

THE PRESENT AND FUTURE OF ONLINE GROCERY MARKET - INDIAN CONTEXT

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Abstract: Grocery shopping in India is an experience especially for the middle-class. Most of us still remember how our parents or grandparents used to list down all the provisions that are needed for the entire month, usually on the first week where the salaried class are affluent enough to go for shopping confidently. The mom and pop store available at the corner of the road or nearby our residences used to deliver the necessities after getting a quick realigned list from us where we increase or decrease the quantities based on the total amount quoted. Similar is the daily chore with our vegetable vendor, who brings us the garden-fresh veggies to our doorstep and even allows to bargain. Also the Milkman who delivered us the wholesome milk where our printed calendars nailed on walls served us as trackers for daily quantity. Slowly with the development happening around, came the super-markets where few went with the same shopping list there, but most of them got used to the unplanned shopping without even realizing that they are burning pockets for unwanted things. Further appeared the Mall / Hyper-mall culture where the whole family can spend time together with a concept of fun, eat and shop which increased the footfall quickly.

With the arrival of the internet (mainly mobile data) and the increase in the smartphone adoption, the companies quickly realized the disruption and launched the online platform for Grocery shopping both via Website and the Mobile application which is growing exponentially. If we quickly think through the transformation right from our traditional provisional store friend delivering to our doorstep to the present Online Grocery Companies sending us the supplies, only difference is the technology and convenience. This paper aims to present the conceptual overview of the present and future of the Online Grocery shopping industry in India, along with the advantages and disadvantages of the shopping online. The researcher proposed a Model BITE, B – Benefit, I – Information, T- Think, E - Enhance for the benefit of forthcoming researches and further empirical studies in this area.

Key Words: Online Grocery Shopping, Mobile Application, BITE Model, Online Shopping, Virtual store

Online Grocery shopping refers to the mode of Grocery related transactions / purchases using Website or Mobile application.

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INTRODUCTION

Grocery shopping in India is an ageless market and much of it is still unorganized. With the advancement of the technology, growing income levels, busy life style, dual income with both husband and wife working, increased nuclear families paved the way for innovations in the way the daily household tasks are performed. On top of these increased usage of the smartphone and deeper penetration and availability of internet even when mobile provided opportunities for completing the routine tasks online, one such usual job is Grocery Shopping online which can be performed while commuting or literally anywhere anytime. If we look at the Indian scenario there is a visible transformational shift from the Traditional provisional / Mom and Pop stores to Super Markets to Hyper markets and now at the phase of the Online Shopping.

The Current Indian Online Grocery market is estimated as approx. \$100 million. And is predicted to grow potentially by 20 – 25 percent annually. Urban population in India is growing day by day and are the key contributors for the evolution of the Online Grocery shopping. Also slowly with the entry of the corporate players the industry is becoming more organized. The big players in this market who recently created lot of buzz are like bigbasket, Grofers, zopnow, local banya, peppertap, etc. Figure 1.1 gives the overview of the available shopping options in India both from the Organized and Un-organized sector perspective.

