

A STUDY ON DIGITAL MARKETING AND DRIVERS OF ONLINE GROCERY BUSINESS IN INDIA

Author: Nithya Shree S, BBA

PES Degree College, Bangalore South Campus.

ABSTRACT:

With the advances in the technology of networking, multimedia, data processing, electronic commerce brings new business opportunities for companies. Companies are spending millions of time and money in building new Internet business models and finding new channels for their revenues. Ecommerce, at the same time, offers specific benefits to online shoppers. Consumers not only have a more convenient way of shopping and have more choices, but also could interact with others and exchange ideas, views through online communities. With the benefits recognized by companies and consumers, E-commerce has been realized more and more important. It is believed that it will become an important channel for business revenues and as well as an important part of peoples' daily life. Consumers on one hand have the ease of choice, the comfort of shopping from home and an endless variety of products, while saving time and money. Organizations, on the other hand, are exploiting the unlimited shelf space the internet offers, operational timings and geographical boundaries unconfined by them and the opportunity it created to cater to wide markets at a comparative miniscule cost. As a result customers and organizations are having a much fuller relationship than ever before. As Indian consumers turned to the Internet to tap into this explosion, Internet commerce has become an important business initiative. The paper highlights about the growth drives of online groceries in India.

Keywords- online grocery shopping, Indian consumers.

INTRODUCTION –OVERVIEW OF INDIAN RETAIL INDUSTRY

The Indian retail industry is divided into organised and unorganised sectors. Organised retailing refers to trading activities undertaken by licensed retailers, that is, those who are registered for sales tax, income tax, etc. These include the corporate-backed hypermarkets and retail chains, and also the privately owned large retail businesses. Unorganised retailing, on the other hand, refers to the traditional formats of low-cost retailing, for example, the local kirana

shops, owner manned general stores, paan/beedi shops, convenience stores, hand cart and pavement vendors, etc.

The Indian retail sector is highly fragmented with 97 per cent of its business being run by the unorganized retailers like the traditional family run stores and corner stores. The organized retail however is at a very nascent stage though attempts are being made to increase its proportion to 9-10 per cent by the year 2010 bringing in a huge opportunity for prospective new players. The sector is the largest source of employment after agriculture, and has deep penetration into rural India generating more than 10 per cent of India's GDP.

Retailing thus, may be understood as the final step in the distribution of merchandise, for consumption by the end consumers. Put simply, any firm that sells products to the final consumer is performing the function of retailing. It thus consists of all activities involved in the marketing of goods and services directly to the consumers, for their personal, family or household use. In an age where customer is the king and marketers are focusing on customer delight, retail may be redefined as the first point of customer contact. The distribution of finished products begins with the producer and ends at the ultimate consumer. Between two of them there is a middleman – the retailer. Retailing is the set of business activities that adds value to the product and services sold to the consumers for their personal or family use. Often retailing is being thought of as the sale of products in the stores, but retailing also involves the sales of services: overnight lodging in a hotel, a haircut, a car rental, or home delivery of Pizza. Retailing encompasses selling through the mail, the internet, and door-to-door visits – any channel that could be used to approach the consumer. Retailing is responsible for matching individual demands of consumer with supplies of all the manufacturers. Retailing has become such an intrinsic part of our everyday lives that it is often taken for granted. The nations that have enjoyed the greatest economic and social progress have been those with a strong retail sector. The world over retail business is dominated by small family run chains and regionally targeted stores. Gradually more and more markets in the Western world are being taken over by billion-dollar multinational conglomerates, such as Wal-Mart, McDonald's, Marks and Spencer's, etc. The larger retailers have set up huge supply/distribution chains, inventory management systems, financing pacts, and wide scale marketing plans which have allowed them to provide better services at competitive prices by achieving economies of scale. The retailing concept is essentially a customer oriented, company-wide approach to developing and implementing a marketing strategy. It provides guidelines which must be followed by all

retailers irrespective of their size, channel design, and medium of selling. The retailing concept covers the following four broad areas:

1. Customer orientation- The retailer makes a careful study of the needs of the customer and attempts to satisfy those needs.
2. Goal orientation - The retailer has clear cut goals and devises strategies to achieve those goals.
3. Value driven approach- The retailer offers good value to the customer with merchandise keeping the price and quality appropriate for the target market.
4. Coordinated effort - Every activity of the firm is aligned to the goal and is designed to maximize its efficiency and deliver value to the customer.

