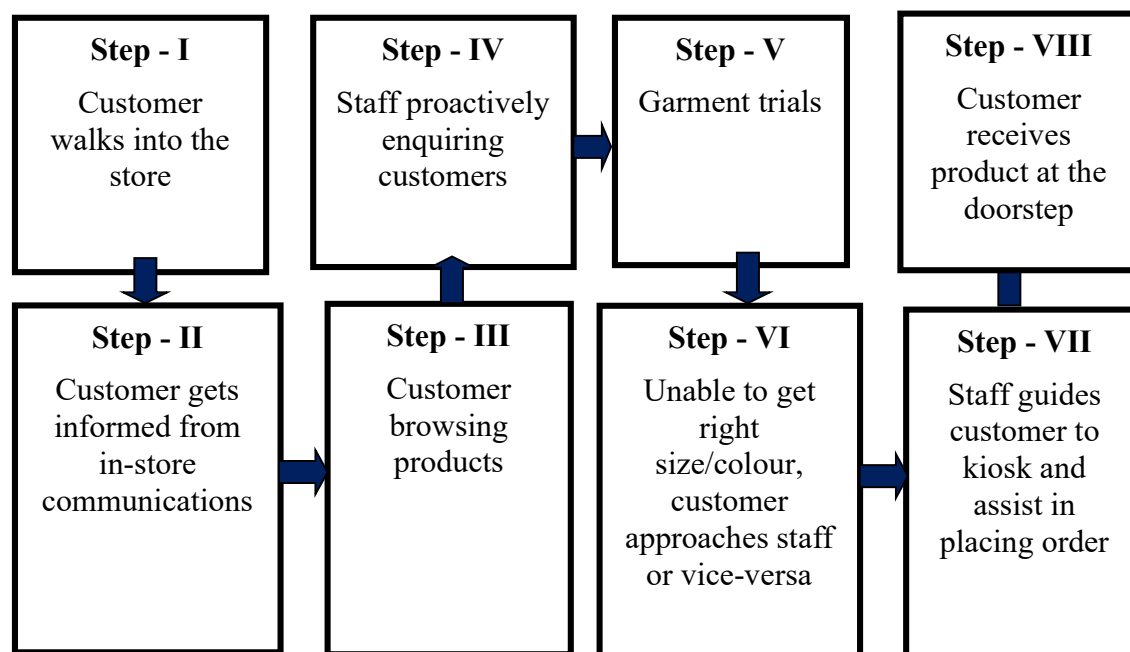
Figure – II: Omni: a potential solution



Therefore, the retailers have started adopting a mid-route in the form of Omni-Retailing to create an enriched customer experience by pursuing all the opportunities in the same which essentially negate the challenges encountered in online as well as offline retailing (Han, 2020). Various initiatives that make this process of Omni-Retailing interesting as well as productive become comprehensive due to the single point agenda of creating an amazing customer experience thus leading to top-line growth.

As a solution provider, Omni-Retailing unleashes the potential leveraging of assets and strength across all possible retail channels in to grow profitably. In a physical environment, Omni-Retailing can be practiced in a sequential manner sequences, for example a fashion store (Figure – III). As it happens, customer walks-in to store & gets informed / communicated about *Didn't find your size, color, product, looks, fit – Contact us* from in-store collaterals & marketing mediums.

Figure – III: In-store Customer journey



Source: configured by the authors

It might so happen, customer likes a product, but respective size is not available (called as *broken style*) and thus he/she reaches to the staff expecting an immediate solution. In response, the staff out there guides the customer into the kiosk and helps to look for the same product online. Finally, the staff assists the customer in closing the order and with exclusive code tracking the sale as well as incentive. Thus for in-store shopping the customer can be benefitted in any of the following situations.

- ✓ *Customer proposition 1* – Lesser Broken styles and hence much better shopping experience and lesser emotional drainage
- ✓ *Customer proposition 2* – Kiosk Solution to all product based requirements & transaction can be closed immediately.
- ✓ *Customer proposition 3* - Delivery charges to be waived off. Order value is combination of offline and online transaction.