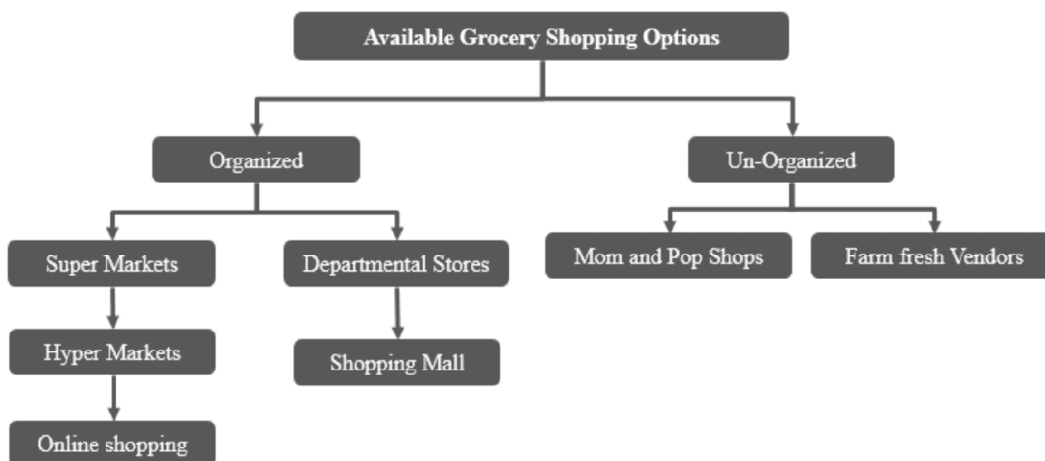


Figure 1.1: Available Grocery Shopping Options

Still in India the unorganized sector is dominant in the Grocery industry but with the larger corporates entering into this space the scenario is slowly changing. The Un-organized sector consists of the traditional mom and pop stores, usually called as the Kirana / General stores where the operations are generally restricted to a single locality and with minimum margins. These are mostly the family run

businesses. Farm fresh vendors are who produce at the items say pulses or Rice or even vegetables on a smaller scale and sell them on their own for livelihood. Globalization and urbanization opened the doors for the organized sector which allowed the Super markets, Departmental stores, hyper markets, Shopping malls as chains which appeared in all major cities. Upon understanding the issues that are faced by different segments of the people and the parallel disruption in the technology space appeared the concept of the Online Grocery Shopping. With the advantages that this mode of shopping is providing more and more people are tending to use it repeatedly which is creating even the start-up companies to enter into this area of business.

OBJECTIVES OF STUDY

- To understand the Current Online Grocery market in India
- To examine the scope and future of Online Grocery Market
- To study the advantages and disadvantage of the Online Grocery model
- To study the issues and challenges of Online Grocery Shopping in India
- To explicate the Proposed B – Benefit I – Information T- Think E – Enhance; BITE Model for the benefit of forthcoming researches

LIMITATIONS OF STUDY

- The study is conducted based on the secondary data available which is only a conceptual research and no empirical results are available.
- Future researchers are encouraged to further the studies in this area empirically reflecting on the BITE Model proposed by the author

METHODOLOGY

- The study is conducted based on secondary data base and it is conceptual research study.

CURRENT ONLINE GROCERY MARKET IN INDIA

The arrival of the online e-tailing companies selling groceries is of a great relief to the rat-racing urban individual. Ordering groceries online will save one from the traffic woes also the long standing queues at the super market billing counters. According to the recent research reports, the online grocery market is expected to touch 2.7 billion rupees by year 2019. With the increase in the smart cities and the vertical apartment culture in the almost all the Tier- I and Tier – II cities all the customers are preferring the organized delivery models from the security perspective. There is lot of potential market still untapped and it is clearly evident

with the increase of the new players in this space frequently. At the moment the focus of all the players are in the major metropolitan cities like Delhi, Chennai, Bengaluru etc., also if this can be extended slowly to the other growing cities where the and upper circuit district head-quarters, there is room for more profits.

In Indian Market where the unorganized traditional mom and pop or Kirana store network is very strong, it will take a bit for the people to adopt. Usually the customers in India are used to touch and feel the products like vegetable, rice and pulses before the take the purchasing decision. Most of the people consider and treat it as a ritual when it comes to the buying of food related products as food is related to God in Indian context. If allowed and having got the time when it comes to food, one would love to experience the whole process of procurement. One more important aspect is the bargaining affect during the purchase. But as the virtual grocery stores are slowly realizing the culture and needs of the customers, most of the feasible things are being incorporated in the process. Few of the companies are now allowing the customers to touch and feel the product at their doorstep and if not happy they are allowed to return it with no questions asked policy. But with the discounts that the online grocery companies are giving more and more and customers are tending towards it slowly.