Characteristics of Retailing can be distinguished in various ways from other business activities.

It has following characteristics:

- There is a direct end-user interaction in retailing.
- It is the only point in the value chain to provide platform for promotions.
- Sales at the retail level are generally in small unit sizes.
- Location is a critical factor in retail business.
- In most retail business, services are as important as core products.
- There are a larger number of retail units compared to other members of the value chain. This occurs primarily to meet the requirements of geographical coverage and population density.

A retailer is a person, agent, agency, company, or organization, which is instrumental in reaching the goods, merchandise, or services to the ultimate consumer. They are the final business in a distribution channel that links manufacturer to consumers. Retailers perform specific activities such as anticipating consumers' wants, developing assortments of products, acquiring market information, and financing.

A retailer performs certain value creating functions as:

1. providing an assortment of products and services- All retailers offer assortment of products, but they specialize in the assortments they offer. Supermarkets provide assortments of food, health and beauty care, and household products, while Abercrombie & Fitch provides assortments of

clothing and accessories. Supermarkets typically carry 20,000 to 30,000 different items made by over 500 companies. Offering an assortment enables their customers choose from a wide selection of brands, designs, sizes, colours, and prices at one location.

2. Breaking Bulk - Breaking bulk means physical repackaging of the products by retailers in small unit sizes according to customers' convenience and stocking requirements. Normally retailers receive large quantities of sacks and cases of merchandise from suppliers to reduce their transportation costs. In order to meet customer requirements retailers have to break or arrange the bulk into convenient units. The entire function adds value to the offerings not only for the end consumers but also for the suppliers in the value chain.

3. Holding Inventory - To ensure the regular availability of their offerings, retailers maintain appropriate levels of inventory. Consumers normally depend on the retailers directly to replenish their stock at home. Therefore, retailers on periodic basis, maintain the required level of inventory to meet the regular or seasonal fluctuations in demand. They need to maintain equilibrium between the range, and variety carried and sales which it gives rise to.

4. Extending services - Retailers provide multiple services to immediate customers and other members of value chain. They offer credit so customer can have a product now and pay for it later. They display products so consumers can see and test them before buying. Some retailers have sales people in the store or use their websites to answer questions and provide additional information about products.

EVOLUTION OF RETAIL IN INDIA

The origin of retailing in India can be traced back to the emergence of Kirana stores and mom-and-pop stores. These stores used to cater to the local people. Eventually the government supported the rural retail and many indigenous franchise stores came up with the help of Khadi & Village Industries Commission. The economy began to open up in the 1980s resulting in the change of retailing. The first few companies to come up with retail chains were in textile sector, for example, Bombay Dyeing, S Kumar's, Raymond, etc. Later Titan launched retail showrooms in the organized retail sector. With the passage of time new entrants moved on from manufacturing to pure retailing. The evolution of retailing in India can be better understood as: Early Eighties 'Retailing' in India was synonymous with peddlers, vegetable vendors, neighbourhood kirana stores (small grocery stores) or sole clothing and consumer durable stores in a nearby town. These retailers operated in a highly

