

Emerging trends in organised grocery retail: A study of advancements in online grocery retail in India.

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Abstract:

Retail sector has emerged as one of the growing industry and is witnessing a transformation with significance increase in turnover, revenue, employment generation and contributing to the economy of country in many ways. The opportunity for grocery retail is huge, Food and grocery present market size at estimated US\$ 455 billion, the category will continue to grow at about 15 per cent per annum over the next decade (bureau, 2016). Unorganised retail market is big in India. Traditional retail shops are means of livelihood. ORP Organised retail penetration is low in India (8%) compared to developed nations. This shows a huge potential in organised retail in coming future. (Foundation, 2016)

The study reveals the structure of organised grocery retail and key drivers to organised retail in urban India. This paper provides information about advent and emerging trends in organised grocery retail. Study examines the growing awareness about online grocery shopping and major players in Indian online market. Study also focus on supply side drivers and demand side drivers of online grocery retail. Information collected is from various research journals, articles, books, newspapers and study is based on secondary data available from various sources and is a descriptive in nature.

Keywords: Retail, Grocery, organised retail, convenience, online grocery

Introduction:

Retailing in India:

Food and Grocery is like a back bone of retail industry. With present market size at estimated US\$ 455 billion (Rs 30,464 billion), Food and Grocery will continue to grow at about 15 per cent per annum over the next 10 years. Thus, for coming future, food & grocery retail is expected to dominate the market with more than 60 per cent share of the overall retail market. (bureau, 2016) Retail sector has emerged as one of the growing industry and is witnessing a transformation with significance increase in turnover, revenue, employment generation and contributing to the economy of country in many ways. The opportunity for grocery retail is huge, Food and grocery present market size at estimated US\$ 455 billion, the category will continue to grow at about 15 per cent per annum over the next decade (bureau, 2016). Unorganised retail market is big in India. Traditional retail shops are means of livelihood. ORP Organised retail penetration is low in India (8%) compared to developed nations. This shows a huge potential in organised retail in coming future. (Foundation, 2016)

Retailing:

According to Philip Kotler- "Retailing includes all the activities involved in selling goods or services to the final customers for personal, non- business use."

According to Chetan Bajaj —Retailing is defined as a conclusive set of activities or steps used to sell a product or a service to consumers for their personal or family use. It is responsible for matching individual demands of the consumers with supplies of all the manufacturers.⁹ In simple terms we can say that retailing means the sale of goods or commodities in small quantities directly to consumers.

Objectives of the study:

1. To study organised retail market in India.
2. To determine key drivers of organised retail industry in India.
3. To examine key drivers of online grocery retail.
4. To understand opportunities and challenges of online grocery retail.

5. To explore major players in online grocery retail.

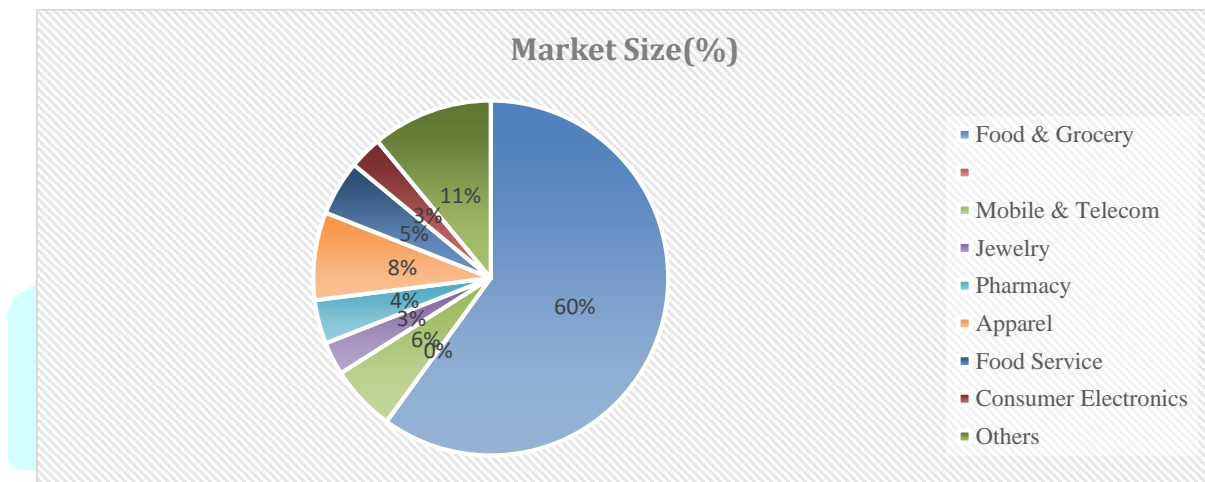
Scope of study:

- Study can be referred by entrepreneurs and start –up players who want to start business related to grocery retail.
- Traditional retailers can adopt to new changing market conditions.

