

A Review Paper On Rise, Fall & Rise Of Online Grocery Shopping In India

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ABSTRACT: India, being a developing country where new ideas emerge regularly, where some of them succeed & some of them fail. But what the businesses in India take from this is, they learn & they adapt accordingly. Same is the case with E-grocery. An idea which saw a new start-up being formed every other day. E-grocery business took off with a great speed, but during this journey there were lots of ups & downs, mainly due to too much expansion in very little time, non-availability of resources, government policies & etc. This paper gives a review about the three phases of online grocery business in India. The paper covers how the e-grocery business operates in India, either on hyper local model or inventory led model. How e-grocery business started in India in, how venture capitalists saw the potential in this area & invested heavily in a short span of time. The paper also gives an insight about what went wrong with such a booming business & how it recovered from that fall & rose again.

KEYWORDS: e-grocery, online shopping, e-commerce, e-grocery model, demonetization.

Date of Submission: 06-07-2018

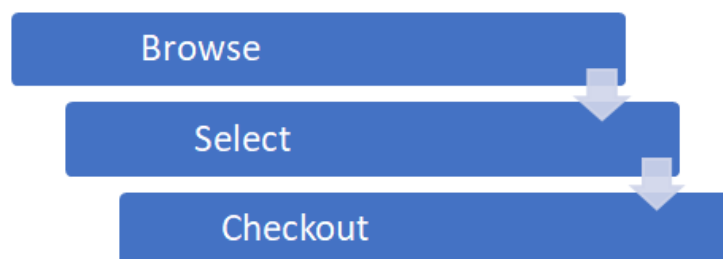
Date of acceptance: 21-07-2018

Technology today has transformed the way we do our day-to-day work & has brought our daily life's work on our fingertips. The 21st century has seen a lot of evolution, especially technology. In today's world, almost every company is online, selling their products or services. Booking train tickets has been made easier thanks to Indian Rail Catering and Tourism Corporation (IRCTC), which changed the face of online ticket booking in India. Indian government's Digital India Initiative has further added to the betterment of work being done digitally. We can apply for legal documents online, file income tax returns online, all thanks to advancement in technology. Though it is a good initiative, but still it came a little late. In the meantime, private sector took full advantage of the untapped resources & used it to its best, to make a better world to people looking to use the technology & as well as for themselves.

Though we don't realise, but technology has changed how various industries used to work, for e.g., music, instead of buying physical music CDs or cassettes, purchases are made in digital form from iTunes or Google Play Music. The pleasure of watching videos via streaming on apps like Netflix, Amazon Prime is slowly changing video industry as well. When it comes to reading books, almost all the books are available on Amazon Kindle in digital form. Gone are those days when everyone used to stand in a queue to book a movie ticket, now Bookmyshow takes care of that. Flipkart changed the way Indians used to shop, as it brought almost everyone online & became one of the biggest players in online shopping industry. Similarly, grocery shopping is shifting from brick & mortar store to online grocery stores.

So now the question arises what is online grocery shopping? It is no different than traditional online shopping of consumer durables where one searches for a product, places the order & pays for it. The only difference present is the model on which online grocery operates. In the present time where families are getting smaller & both the parents are working, no one has time to go grocery shopping. This created an opportunity for an untapped market with great potential, i.e., online grocery. Not only is it convenient for the customer to place an order whenever, wherever they want, online grocery shopping also gives the benefit of searching for hundreds of products at once & that too at a competitive price. This space attracted as many as 74 start-ups with a total investment of \$500 million during 2011-16 per a report published by Agarwal (2016).

Online grocery sector is still in the growth stage & niche as compared to other online shopping sectors like apparel, electronic, etc. It has seen a lot of ups & downs, so it can be said that the change is not revolutionary but it is for sure evolutionary. For e.g. many e-grocers have come up with their mobile apps on which a prospective customer can take a stroll through various product categories, just like as he/she would do in a grocery store, & make a decision of buying them by clicking on the product & placing it in a virtual basket & can check out after paying for it, & not to forget that payment option has also evolved from Cash on Delivery (COD) & Card payments to e-wallets. So, the entire online shopping process can be described in three steps, i.e.



As grocery shopping is evolving from retail store purchase to virtual store purchase, so has been the model on which it operates. A great leap is seen in this industry with the focus shifting from E-commerce to M-commerce.

The world came to know about this term in 1997 at the Global Mobile Commerce Forum launch by Kevin Duffey (1997) which means “the delivery of electronic commerce capabilities directly into the consumer’s hand, anywhere, via wireless technology”. At this moment of time, especially after demonetization phase, M-commerce has undergone an exciting transition. India’s market for mobile commerce was worth \$2 billion in 2014 and is estimated to grow up to \$19 billion by 2019.