unstructured and fragmented market. Very few retailers operated in more than one city. Before 1990, organized retailing in India was led by few manufacturer owned retail outlets, mainly from the textile industry, Ex: Bombay Dyeing, Raymond, S Kumar's, and Grasim. Later, Titan successfully created an organized retailing concept and established a series of showrooms for its premium watches Nineties: Liberalization of the Indian economy led to the dilution of stringent restrictions. Entry of few multi-national players like Nanz into the Indian market. Changing profile of the Indian consumers, increasing wages of the employees working in Greenfield sectors with higher purchasing power. Setting up of retail chains by domestic retailers like Cotton World (Mumbai), Nirula's (Delhi) and the Viveks and Nilgiris in the South. The latter half of the 1990s saw a fresh wave of entrants with a shift from Manufactures to Pure Retailers. For e.g. Food World, Subhiksha and Nilgiris in food and FMCG; Planet M and Music World in music; Crossword and Fountainhead in books. 1995 onwards saw an emergence of shopping centres, mainly in urban areas, with facilities like car parking targeted to provide a complete destination experience for all segments of society. Emergence of hyper and super markets trying to provide customer with 3 V's - Value, Variety and Volume.

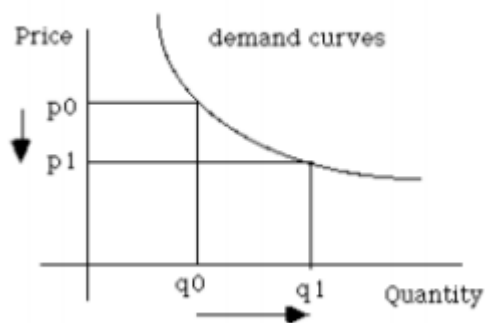
India is the 4th largest economy as regards GDP (in PPP terms) and is expected to rank 3rd by 2010 just behind US and China. On one hand where markets in Asian giants like China are getting saturated, the AT Kearney's 2006 Global Retail Development Index (GRDI), for the second consecutive year Placed India the top retail investment destination among the 30 emerging markets across the world. India's retail industry accounts for 10 percent of its GDP and 8 percent of the employment to reach \$17 billion by 2010.

The Indian retail market is estimated at US\$ 350 billion. But organised retail is estimated at only US\$ 8 billion. However, the opportunity is huge-by 2010, organised retail is expected to grow at 6 per cent by 2010 and touch a retail business of \$ 17 billion as against its current growth level of 3 per cent which at present is estimated to be \$ 6 billion, according to the Study undertaken by The Associated Chambers of Commerce and Industry of India (ASSOCHAM). Indian retailing is clearly at a tipping point. India is currently the ninth largest retail market in the world. And it is names of small towns like Dehradun, Vijayawada, Lucknow and Nasik that will power India up the rankings soon.

Organised retail in India has the potential to add over Rs. 2,000 billion (US\$45 billion) business by the Year 2010 generating employment for some 2.5 million people in various retail operations and over 10 million additional workforce in

retail support activities including contract production & processing, supply chain & logistics, retail real estate development & management etc.

It is estimated that it will cross the \$650-billion mark by 2011, with an already estimated investment of around \$421 billion slated for the next four years.



The above demand curve represents the price factors effecting the quantity of purchase. Y-axis represents price and X-axis represents quantity. As the price decreases from p_0 to p_1 , the quantity increases from q_0 to q_1 .

The graph depicts that as the price decreases, demand for the good increases whereas the demand decreases as the price increases.

E-COMMERCE RETAILING IN INDIA

The e-commerce retail market is among India's exciting and fastest growing markets. In terms of GMV (Gross Merchandise Value), the market is estimated to be worth USD12 billion in 2016⁴. This industry has come a long way since its inception and is continuously gaining momentum and value. The Indian market is driven by factors such as increased penetration of internet and smartphones, focus on advertising, ease of shopping for customers, innovative payment options, deals and discounts and the rapidly changing lifestyle needs. The top three to four players in the market currently command over 80 per cent of the market share in the overall domestic e-commerce retailing space.

In the coming years, the e-commerce retailing industry is expected to witness the consolidation and emergence of few big players. Further, changes in the FDI regulations could also boost the penetration of major players and help them gain higher market share by FY20. Electronics is currently the largest

segment in e-commerce retail, projected to grow at a CAGR of approximately 43 per cent till 2020.

