

How Omnichannel Retail can Fuel the Growth of Online Grocery in India



by Sunita Sharma
Digital Commerce Business Consultant
Embitel Technologies

The Market Value of the Retail Industry in India

According to a recent CII-BCG report:

- India is the sixth largest retail industry in the world at a value of \$630 billion in 2015
- It is expected to nearly double in next five years—that's \$1.1-1.2 trillion by 2020
- The sector has grown at 12% over the last decade, and going forward the growth is expected to be moderately higher

The overall growth in India's retail sector is fueled by rapid urbanization, rise in economic health and increase in per capita consumption.

Though India's retail sector is significantly large, unorganized retail still constitutes 88% and organized retail currently accounts for 8% or \$60 billion of Indian retail.

Market Segments	Total Value (in \$ bn) -2015	Annual Growth Rate	Total Value (in \$ bn) -2020
Organised Retailing	60	20%	140 - 160
E-commerce Retailing	8 - 12	45%	45 - 50
Unorganised retailing	560	15%	915 - 990
Total Retail	630	12%	1100-1200

The Grocery Business in Indian Retail

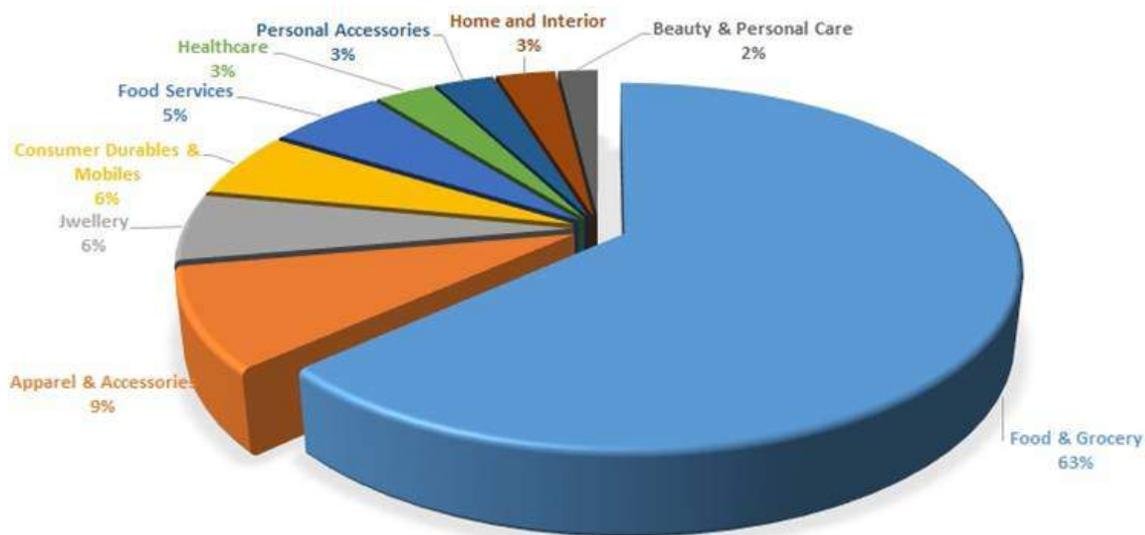
The Scope and the Opportunities

Food and grocery is the largest segment in the Indian retail market, pegged at \$396 billion, seven times bigger than Indian apparel industry. But organized brick-and-mortar grocery retail share is just \$16 billion and the remaining \$380 billions contributed by unorganized retail.

Here lies the opportunity for online retail to capture market share of unorganized retail sector. To realize this advantage, grocery retailers can adopt e-commerce retailing. There are many factors that are in favour of online grocery in India:

- The shift in consumer buying behavior due to the advent of online ventures in India.
- Increasing internet penetration in India along with the change in buying behavior
- A large untapped retail segment

The combination of these factors and a robust business model ensured that Big Basket became profitable *in just four years*. So it is not surprising that the Indian e-grocery market has attracted many other pure e-grocery players such as AaramShop, Grofers, Town Essentials, ZopNow, Zip.in, and now Amazon is reported to enter the fray soon with Amazonfresh.