The concept of shopping has undergone tremendous changes, with changes in format of consumer buying behavior. Modern retailing in Indian retail market can be seen in form of increasing shopping centers, multistoried buildings or malls and the huge complexes that offer shopping, entertainment and food all under one roof.

A large working population with most of them young generation, with families in urban areas, along with increasing working women and modernization in the service sectors are the key factors in the growth of organized Retail sector in India. (Bhatia, 2014)

Retail Market size in India



Retail Market Size in India(Source: Krysalis)

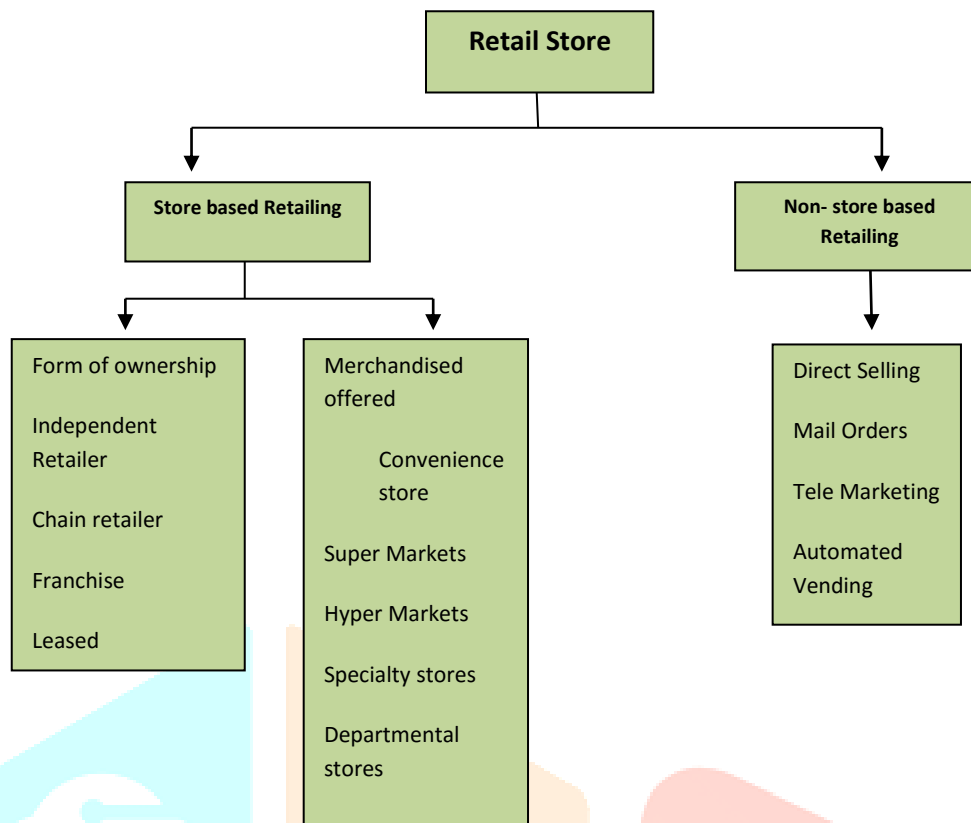
Organised Retail Market in India:

Organised retail refers to activities done by traders who have are licensed retailers i.e. who have registered for sales tax, income tax and now under Goods and Service Tax as per new amendments. These organised retailers include privately owned large retail business, chain of retail outlets, corporate hyper markets. Unorganised retailers on other stands for small kirana stores, sole traders, small convenience stores, general stores, pavement vendors and hand cart etc. Organised retail formats are getting popular in India due to innovative approach. This sector shows maximum potential which is unexplored (Sunita Sikri, 2012)

Currently India constitute only 8% of the organised retail, rest 92% retail is unorganised. The organised retail in India is expected to grow at the estimated rate of 25% by year 2020 compared to traditional unorganised retail at rate of 5% annually. Organised and modern retail is going through transition phase and it is facing lot of competition from traditional formats. People are not ready to change the habit of traditional buying through brick and mortar stores, convenience store. (B. Kusuma, 2013).