The share of electronics in online retail is, however, expected to decline with higher growth in other segments such as apparel (CAGR approximately 50 per cent) and home furnishings (CAGR approximately 68 per cent) in the coming next four to five years.⁵ At present, the e-commerce retailing industry is witnessing approximately 1 to 1.2 million transactions per day, led by categories including apparel (approximately 43 per cent), electronics (approximately 24 per cent), and books (approximately 22 per cent). The number of transactions may however fluctuate with seasonal variations, including holiday season and discounts.

ONLINE RETAIL IN INDIA AS A PERCENTAGE OF TOTAL RETAIL

Indian retailers are yet to capitalize upon the power of the online space due to lack of internet penetration, along with much smaller population of online shoppers and low transaction sizes.

The penetration of online retail in the total retail market is expected to rise from 2.5% in 2016 to 5% by 2020 of the total organised retail market, online retail penetration is likely to increase from 6% in 2014 to 25% in 2020.

While India has an internet user base second only to China, only 14% of the total internet users shop online in India, as compared to 30-35% in Brazil and Russia, and 55% in china. The online travel segment comprises about 61% of the e-commerce industry in India including travel, and e-ticketing website ticketing accounts for the largest share of the online travel market with domestic air ticketing driving growth. Job searchers and online matrimony contribute about 15% of the market by value.

INVESTMENT SCENARIO

The Indian retail trading has received Foreign Direct Investment (FDI) equity inflows totalling US\$ 935.74 million during April 2000–December 2016, according to the Department of Industrial Policies and Promotion (DIPP).

With the rising need for consumer goods in different sectors including consumer electronics and home appliances, many companies have invested in the Indian retail space in the past few months.

IKEA, the Netherlands-based furniture company, has purchased 14 acres of land in Bengaluru for setting up its third retail outlet in the country.

Future Group, a consumer goods company in India has entered into a joint venture with Khimji Ramdas Group in UAE for selling garments in Oman with both the companies having invested US\$ 11.7 million each. The joint venture will first launch four to five stores in Oman and gradually increase the count to 17 to 18.

Amazon India plans to double its storage capacity in India by adding 14 new warehouses by June 2017, aimed at maintaining rapid growth in sales and catering to the remote parts of India.

Bang and Olufsen, Danish stereo and speaker system maker, has plans of setting up about eight to ten standalone satellite stores by the end of FY 2017-18 in cities like Kolkata, Hyderabad, Ahmedabad, among others.

Walmart, global retail giant, plans to open 50 new cash-and-carry stores in India over the next three to four years and locate half of the stores in Uttar Pradesh and Uttarakhand while creating over 40,000 jobs in the two states.

Global e-commerce giant, Amazon is planning to enter the Indian food retailing sector by investing US\$ 515 million in the next five years, as per Mr Harsimrat Kaur Badal, Minister of Food Processing Industries, and Government of India.

US apparel retail major Gap Inc., has tied up with Arvind Group's fashion portal NNNow.com to sell its products online, which will help the retailer expand its presence beyond metros and tier-I cities.

Hamleys, has stated that India is one of the most important markets for Hamleys globally, and outlined plans of opening six more stores, taking its total store count in the country to 32 by the end of March 2017.

Roche Bobois Group, outlined plans of opening new stores in cities like Hyderabad, Chennai, Pune, Kolkata and Ahmedabad, in order to make India one of its top five markets by 2022.

A joint venture between Dutch asset manager APG Asset Management and real estate asset platform Virtuous Retail, has acquired a portfolio of three shopping malls for US\$ 300 million, and has committed an additional US\$ 150 million as equity capital to expand the portfolio.

Future Consumer Ltd has formed a joint venture (JV) with UK's largest wholesaler, Booker Group, with an investment of Rs 50 crore (US\$ 7.5 million), to set up 60-70 cash-and-carry stores in India in the next 3-4 years.

Adidas India Private Limited, outlined plans of opening around 30-40 big flagship stores across Delhi, Mumbai and Bengaluru, by 2020.