The usual majority customers performing the grocery shopping online are the busy professionals and the urban senior citizens who are not able to find their way through the traffic and long billing queues. Frequent products that are ordered online are the packaged branded food, rice and pulses, cosmetics, and non-perishable items. Slowly the adoption to shop online for the vegetables is growing

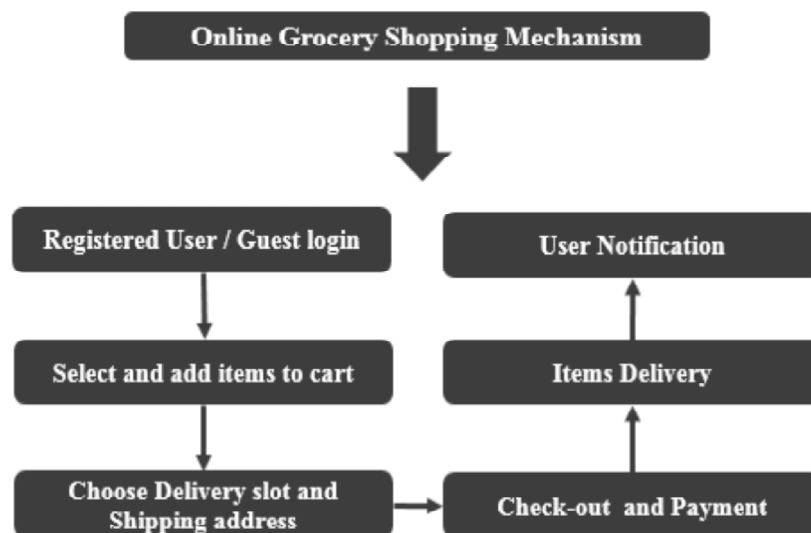


Figure 1.2: Online Grocery Shopping Mechanism

as the providers are not making the organic products available more affordable than in the physical stores. The overall trend to shop online for the groceries is significantly increasing day by day and the companies are aligning themselves to satisfy the needs of the customers. The profitability depends on the number of repeated customers and the volume of the order the customers place.

Figure 1.2 summarizes the high level online shopping mechanism either via the website or using mobile application. The user has basically three options to shop online either using primary desktop website or Mobile enabled website or mobile application downloaded in the smartphone. The customer needs to initially register on the network giving the basic profile details like name and delivery or shipping address to facilitate future transactions. Next the user can browse through the virtual store and select the items adding them to the cart. Further need to select the convenient delivery slots available choosing shipping address. Finally payment and items will be delivered smoothly on the agreed slot upon which the user will be notified of the delivery formally via email or sms on mobile. The online grocers are also allowing the customers to continue as a guest selecting and checking out the products alternatively. The minimum shopping order that wins the free delivery to the doorstep is one thousand rupees but if it is less a minimal charges are applied. Also the companies are providing the express quick delivery services within half hour in case if a customer needs few items on express basis with a nominal charge.

ONLINE GROCERY MODELS - PRESENTLY FOLLOWED

In the current market where start-up ideas are disrupting every traditional business, one such segment which recently seen that buzz is the Online Grocery business. Presently seems there are many in this space but at the same time there is a lot of potential that is untapped. Few of the consistent players are bigbasket, Grofers, zopnow, Seatohome and few other like peppertap localbanya which already shuttered their operations after creating an initial virtual success. With this now the clear learning is the model that these companies are following. Figure 1.3 explains the different models the online grocers are following at the moment.

- **Aggregator-led model** - Aggregator led model works on the basis on creating their inventory in own warehouses which involves the huge initial capital. But the advantage is that these companies can handle the bulk and large orders more conveniently. Also the margins are higher in this model where the most focus after the initial setup turns out to get the customer attention and maintain retention. Bigbasket is one such company which is based on the aggregator led model which maintains its own inventory and also its own full-fledged delivery fleet.