According to Google (2015), it was found that as compared to USA’s 245 million mobile phone users, Indian smartphone users being less than 50% of that number use internet via smartphone more than their US counterparts. The Study further revealed that 56% of mobile phone users in India favour accessing the internet various times throughout the day. Using smartphone for social networking is very high amongst Indian smartphone users at 76% as compared to US citizen at 54%. 40% surf the Net in any event once per day. 77% of smart phone users tune in to music, while 33% utilize it for playing recreations and 32% read daily papers or magazine.

After understanding the demographics of the market, it becomes imperative for the marketer to come up with a business model that suits the needs of the customer. The basic purpose to develop a business model is to give a solution to the customer who is facing a problem. Various business models have been developed till date which has completely changed how industry used to work. Advertising model taught us how a product can be pitched in a creative & unique way, franchisee model helped expand business at an unimaginable pace. Other successful models like Affiliate model, Auction model, Direct sales model, etc have completely changed the industry they are applied in & that too for good. Just like any other business follows or operates on some model, online grocery also follows in the same footsteps. In India, online grocery business operates mainly under two models, viz.:

1. **Inventory led Model:** In this model, the company has its own warehouse & items are purchased directly from the supplier & stored in the warehouse. Full control over the quality of products to be delivered can be maintained & it gives a slightly better margin to companies operating on this model as company purchase directly from the supplier. The best example of the company working on this model in Indian market is the market leader itself BigBasket. This model led BigBasket to work on contractual basis with producers & vendors. What it leads to is better quality control as well as lower operational costs. But these benefits come at a cost of huge investment as maintaining warehouse requires additional capital & manpower, because of which even BigBasket had to operate on lower margins in its early days. As every coin has another side, there are some cons also to operate on this model as huge capital investment is required to set up a warehouse as well as working capital investment goes on a higher side; another disadvantage is wastage cost as groceries being perishable item, maintaining a stock of them is a costly affair; lastly the procurement cost (purchasing from suppliers), operation cost of maintaining stock, quality check, inventory management also goes up.

2. **Hyperlocal Model:** In this model company, does not have their own warehouse, rather they do tie-ups with local stores, take orders from customers (through app/phone/website) & work in sync to deliver the product(groceries). The biggest advantage of operating on this model is that there is no warehousing cost nor inventory cost, which reduces the average expense hugely. Most of the online grocery players operate on this model. Another big player in the e-grocery market, Grofers works on this model. Instead of maintaining inventory, Grofers had done tie-ups with local merchants & with the help of Grofers app, these merchants have access to customers & Grofers get paid via commission. Commission depends on the value of the order, for e.g. 8% on order ranging from Rs.500-700.

Different firms follow different models, but online grocery business model is showing continuous improvement in India & according to Ankur Bisen (2013), its growth from a few start-ups to almost a \$1 trillion industry by 2020, per a report by advisory firm Technopak “E-tailing in India: Unlocking the Potential” boast of the same.

Like any other domain in online shopping, online grocery shopping is also proving its mettle, & there are various factors that come into play in deciding how consumer shop or behave while doing online shopping. Dr. Gagandeep Nagra (2013) in a study found that demographic factors play an important role in deciding how online shopping is done. Factors like age, gender, marital status, family size & income affect the online shopping pattern & in turn online shopping is perceived in a positive manner. With the passage of time & women becoming more independent, a study conducted by Dahiya, (2012) found that females tend to do more online shopping than men as they are more easily attracted with the promotional ads, also family size increase the frequency of online shopping. To better understand how different gender behaves or reacts to online shopping, Ting Li revealed that men have more positive attitude compared to women towards online shopping & researcher found that men are risk taker & women are risk averse when it comes to online shopping & as women are more concerned about the risks of buying online.

To better understand which age group is more inclined towards online shopping, Ordun, (2015) found that Millennial (age between 24-36) or more popularly known as Gen. Y are one of the biggest contributor to online shopping & the most differentiating factor for them is the most recent trend that is going on in market & they seek reference to their purchase decision from their virtual friend rather than real ones.

It is also important to know what are the various factors that contribute to the online shopping & what all factors restrain the same. To better understand this a study by Karim, (2013) based on the opinion of consumers, found that 'time saving' was considered as the most crucial motivating factor when it comes to shopping online on the other hand security issues concerning personal information, payment gateway issues were considered as the restraining factors while shopping online.