Considering the burgeoning demands of store support while shopping, the Indian retailers have started putting Omni-Retailing in top of their list. They have started realizing the fact that being digitized is not a choice rather a case for survival (Joshi and Sharma, 2022). It indeed becomes compulsory, if the store belongs to a group with high global brand equity and the latter feels the essence to adopt Omni-Retailing across all its stores in its pursuance to expand its base, increase brand loyalty and at the same time strengthening base in all products across regions (Chaudhary *et al.*, 2022). In the Indian retail market, the digitally enabled business environment has provided enough space to increase shopping, the shoppers, the frequency of consulting or suggestions sought while using the Omni-channels, the big ticket size transactions, the engagement with the concerned retailers as well as the number of browsing/ searching for the physical stores (post the selection of products) and the trend

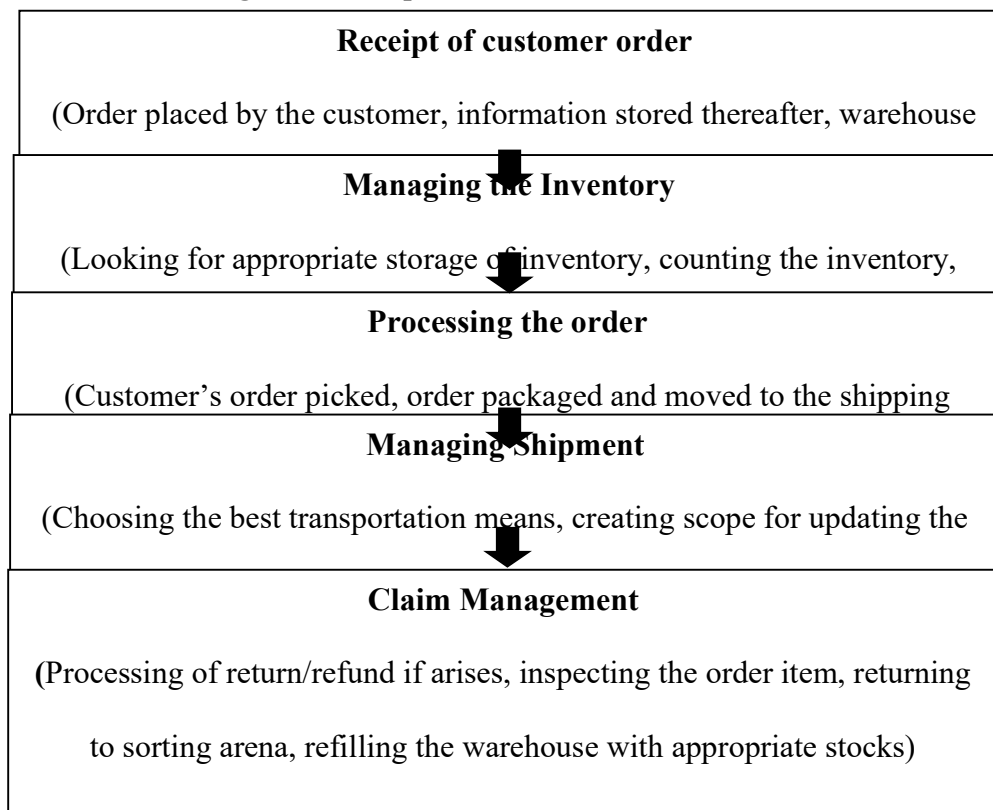
is in the upswing (Ravula *et al.*, 2020). It has been observed that in the year 2021 itself the Omni-Retail shopping have increased by 50%, and at the same time half of the retail consumers in India asked for minimum three different channels while gathering information and subsequently select a store to make a purchase, mostly high-end products (Indian Retail Report, 2022). Certain retailers like Nykaa, Lenskart, Myntra etc. have made Omni-Retailing as a common practice in creating the difference and taking the advanced digitalized environment while driving their sales. These retailers adopt various approaches like:

- Expanding marketing channels and interconnecting them while facilitating customer touch points, e.g. dealing with customers of trendy products like electric vehicles – EVs (Patnaik, 2022)
- Inserting product display and selection facilities digitally to engage the customers and facilitate their decision making process (Patnaik *et al.*, 2024).

IN-STORE FULFILMENT: SVI IN OMNI-RETAILING

At the micro-level, Omni-Retailing has been considered as an experience booster for customers thereby helping the retailers in the In-store fulfilment, i.e. fulfilling an online order (irrespective of the source of generation) from a physical store only. The meaning of a traditional store has expanded itself into an integration of warehouse as well as a distribution centre (Holzapfel *et al.*, 2018). However, before delving more into the paradigm shift and the strategic focus to counter the challenges, it is required to understand the phases in an order-fulfilment process (Figure – IV) which encompasses all the requisites from receipt of order to shipment of the latter. For any retailer irrespective of the popularity or scale of operations, the expectation of a faster delivery from the customers' side remains a common challenge. This becomes more challenging as other common issues multiply the phenomenon to be considered by the retailers as a strategic manoeuvre to overcome, viz. reforms required in the current supply chain management practices, reduction of packaging cost by avoiding multiple packages, identifying different locations for specific orders (either placed online or through the physical stores) and most prominently managing the most complicated last mile delivery (Vakulenko *et al.*, 2019). Thus to enable such a fascinating experience of customers, the retailers have started focusing on different practices of order-fulfilment (Nguyen *et al.*, 2018). One of such emerging practices can be that of SVI (Single View of Inventory).