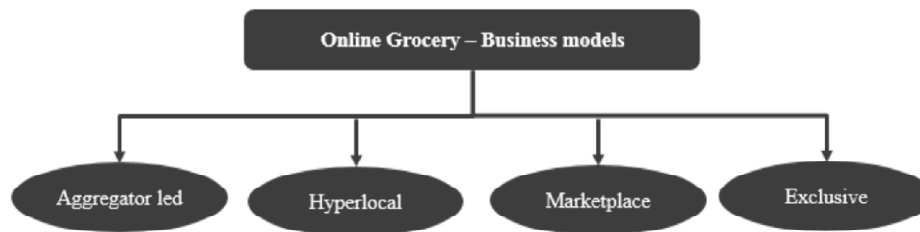


Figure 1.3: Online Grocery – Business models

Source: Kishore Ganji, Article Online Grocery business in India – which model will succeed? www.iamwire.com May.28.2016

- **Hyperlocal model** –Hyperlocal model came into existence with an innovative thought of having the association of local Kirana or General store vendors in the network instead of maintaining the own inventory. This model works well with the smaller orders within a specified radius. In case of a bulk order it is not a viable option as usually the delivery will be done on two wheelers and the delivery boys might have to hit one or more local stores to procure the complete order due to the limited stock availability of the stocks. Localbanya and peppertap are a couple of examples which followed this model and had to shutter down recently due to unavailability of funds and lesser margins.
- **Marketplace Model** –Marketplace model which is a success in ecommerce space say like Flipkart, Amazon, operates and allows the third party merchants to sell via their site and provide services to the customers. Amazon is following the marketplace for its Online Grocery business and launched its mobile app named 'Amazon Now'.
- **Exclusive Model** –Exclusive model offers specialized services usually maintaining the direct connect with the vendors upscale in the supply chain. This model allows higher margins as there are no intermediaries in between farm-produce vendor and the online grocer. Seatohome and freshthome are the examples which follow this model. Both the sellers provide the fresh items directly procured from the farmers or fishermen with no chemicals or preservatives used and delivered free at the doorstep.

Out of the above models the one that seems working is the aggregator led model, having got its own inventory and delivery force capable of handling the bulk and orders that can be much diverse. With this the investors are interested and looking out for the companies which are innovating in this area.

SCOPE AND FUTURE OF ONLINE GROCERY MARKET IN INDIA

As per the Hari Menon, Co-founder of Bigbasket out of the forty odd beginners in the online grocery space only few survived it and are in the market now. With the

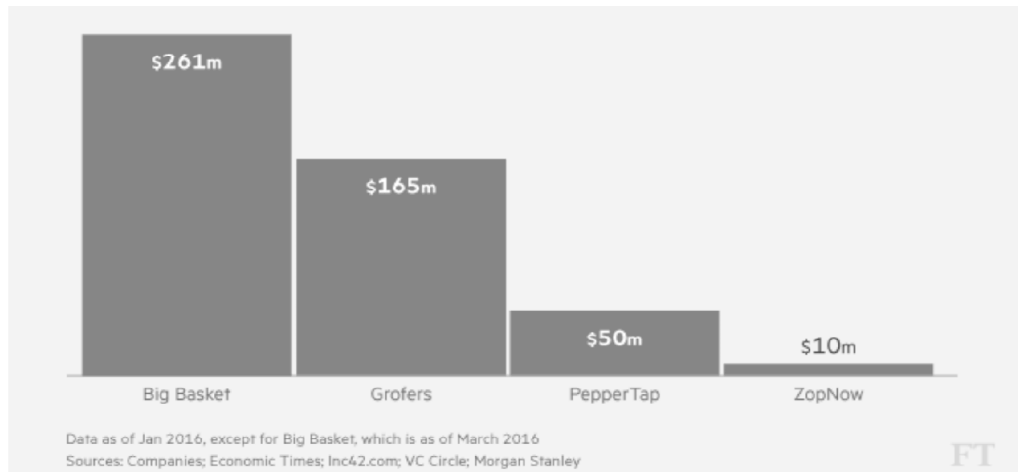


Figure 1.4 Funds raised – Online grocery companies

Source: Amy Kazmin, India's fledgling online grocery sector faces shake up, www.next.ft.com 11.April.2016.

raise in the Operating costs and lower margins investors are very keen in making their funding decisions.