Even the mom and pop format shops are getting innovative ideas like free home delivery, orders on phone, cashless transactions through debit card, credit card , payment apps like paytm, bhim app and airtel money etc.

Classification of Retail store in India.



Source :(jain, 2012)

Key drivers of Indian Retail Industry:

Small and Nuclear families: Large family's get fragmented into nuclear family because of migration to cities for job opportunities, create opportunities for retailer in cities to sale the household products to the middle class customers. (V.V Gopal, 2010)

Increase in Income: With growing income most of the families are added to consumer class of organised retail as both members in family work with rise in spending power.(www.equitymaster.com, 2018)

Working Women: Share of working women is showing increasing trend over the years because of increase in education level among women. Working women has less time for the house so the preference to buy house hold durables and spend more money on the daily needs. (Corporation, 2017)

Demand for Luxury products: The choice of customers to buy luxury products and availability of such products at malls and hyper market , with right ambience. Technological advancement have made certain products feasible and affordable to the customers. (Corporation, 2017)

Expansion of Metro cities: The aspiration for higher income and better standard of living has attracted more people from village to city. This has lead to increase in demand for household products and retailers have targeted the middle class segment by ensuring availability of varied products at various range of price to match the needs of customers.(Ratings, 2017)

Liberlisation of FDI policy: FDI up to 100% for cash and carry wholesaletrading and export trading allowed under the automatic route. FDI up to 51 % with prior Government approval (i.e. FIPB) for retail trade of 'Single Brand' products. FDI is not permitted in Multi Brand Retailing in India. (Babu, 2012)

Challenges of Retail Industry in India:

For India to match with international standards of retail industry need more time. Unorganised retail has high dominance on Indian retail market and lack in effective supply chain management system. Many retail outlets in India have space less or area around 500 sq feet which is less in size compared to international standards in retail. (Richa Arora, 2014)

Huge population of India with different culture, social differences and economic diversity creates challenges before the manufacturers and retailers to adopt diversified strategies according to needs of regions within India.Space required for hyper

markets and super market is big and within central and convenient location, if city expands, the challenge to pay high for the space required.

Indian retail industry faces challenge of shortage of skilled and trained manpower to handle the modern outlets. Experienced people need to be paid more which increases cost and reduces the profit level of business.

Online Grocery Stores:

Online Grocery refers to a grocery store that allows private individual and businesses to purchase grocery products online.(wikipedia)

The online grocery market is extension of home shopping philosophy and sector has a considerable long term potential. Groceries are being sold irrespective of any state of economy. You can stop visiting places, restaurants, movies but there is no way you can live without food, vegetables, soaps toothpaste etc. With fast life and busy work schedule, long working hours and time consuming travelling many consumers don't have time to buy groceries and would avoid crowded places. Buyers are now quite comfortable ordering apparels, shoes, electronics with improving comfort with online payments, selling groceries online has become relatively easy. (Arora)

Key players in Online Grocery stores:

Big Basket: India's largest online food and grocery store. With around 18,000 products and over a 1000 brands sold right from fresh Fruits and Vegetables, Rice and dals, Spices, Packaged products, Beverages, Personal care products. Services offered in Bangalore, Hyderabad, Mumbai, Pune, Chennai, Delhi, Noida, Mysore, Coimbatore, Vijayawada-Guntur, Kolkata, Ahmedabad-Gandhinagar, Lucknow-Kanpur, Gurgaon, Vadodara, Visakhapatnam, Surat, Nagpur, Patna, Indore and Chandigarh city. (bigbasket.com/about-us, 2018)

Grofers.com: Gofers.com is a online supermarket that serve products across categories like grocery, fruits & vegetables, beauty & wellness, baby care household care, pet care and meats & seafood delivered to customer's doorstep. Customer has option to choose from over 5,000 products at prices lower than supermarkets every day and can schedule the delivery as per convenience of customer. (grofers.com/aboutus, 2018)

Reliance Smart. In: Reliance SMART, online grocery store, gives the convenience of ordering groceries online or through phone. Multiple brands and pack sizes of fruits and vegetables, dairy and bakery, staples, packaged food, household and personal care products. Presently services in Mumbai, Pune and Bangalore. (Reliance smart, 2018)

Godrej's Nature Basket: Godrej Nature's Basket is India's one of the food destination from the Godrej Group. Started in 2005 as a single store in Mumbai has now has reached into an omni-channel retail business. Currently present through retail stores across India, this combined with an online portal and a mobile application. (Nature basket/about us, 2018)