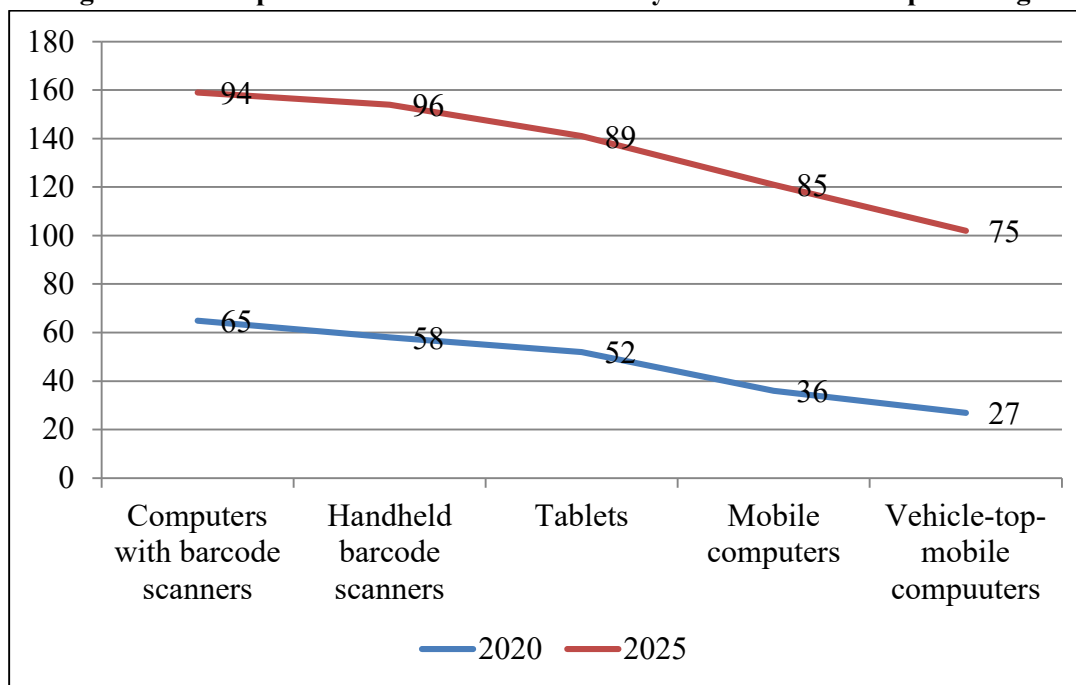
Figure – IV:Sequences in an Order-fulfilment Process



Source: configured by the authors

As the term suggests, SVI is typically that process of order fulfilment, which enables customers taking decisions by viewing the intended product with various tools and make a purchase subsequently, be it from the store itself or getting the product delivered at the former's doorstep after being convinced about the view of the product from the store. In any case, the offline sales are getting a boost (IBM Sterling, 2019). The SVI way of order fulfilment has been rapidly growing among the retailers (while taking an update on the customers' orders) as the supply chain executives of theirs can take the help of multiple means to deliver the orders at the fastest possible time and thus create a pretty good experience for the customers, while maintaining and managing inventory accurately (Banerjee and Mishra, 2017). The means of order management can be as many as possible and the rate of adoption of SVI by the Indian retailers has been phenomenal and is predicted to have encouraging impact on the transformation inventorycontrol in a digitalized manner (Figure –V).

Figure – V: Adoption of various means in SVI by Indian retailers in percentage



Source: compiled by the authors

As it can be noticed, each digital gadget used by the percentage of retailers for SVI purpose in 2020 was at a modest level where as by 2025, the usage seems to be promising. The handheld barcode scanners are anticipated to be having maximum number of retailers' choice while undertaking order-fulfilment process.

Driving offline sales through SVI adoption: Benefits

As a matter of fact, the retailers in India have witnessed the following benefits because of SVI causing an increment in their offline sales.

- i) Additional conversion
- ii) Reduced cost of fulfilment
- iii) Preventing opportunity loss of broken sizes
- iv) Delightful customer experience
- v) Additional footfall to store
- vi) Reduction in Returns Cost

This can easily be understood from a comparison of situations in pre-SVI and post-SVI enabled stores in India, for example, the changes witnessed in retail stores of Landmark Group.