Figure 1.4 gives a snapshot of the funds raised by different online grocers. With the slow and consistent increase in the usage of the online grocery services the companies are also looking into the ways of improving their services as per the customer expectations. According to the industry sources, services being offered and the way the inventory is being handled are the key differentiators for any startup online grocery to succeed and different companies are dealing with these differently. Few of the companies are testing waters with both the inventory and the hyperlocal model to handle the diverse orders. For example Bigbasket is handling usual delivery slotted orders with a twenty four hour, express and quick orders within ninety minutes. A mix of both the models say for the normal orders it can shipped from the own inventory as there is a bit of luxury with the time, and express orders can be organized via nearest super market or Kirana store to optimize the margins.

With the entry of the players like Amazon and few others like Ola and flipkart who are piloting in this space is making the competition interesting. But the players are exclusively creating their market share are seeing constant growth, once such classic example is Bigbasket. Figure 1.5 shows the food consumption in India. With this there is a huge scope and opportunity in the online grocery space, and the online grocery market at its nascent stage for sure got a much to explore. Consolidation in this space is expected with a few of the online grocers shutting down temporarily till they get the funding support or permanently due to their strategy issues.

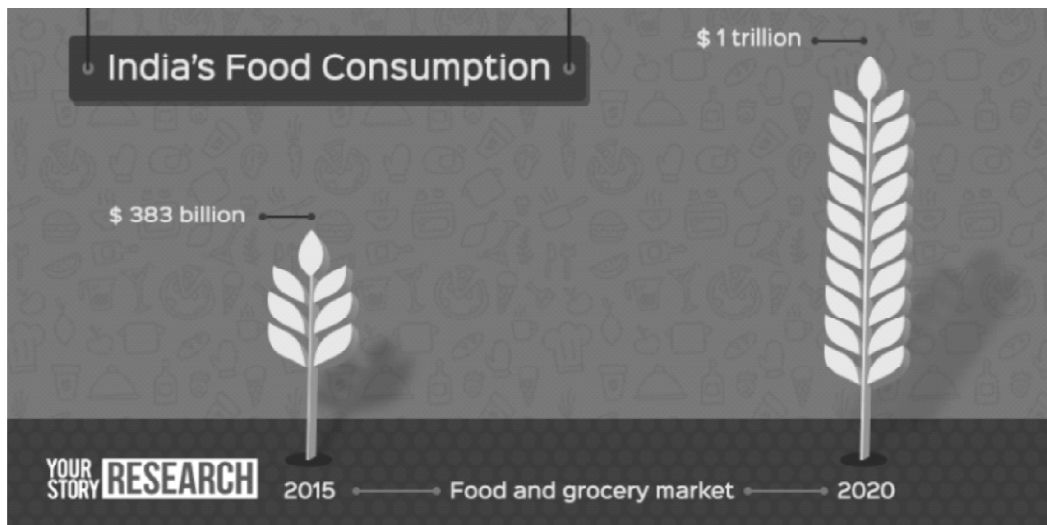


Figure 1.5: India's food consumption

Source: Athira A Nair, After many shutdowns, online grocery in India finally takes off, www.yourstory.com 28. September. 2015

ADVANTAGES AND DISADVANTAGES OF ONLINE GROCERY SHOPPING

It is quite clearly evident that the two driving factors that are helping online grocery market to grow is time and convenience. Also with this shopping groceries online has got few of the advantages and dis-advantages. Listed below are the few of them.