To gain more insights as to what are the other factors that influence online shopping, when purchase intention played a mediating role, a strong relationship was seen between purchase intention & online shopping behaviour. Subjective norm (intention to purchase was influenced by the perception of family, friends & media) purchase intention also showed a positive result according to Yi Jin Lim, (2015).

With huge investment in terms of seed capital & analysing the potential in online grocery segment, it looked like an industry that will change how grocery was purchased. It was the "**Period of Rise**" of online grocery shopping. Aaramshop, one of the e-grocers in India released a report Singh, (2011) in the wake of examining discoveries from webpage's client, they found that the pattern of web based looking for goods is getting up to speed in India, and it is going on at this very time. The primary customers have a place with age section 22-45 years, so it is no more an adolescent action. Items that have a place with a class that is marked and institutionalized, draws in a large portion of the clients. Alongside marked and institutionalized items, comfortable brands with higher unwaveringness will probably be purchased on the web. Concentrate likewise found that customers need the basic need conveyed the exceptionally same day they arrange it.

So, it can be said that online grocery shopping in India did have a smooth start & it encouraged other grocers to come up in the market with different strategies & different model. In the early years, most of the online grocers had the backing of funding from various venture capital funding companies like Softbank, Tiger Capital, Sequoia. A report distributed by Inc42 Datalabs, Agarwal, (2016) found that there are 74 new businesses in online grocery sector in India out of which 29 organizations were supported amid 2014-16 and aggregate venture of \$500 million was finished amid 2011-16. Numerous different players began off well with the assistance up of subsidizing. Gurgaon based organization Pepper Tap brought \$10mn up in mid-2015 to grow to 10 more urban areas by end of 2015, Grofers brought \$35mn up in April 2015. Around the same time Paytm and Ola reported that they will think of their own e-grocery store Zip and Ola store individually. Amazon did a pilot testing with Amazon Kirana Now in Bengaluru, which now works as Amazon Now. Seeing the development potential numerous corporate biggies joined this business as well, for e.g. Godrej's Nature Basket and's Reliance Direct Fresh. Be that as it may, the greatest player among them was Bigbasket, working on Inventory led model, raised \$50mn from Bessemer Venture Partners in 2015. Helion Ventures and Zodiac Capital has prior subsidized Bigbasket with Rs.200 cr(\$30mn) in Sept. 2014. Hari Menon, Co-organizer and CEO, Bigbasket cited that "Staple goods being a frequently required product, a client buys on average 2.5 times in a month."

As it is said that good things don't last forever, so did happen with online grocery shopping in India. 2016 was a big hurdle for this industry & this was the "**Period of Fall**" The start of online grocery shopping can be traced back to 1996 when an American firm Webvan started its operations with aim of delivering products within 30 minutes of placing an order. Webvan which is considered as largest dot-com flop by CNET went bankrupt in 2001. Same was the scenario in Indian online grocery market. In the same report "The Secret Behind Cracking the Indian Online Grocery Segment - Why It's Not Enough to Bring the Bazaar to The Door" published by Inc42 Datalabs found that out of 74 start-ups 20 of them closed their business & 4 went for mergers & acquisitions (till Aug. 2016). In more precise terms 27% of online grocery start-ups went on to shut down their business, 5% got acquired & 68% were active in the market. One of the biggest examples of the Indian market is Peppertap which pulled its plug from its B2C business in early 2016. Even after raising \$51mn from blue chip investors, Peppertap was processing less than 1000 orders per day in its final days. One of the

biggest e-commerce giant in India, Flipkart came up with a pilot project in online grocery market by the name of Flipkart Nearby, shut its business within 5 months of testing it. Ola, a taxi-hailing firm came up with Ola store in 2015 in Delhi, Bengaluru & Hyderabad stopped serving the customer from March, 2016. Paytm also faced the same fate with its Paytm Zip app, which not only allowed customers to buy grocery online but also allowed them to change order on the fly. They eventually pulled off their app from Play Store. Another Mumbai based firm "Local Banya" suspended its operations in October 2015 & their website has not gone live till date.