Off-line sales situation before SVI being implemented in stores

Step – I: Customer browses/ places order from the company app at his/her convenience

Step – II: He/she gets exposed to offerings only from online and warehouse inventory

Step – III: Order gets fulfilled by the warehouse as per the fulfilment sequence

Online Inventory

+

Warehouse Inventory

Now opportunity loss occurs in two ways:

- i) Additional offerings in the total system as maintained by the group cannot be shown to the customer

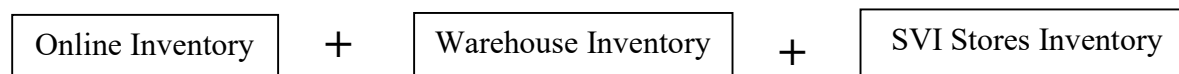
- ii) An economically cheaper and a faster method of fulfilment cannot be adopted because of non-adoptability of gadgets or devices.

In the post-SVI enabled stores, the off-lines sales can be better due to the following steps used in the order-fulfilment process.

Step – I: This step is similar to the first step used in the earlier condition

Step – II: He/she gets exposed to offerings from online, warehouse inventory as well as SVI-enabled stores

Step – III: Now the order gets fulfilled by the warehouse as well as the nearby SVI-enabled stores thus reducing the cost of fulfilment significantly



Thus due to this SVI integration, the benefits like customers' exposure to the merchandises, probability of getting expected size/colour/price as well as speed of fulfilment at nearby SVI-enabled stores increase. Subsequently, it drives up the off-line sales.

Driving offline sales through SVI adoption: Focusing on Cancellations

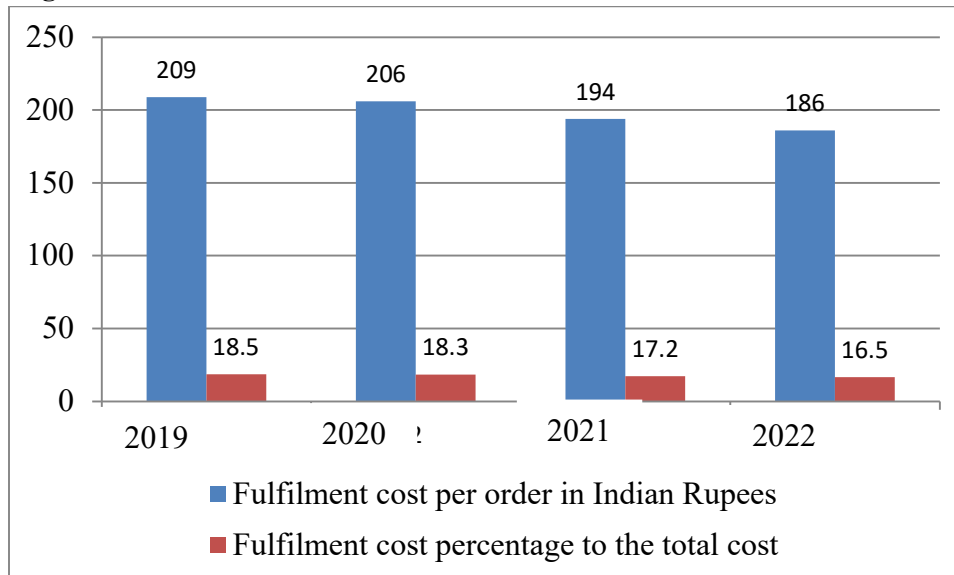
As obvious, the non-adoption of SVI resulted in cancellation of orders for many Indian retailers and the situation has been more prevalent in fashion retailing. This has got an adverse impact on the retailers' image and subsequently reduces the off-line sales. During EOSS (End-of-Season-Sales), the cancellation of orders rose to the pick. For example, during EOSS 2019 (June), there were more than 18,000 orders cancelled at Max Fashion. The reasons behind this precarious situation are given below along with respective SVI support which could have saved the show.