A) Advantages of Online Grocery Shopping

- With the growing competition amongst the online grocers, to attract the customers and increase their market share, huge discounts are offered which is benefitting the users.
- More personal time with family as it will save the time of long queues at the check-outs and traffic jams.
- Save more money as no need to spend on petrol or diesel, parking charges
- Delivery slots provided at convenience so that customer can plan accordingly.
- Almost all the online grocers provide shopping lists which can be saved and can used for future repeat orders which saves time, other nice feature incorporated is a shopping list proposals for an occasion like festivals or for a specific recipe which is helpful.
- Payment is integrated with online virtual wallet services and is a better hassle free option from security perspective to complete the transaction.

- No questions asked returns policy even for the vegetables if not found fresh
- Unwanted shopping can be avoided as one can review again during the checkout

B) Dis-advantages of Online Grocery Shopping

- If one does not spend enough time in doing basic research, they may end up paying premium on the products.
- Surprise element of finding a thought overlooked, not-in-the-list item while walking in the store will be missed.
- The aspect of bargaining on the item with the local vendor and winning over it is absent if shopped online.
- If return policies are not customer friendly, one may end up in misfortune of owning undesirable items.
- Primarily touch and feel component is not present especially while buying fresh veggies.
- Amount returned for the cancelled orders will be directed to the company's wallet account and can be reused only for future orders.
- Personal and saved payment instrument details may sometimes be misused if proper care is not taken

ISSUES AND CHALLENGES

Online grocery shopping especially in Indian market is trending and expected to grow exponentially in near future, companies which realize this and innovate will grab the maximum market share. To work and focus in that direction researcher thinks to revisit on the issues and challenges that Online Grocers are facing today.

- Primarily funding related issues as the online model though has a huge potential and clear market it will take longer time to break even.
- Lower margins and increasing delivery costs as like in the hyperlocal model the delivery boy has to hit more than one store sometimes to fetch the items in the ordered list.
- To make customers aware of the services and various ongoing offers and promotions, the companies need to spend huge amount initially on marketing.
- To retain the customers and increase adoption, companies need to introduce various loyalty programs going all out which affects profitability.

- Human resource issues when handling with the delivery staff, as most of them are the relatively less skilled and companies are facing issues of few last mile delivery stay misusing the collected money from the cash-on-delivery (COD) option from the customer.
- The other challenge is the competition from the traditional door-to-door vendor who sells using push cart, and the customer perceives these veggies are farm fresh and packaged are not so fresh.
- Few of the customers are used to the credit offered by the local vendor and as they don't get it online, though they can use credit cards for purchase. Customers who don't own one are hard nuts to crack.
- Local retailers misusing the services ordering bulk quantities as individual customers utilizing offers and discounts, then reselling them again to usual customers.
- Retention of the customers is a big challenge as most of them after utilizing their first time discount will never return to give repeat orders, and also few of the do their research on the products they are looking for but do the offline shopping when it comes to actual transaction.
- Few of the online grocers are scaling it immediately after seeing a success in one region without completely estimating the challenges and incorporating the same in other regions. Local needs and consumption patterns differ from region to region and this is bringing in lower volumes and higher operational costs causing companies withdraw the plans.

PROPOSED BITE MODEL

The researcher proposed BITE Model is an appropriate one which serves as a tool to assist the online grocery companies in functioning better. Below is the detailed information with a supportive example for better understanding.