Mad Over Donuts (MoD), outlined plans of expanding its operations in India by opening nine new MOD stores in Hyderabad and Chennai by March 2017.

Switzerland's luxury retail brand Bally, plans to re-enter the Indian market in a joint venture with Reliance Brands Ltd, by opening its first store in New Delhi in March 2017, and thereafter aiming to expand to four stores in Delhi, Mumbai, Kolkata and Chennai over the next 3 to 4 years.

Urban Ladder, an online furniture store, is in advanced talks to raise around US\$ 25-30 million from existing investors Kalaari Capital, SAIF Partners and Sequoia Capital, along with one new investor, which will be used to fund its expansion plans.

Hennes & Mauritz (H&M), the Sweden-based clothing retailer, is in advanced talks with Mumbai-based Prakhhyat Infraprojects Pvt Ltd to lease around 275,000 square feet of space at Bhiwandi, Maharashtra, to set up its first warehousing hub in India.

Future Group has partnered with UK clothing and hardware retailer Laura Ashley to make and sell merchandise as well as wholesale distribution in India.

Parle Agro Pvt Ltd is launching Frooti Fizz, a succession of the original Mango Frooti, which will be retailed across 1.2 million outlets in the country as it targets increasing its annual revenue from Rs 2800 crore (US\$ 0.42 billion) to Rs 5000 crore (US\$ 0.75 billion) by 2018.

GOVERNMENT INITIATIVES

The Government of India has taken various initiatives to improve the retail industry in India.

The Government of India may change the Foreign Direct Investment (FDI) rules in food processing, in a bid to permit e-commerce companies and foreign retailers to sell Made in India consumer products.

Government of India has allowed 100 per cent Foreign Direct Investment (FDI) in online retail of goods and services through the automatic route, thereby providing clarity on the existing businesses of e-commerce companies operating in India.

ROAD AHEAD

E-commerce is expanding steadily in the country. Customers have the ever increasing choice of products at the lowest rates. E-commerce is probably creating the biggest revolution in the retail industry, and this trend would

continue in the years to come. Retailers should leverage the digital retail channels (e-commerce), which would enable them to spend less money on real estate while reaching out to more customers in tier-2 and tier-3 cities.

Both organised and unorganised retail companies have to work together to ensure better prospects for the overall retail industry, while generating new benefits for their customers.

Nevertheless, the long-term outlook for the industry is positive, supported by rising incomes, favourable demographics, entry of foreign players, and increasing urbanisation.

Exchange Rate Used: INR 1 = US\$ 0.0155 as on June 20, 2017

LITERATURE REVIEW:

A recent study on *Impact of Online Grocery Stores on Local Stores and Vendors in India* shows that the study proved various factors considered such as price of the good, price of related good, taste and preference of customers has affected the growth and survival of the local vendors and stores.

In January 2016, *Online Grocery Shopping: The Impact of Shopping Frequency on Perceived Risk* by Gary Mortimer was done to examine the role of perceived risk and how it mediates the relationship between trust and repurchase intention of frequent and infrequent online grocery shoppers. The study showed that for infrequent online grocery buyers, perceived risk mediates the relationship between trusts and repurchase intentions. No mediation was evident in case of frequent online grocery buyers.

A study done by Chris Hand, Jaywant Singh on *Online Grocery Shopping: The Influence of Situational Factors in 2009* resulted in establishing the importance of situational factors, such as having baby or developing health problems triggers to buy groceries online.

A study on *Determinant Attributes of Online Grocery Shopping in India: An Empirical Analysis in 2018* by Dr. Ch. Jayasankara Prasad and Yadaganti Raghu resulted positively depicting that consumers appear to be satisfied with online grocery shopping.

OBJECTIVE:

1. To examine whether the factors affect the growth of online grocery shopping.
2. The investment scenario of foreign companies in India affecting the growth of E-Commerce.

3. To know the future of online grocery retailers in India with regard to present economic situations.

RESEARCH METHODOLOGY:

The research methodology used in this research was qualitative in nature. The conceptual study was adopted. The data used is secondary data.