Along these lines, the industry which saw another start-up each day, investors were contributing vigorously, yet the year 2016 was a full turnaround of the year 2015, organizations closing, urban communities being served lessened, workers being laid off. Along these lines, the reasons for decline in online grocery shopping as per Julka, (2016) are:

1. As the rebate offered run from 5%-20%, numerous retailers themselves take the advantage of markdown offered on the application and began requesting in mass, in this manner end purchaser is left with no stock.
2. Gross margin is low around here, prompting low benefit. The organization like PepperTap were working on negative margin per delivery and profitability appeared an inaccessible dream. (Navneet Singh, CEO of PepperTap).
3. Companies spent enormous sum on showcasing exercises, notwithstanding when they were working on negative or low edges. For e.g. Big Basket roped in Shahrukh Khan as their brand ambassador, Grofers spent a lot on print and outdoor media. Every one of these costs adds up to the existing burden.
4. Companies were putting forth markdown as high as 20% on the first order. To benefit from it clients made a new account from various cell phones.
5. Companies like Big Basket aced the specialty of inventory led model of working business, however, it includes gigantic initial cost, and is currently among best player in the market.
6. Instead of going one city at any given moment, organizations like Grofers and PepperTap wandered into smaller cities, just to understand that they should pull back because of low request volume and high operational expenses. Ankit Jain, co-founder of AskMeGrocery found that Consumption pattern change city wise. Nearby food merchants comprehend what an area loves to expand. Examples followed in huge urban areas may not fill in as same in little urban communities.
7. One of greatest issues confronted by every one of the organizations is the last mile delivery. As client puts in a request from various retailers according to their need, delivery guy must invest a great deal of energy gathering the things and conveying them is by and large an alternate issue, as a few locations are exceptionally hard to discover, due to which conveyance gets deferred, cost gets expanded and most dire outcome imaginable is client returning the things.

In the words of John F. Kennedy "A man may die, nations may rise & fall, but an idea lives forever", so did the idea of selling grocery online revived. This industry had the potential, had the support of venture capitalist, but sometimes too much investment in too little time may turn out to be a bad decision, which is what exactly happened with this industry. But on the night of 8th Nov 2016, Honourable Prime Minister of India announced that Rs.500 & Rs.1000 notes were of no value & were discontinued from midnight. India came to a standstill, many businesses were affected, but e-commerce was one of those sectors that got benefitted from

Government's move. This was the "**Period of Rise Again**" Online transactions increased, card payments went up, those who were afraid to buy even clothes online, purchased grocery online. Cashkaro.com, (2016), India's No.1 cashback & coupon website did a survey of over 1000 people across India to understand the effects of demonetization on online shopping and found that 78% concurred that due to the money crunch their internet shopping design has changed towards the higher end. Indeed, even while shopping at neighbourhood merchants for everyday basics, 35% respondents said that they utilize plastic money, though web based shopping design for grocery came up with following results:

- Amazon.in – 25%
- Big Basket – 15%
- Flipkart – 7%
- Grofers – 7%
- Snapdeal – 5%

Among the payment wallets that respondents incline toward, Paytm started things out with 50% users followed by Mobikwik, Citrus Pay and Oxigen. Cashback offers given by retailers, banks, websites was an inspiring component for 91% of the respondent to spare and win.

Paytm ended up being the greatest victor in this circumstance. Paytm enrolled 7 million exchanges worth Rs. 120 crores in a day. Grofers concocted "Grofers Credit Line", in which a company can share a list of employees with Grofers who wants to be a part of this scheme & in return those employees will get Rs.2000 Grofers cash and the cash spent in return in a month would be deducted from worker's pay.

Online grocery shopping, still at a nascent stage, has surely got the much-needed boost from the demonetization & companies are luring more & more customers by offering lucrative discounts & cashback offers.

Still, a question remains ‘What lies in the future of Online grocery shopping in India’? With the entry of likes of Amazon, it looks like a competitive & a booming industry. One should not forget that though this industry saw a huge number of start-ups in the beginning, it also saw a severe downfall before demonetization period. Many companies shifted their focus only on tier 1 cities after shutting down their operations in tier 2 & 3 cities. But on a brighter side, a recent study conducted by Kapoor, (2017) said that there is a 33% increase, year-on-year basis in the average order value. The next question arises which model is better to operate upon? BigBasket being the market leader, operates on inventory-led model & its success boasts about the model. Even company like Grofers which used to operate on the hyperlocal model has started to shift towards inventory led model, the primary reason being that cost of delivery was more than the commission earned per delivery. 75% of the orders are being serviced via inventory-led model & 25% via the hyperlocal model. So, in the current situation, it seems that inventory-led model is the best suited model for the online grocery industry.

Chinese online industry giant Alibaba is also looking to invest in BigBasket which would take the company to yet another level, Amazon is looking to invest in Grofers & with govt. of India allowing 100% FDI in online grocery this clearly shows the potential of this industry & a bright future which can attract new players & investors, which would not only benefit this industry but the country as well.

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Harpuneet Kohli, Dr. Sujata Khandai "A Review Paper On Rise, Fall & Rise Of Online Grocery Shopping In India." International Journal of Business and Management Invention (IJBMI), vol. 07, no. 07, 2018, pp. 11-15.