- There was no defined process to differentiate between floor stock and backroom stock. (One proper daily demand algorithm running in the back-end could have solved the problem, by focussing on some rules like, let's say 2/3 rules, i.e. for every three units of order, two made available)
- Repetitive orders SKUs (Stock Keeping Units) could never be picked up at stores as there was a great mismatch between the physical inventory and system inventory. (One Unavailable Bucket could have been introduced to occupy those SKUs considered as Nil- picked on a day so that the customers should not have ordered the same again)
- There was no structured reporting as well as absence of single-point-of-contact (SPOC) for day-to-day activity. At the same time there was no additional work force for managing the EOSS. (A dedicated SPOC with individual tasks along with a structured documenting and reporting process could have been a great help. Also additional staffs to help Omni- Retailing could have been deployed.)
- One properly configured IT (Information Technology) feature was missing. (One solution in the form of introducing *same time login* across the stores could have been really informative)

This situation has been pretty similar in various retail stores across India, where the thrust was never upon Omni-Retailing and adopting certain emerging processes like SVI. Thus to overcome the challenges, the retailers have been establishing a common objective of maximizing the order fulfilment from SVI stores and keeping the order cancellation level at minimum, e.g. less than 1%. As a practice, the retailers have started fixing up some percentage of shipping for SVI out of the total shipments. They are also allocating some significant portions to the hyper local orders out of total SVI shipments to the tune of 10 to 15%. However, this requires

consideration of different strategic dimensions to make a systematic approach towards driving the offline sales via the intervention of SVI. It can be easily understood that the declining cost of fulfilment due to the intervention of SVI orders from FY 2020 to FY 2023 makes it more pertinent to be used as one of the integral part of Omni-Retailing (Figure – VI). It can be easily seen the fulfilment cost per order has decreased from Indian Rupees 209 to 186 due to this SVI intervention. This makes the retailers’ process of fulfilment efficiency management process much effective and more visible to the policy makers.

Figure – VI: Reduction in fulfilment cost from 2019-2022 due to SVI orders



Source: collected and compiled by the authors

Thus in other terms it has increased the offline sales with proper coordination among several dimensions like warehouse, decreased TAT (Turn-Around-Time) as well as reduction in COD (Cash On Delivery) costs.

STRATEGIC DIMENSIONS

As it has become imperative to depend on Omni-Retailing and SVI for an effective order fulfilment, the transformation at the retailers’ end needs various areas to focus and move further. This can be suggested as given below.

- **Technology Preparedness**

This is the most critical area which needs to be executed for specific purposes to meet the expected results via SVI. For example, technology can help in creating a centrally controlled mechanism, which enables managing SVI orders between fulfilment nodes. One automated same time store login feature can also help in optimized distribution of SVI orders. The technological environment needs business intelligence (BI) and sufficient data at an enhanced frequency along with proper documents.

- **Altering Processes**

As the retailers are undergoing a paradigm shift from brick-and-mortar ways to run the stores digitally as well as physically, the order fulfilment process with the introduction of SVI can help them in achieving their cause to a significant level. The processes traditionally followed can be planned for changes at different points. An inventory audit process can be laid down where daily audits of *Nil Pick up* categories can be identified to place

in system inventory. One more change can be suggested in the form of inventory profiling where in everyday certain categories can be qualified as *Live styles*. At the same time, a well prepared list of bestsellers can be released to stores before certain events, e.g. EOSS.

- **Dedicated Execution**

While technology and changes in process aim for maximizing the volume of offline sales, the time management becomes an integral factor to ensure the implementation happens as desired. Therefore, efficient demand forecasting, proper resource allocation as well as well trained store personnel can create difference to the retailers' target. A plan related to store realignment as well as rescheduling of resources laid out well before one month can help in reducing the reaction time among various departments to collaborate (with central warehouse as well) during exigencies or pick hours.

- **Front-end Motivation**

As retail operations are primarily a human-centric process, the policy makers need to go an extra mile while planning and coordinating employees at the front end. The front-end employees can be provided a well-structured incentive plans and required task ownership to create motivation and a healthy competition among them to excel. All required contents related to SVI, e.g. banners as well as videos can be provided to ensure connectivity during the order fulfilment process. At the same time, there needs to be frequent visits by both managers and technical experts as and when required to support their tasks in the best possible manner.

CONCLUSION

As emphasised upon customer experience from time to time while striving success in retail through customer satisfaction, Omni-retailing is no way different. It goes to another level of managing customer experience while maintaining and coordinating the touch points in the fulfilment process to the most effective manner. With the help of these SVI orders, the customer experience can be seriously tracked and thus in the years to come, the digital transformation in Indian retailing might shift more towards further experiments in the said area. Future studies which can help strategists as well as decision makers should focus on different areas like:

- Specific means of customer acquisition along with provisions for their seamless experience at the physical stores and can include products like EVs as well.
- Building up effective SVI network across locations and shipment areas typically Tier- II and Tier – III cities along with the challenges regarding the same.
- Collaborating with call centre vendors and training them to ensure their active participation in order fulfilment processes.
- Role of category-led revenues and generating an ideal merchandise map.
- Building up replenishment cycle especially top-performing vendors and their respective SKUs.

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