Amazon Pantry: Amazon Pantry is an online supermarket wherein customers can buy grocery and household items. Customer can fill a cart from the Amazon Pantry store and will get the items delivered the next day to their doorstep. Amazon Pantry is currently present in Ambala, Bangalore, Chandigarh, Chennai, Dehradun, Delhi, Dharmapuri, Faridabad, Ghaziabad, Gurgaon, Howrah, Hyderabad, Jaipur, Kanchipuram, Kolkata, Mangalore, Manipal, Mohali, Mumbai, Mysore, Nashik, Noida, Panchkula, Panipat, Pondicherry, Pune, Rohtak, Secunderabad, Sonepat, Thane, Tumkur, Vellore, Vijayawada and Warangal. (www.amazon.in, 2018)

Paytm mall: As groceries could be the key to get repeat customers on its e-commerce platform, Vijay Shekhar Sharma-led Paytm Mall has planned major expansion of the segment. The latest entrant in the e-commerce, Paytm Mall hopes to earn a gross merchandise value (GMV) of more than \$3 billion from just the online grocery segment. (business-standard.com/article/companies/paytm, 2018)

OPPORTUNITIES FOR ONLINE GROCERY RETAIL

Growing Urbanization: There is increase in rate of urbanization according to Census report 2011 urbanization shows a growth of 2.76% from year 2001 to 2011. There is increase in urban masses at the rate of 23.7% during the period for various reasons. This shows the future prospects for online grocery retail in urban area. The urban population is already sizable at 377 million in 2011 and like to have additional 112 million urban residents by 2020.

Helpful to working women: As per report by Google India, around 60 million women in India are online and use internet to manage their life and 24 million women out of these access internet on daily basis.

Online grocery portals is helpful tool for the working women as well as housewives to save time from shopping and give more time for self and family.

Use of Internet: Internet is huge source of knowledge and is connected to world network. Internet is also platform for documentation and records. Once individual starts using internet he becomes part of the global network and is connected to his friends, relatives and colleagues all over the world. As per data from internet world statistics and IAMAI by 15 Nov'15 India has 375 million internet users making a 30% penetration of the total population compared to year 2000 it was only 5 million.

Payment Services: Use of internet in India has also become source to do online payment or transaction. In today's fast life people prefer to do transactions online instead of traditional offline transactions. Massive use of smart phone, mobile internet has promoted digital payment industry. In 2014 digital payment industry reached mark of 14.3 million. (IAMAI) Electronic media for payment have increased because of e-retail sites, online travels tickets and for accommodation in hotels and resorts. Preference to do online transaction has increased because of payment gateways and One Time Password.

CHALLENGES FOR ONLINE GROCERY RETAIL

Comparison between traditional and modern ways: Customers in India need to touch and feel the product before they purchase it. As this is one of the barriers in online retail. Retailers are trying to overcome it by adding more information about the product and specification on the website.

Time Lag between purchase and delivery: Delivery system or logistics play a effective role in success of online grocery retail. Infrastructure facilities in India are not par with foreign countries. Many e-grocery stores cover specific city or certain area due to logistic issues. A mobile phone or a book or apparel can be easily transported to distance location or outside the country from the centralized warehouse but 5 kg pack of sugar or 25 kg sack of rice is not feasible because of cost constraints. The grocery e-store is not suited to pattern of e-commerce ventures.

Under performance of websites and downtime: Internet speed is also a concern in many parts of the country. Average internet speed is less than 1 mbps which is low compared to global scenario. Low speed affects the accessibility of the website and may badly hamper the online transaction which can affect the prospects of online retail in future.

Online privacy and security issues: Risk perception towards use of unknown or new sites is higher. More the transaction and use of the website or portal makes it more familiar. Comfort level to do financial transaction increases. Even in reverse manner one negative experience about the portal increases risk and fear factor about retailer. (Raja Roy Choudhury, 2015)

Conclusion: Customers in India are getting involved in online grocery shopping with primary object to save time and put less effort. Changing life style and more desire for convenience are reasons of growth for online grocery shopping. Use of internet and smart phone by users with growth of E-commerce concept in emerging market. Meeting expectations of customers by timely delivery, low financial risk and zero frauds can make concept of online grocery shopping successful.

Limitations of the study: There are certain limitations to the study. Research design used for study was descriptive and secondary sources for one time study. The adoption of modern technology is continuous process.

Primary research with more variables like preference of customers, convenience, study of segmented customers, would have presented a better picture.

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