INDIA ONLINE GROCERY MARKET OUTLOOK TO 2019

High Growth Prospects due to Increasing Internet Coverage and Smart Cities Emergence provides a comprehensive analysis of various aspects such as market size, segmentation and future projections of the online groceries market of Indonesia. This report also offers prevalent trends and developments in industry, government regulations, SWOT analysis, external environment analysis, Porter's five force analysis, and challenges in the industry. The report also covers the competitive landscape of the industry, in which the information related to the players operating in this industry has been comprehensively presented. This has been complemented with the major investment deals that have been finalized in the industry. It also includes information on the major macroeconomic indicators affecting the market. Moreover, the report also offers information regarding the supply chain models operating in the market and the domestic and international trends in the online groceries market.

The groceries segment holds a share of 60% out of the total market value of Indian retail market as food is the basic requirement of all the people irrespective of their class or society status. Online groceries market refers to the purchase and sale of groceries over the internet. Although, this process was initially implemented in the west, but this industry has been an emerging industry in India. The first firms that were founded in this segment of total retail were formed in 2011. Since then this industry has expanded at a commendable pace and has attracted huge investments by venture capitalists and angel investors alike.

The major players in the market that lead from the front are Big Basket, Aaramshop, Zopnow and Local Banya. These firms have been operational for about three years each and have grabbed a large market share in their respective cities of operations. The rise in the public's demand for convenience shopping as well as the penetration of internet among the population has led to the growth of this industry at a fast pace. The market also thrives as it has been able to offer steep discounts on the prices of the products offered and

lure customers away from the brick and mortar shops to online grocery shopping.

Online groceries offer several advantages for the users of their services, according to the service providers. As per them, the customers can enjoy a sense of ease as this service enables them to purchase their monthly top-up of groceries, fruit and vegetables while in the comfort zone of their homes. This also spares the customers from the hassle of carrying their bags, prevents them to face parking and traffic problems, as well as the queues in their local markets or supermarkets. The online stores also promise a wider variety of products to choose from, about 10,000 stock keeping units whereas an average traditional storehouse offers product range below 1,000 SKUs which puts it at a disadvantage to the online grocers.

The share of Big Basket has been the largest among the businesses running as the top-line is fuelled by growth in the segment as well as its presence in 4 different cities. The total GMV for Big Basket was INR ~ million in 2014 which is expected to rise in the future. This aided the firm to grab a market share of ~% and placed it firmly atop the ladder. Zopnow is the second largest player which has been able to capture a large customer base in Bangalore with the help of its active and attractive website and the smart-phone app. Zopnow has a total GMV of INR ~ million in FY'2014. The company is gaining traction in Mumbai and Hyderabad.

GROWTH DRIVERS FOR ONLINE GROCERY MARKET IN INDIA DEMAND

- Growing younger population
- Growing internet usage
- Rapid disposal income
- Increasing affluence level
- Quality organic products
- Customer driven not investment driven
- Growing e commerce market in India

SUPPLY

- Multiple channel distribution
- Flexible delivery option
- Presence of major players

Convenience

Increased supply of packaged grains and food products

Multiple mode of payments

FINDINGS

1. Growth drivers have affected the functioning of online system in India.
2. There is a huge impact of online grocery shopping on local stores, Indian stores.
3. Most of the urban population choose online grocery shopping over visiting departmental stores.
4. The investment scenario in Indian Economy will be attracting many other foreign companies to invest in India.
5. Foreign Direct Investment is promoted to the larger extent.
6. Online grocery business is the residue of digital marketing.

CONCLUSION

The journey from kirana shops to E-commerce has been recognisable change in India. Consumer buys goods from online based on the factors like offers and discounts, variety of products available, free home delivery. The demographic situation doesn't influence the consumer satisfaction. It is clear that India has a very good online grocery business by 2020. Online grocery retailers can increase sales and new customers should provide various benefits like safety payment modes, introduce all the items and convenience.

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