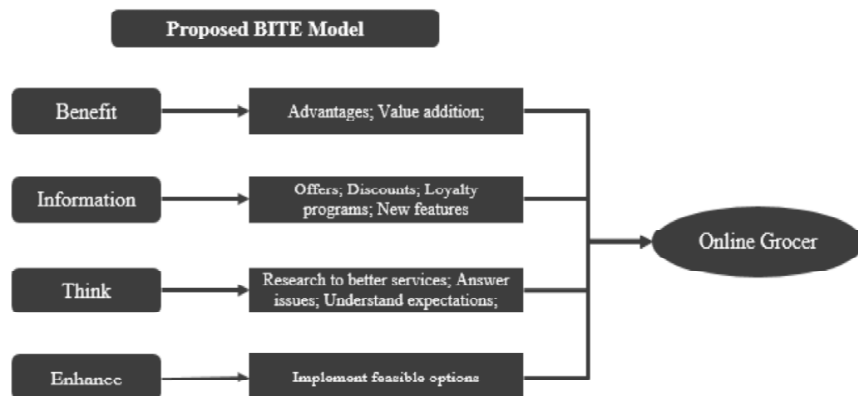


Figure 1.6: Proposed BITE Model by the Author

1. **Benefit** –First step is to make the customer aware of the availability of the Online Grocery services through their company. It should take all the measures reiterating the services and the value addition that the customer will get. This includes the clear structuring of the website (both desktop and mobile) including the mobile application. Recommendation is to give more focus to the mobile app as the studies confirm that most of the online business happens via mobile application. Once the customer understands the services and the benefits that the company is offering there are more chances of adoption. Effective campaigns need to be planned so that the Online Grocery shopping become synonymous with the company's name, which requires much more than usual marketing strategies like clear understanding of the customer expectations as they differ from region to region.
2. **Information** – As the studies confirm that in the retail space, faster the propagation of information the better are the results. The company need to concentrate on making customers relate to the offers, discounts and loyalty programs. New features that are incorporated recently needs to be shared with users via mobile notifications or via email alerts at the right time.
3. **Think** –Companies that foster in future are those which spend more on research to better their services further. It is advised to have a dedicated team who will work on identifying the issues and challenges. Also the customer expectations needs to be clearly analyzed as these depends on factors like personal, social, demographic.
4. **Enhance** –After the clear analysis of the issues and expectations, to save from the competition the company should react swiftly on implementing the strategies. Focus should be on the commercial viability, betterment of services which motivates the vendors and benefits the customers as well.

Further for the better understanding of the model, let us consider an example Bigbasket which is constantly sort of improving its services tweaking its business strategy. The company is planning to invest ninety crore rupees to improve its farmer network to source fresh fruits and vegetables. Also for the Express delivery services it is utilizing the local network to optimize the resources and increase profitability. The gestures like returning a certain amount as a discount in customer's account when a delivery is delayed are helping to bring in loyal customers to its network. The company's own dedicated delivery fleet and its understanding of the market needs region wise are helping bigbasket to sustain its market leader position.

MANAGERIAL IMPLICATIONS

With the understanding of the Online Grocery business in Indian context, listing below few of the recommendations that can be considered for bettering services.

- (a) The Company should initially concentrate on the cities that are vertically developed (High rise residential apartments) so that the delivery mechanism can be utilized optimally.
- (b) Maintain Quality of goods especially for vegetables and fruits where the organic consciousness is growing will help as a differentiating factor.
- (c) Increase the depth of the services and products so that it will become one stop shop for the customers, which is a win-win for both parties, as bulk orders will help in better margins for companies and also increase convenience from customer perspective.
- (d) Increase more transparency and clarity while providing services and policies say like No questions asked return policy which will attract more customers.
- (e) Ensure that the stock is available at all times for the frequently used products conducting enough research as No Stock pop ups even for a couple of times might lose your customer to competition.

CONCLUSION

Online Grocery shopping is for sure going to grow exponentially in near future. In a country like India where the shopping is considered fun and a family activity, the companies should duly consider all the aspects right from making the customers understand the availability of services, its benefits, offers and discounts which in a way once the customer gets to shop once the overall experience should bring him back again. With the increase in the usage of the internet, smartphones, busy life styles, traffic woes are few of the drives behind one looking for shopping grocery online. This paper tried to give an extensive overview of the online grocery shopping in India and its present and future. Further for better understanding discussed its advantages, dis-advantages, issues and challenges. The author proposed BITE Model serves as a tool for the future researches in enhancing the services to the customer.

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