Organized retail in food & grocery segment entered India a decade ago but has been able to acquire only 30% of total grocery consumers, whereas 70% of consumers still shop through Mom & Pop stores. There are many factors which have restricted growth of organized retail, which can primarily be seen from operational aspect and consumer buying behavior.

Major challenges for hypermarkets and supermarkets include:

- the requirement of a huge investment for opening a physical store,
- operational overheads,
- the bullwhip effect in supply chain that limits them to high population density areas in metropolitan cities.

These give rise to the need for small

departmental stores to cater to other consumers.

At the same time, department stores feel discouraged to scale up due to high costs and low margins in the grocery industry. In addition, the bargaining power of suppliers is very low due to

fierce competition and availability of substitutes.

On the other hand, with the rise of technology, buyer bargaining power is an emerging threat for the organized grocery industry.



An omnichannel digital commerce strategy can solve these challenges faced by an organized grocery retail store from an organization point of view and also address the consumers' demand of convenience, competitive price, substitutes and information at the same time.

The Need for Omnichannel Operations in Online Grocery

“Grocers can cultivate greater shopper loyalty by encouraging cross-channel shopping: we think consumers are more likely to stick with those shops who are providing an integrated mix of supermarkets, online and c-stores that caters to different shopping missions.” – John Mercer, European Retail Analyst

Recent popularity of e-commerce and exponential growth in mobile phone users in India along with internet penetration has helped to increase online shopping users. Further, a unified shopping experience across channels will attract them to use online channel for their purchase decisions.

A notable reason for low acceptance of organized retail is the socio-behavioral drivers of consumers that encourage them to choose mom and pops: travel time to store, parking, and long queue at billing counter, inconvenience and difficulties in

locating desired product.

Digital commerce addresses the issues consumers face. With omnichannel retail, businesses will be able to offer all the benefits of organized retail:

- Availability of a wide range of products,
- low price
- variety
- multiple brands under one roof
- the convenience and personalized experience of mom and pops.

Omnichannel commerce doesn't just provide a medium for convenience shopping but also gives a wider platform to help organize grocery purchase with features like:

- multiple shopping lists,
- add all items to basket from shopping list
- auto order placement based on pre-defined frequency (daily, weekly, monthly) for frequently used items such as milk, dairy products, breads, beverages and fruits

- “Click & collect”: buy online and pick up at store gives flexibility to the consumer and allows him/her to inspect items which requires validate freshness of the products.

According to Nielsen research, the total cart consists of 60% non-food items and 40% food items. Keeping this in mind, thoughtful category planning for online stores will increase conversion rate and reduce in-store inventory cost.

There is a wider range of features to offer for consumers, such as:

- speech-based product search, for elderly people who are not comfortable typing
- category display based on planogram model for easy navigation
- in-store maps, personal grocery advisor, ‘click-feel-collect’ for food items, reorder options for favorite and frequently ordered items.

Future Growth of Online Grocery in India

Though the current online grocery market share is nearly 1% (\$3.9 bn), it’s expected to grow up to 3% by 2019.

A study conducted by Embitel suggests that the e-grocery business can grow to more than 5% by enabling digital commerce, if positioned appropriately and executed well.

Omnichannel commerce is a solution to organized grocery retail sector’s challenges in India.

Even if 10% of the unorganized market is transposed to e-commerce with same proportion to category share, the online grocery market alone in India will cross \$50 billion easily by 2020, equivalent to the current e-commerce retail market.

About Embitel Technologies

Founded in 2006, Embitel Technologies is known for its cutting edge and innovative software solutions. Headquartered in Bengaluru, India, with offices in Germany, the UK and the US, and representation in Sweden, France and Israel, Embitel has partnered with clients globally.

Embitel offers end-to-end services for web as well as mobile and omnichannel development, from consulting and strategy to development and maintenance, on the two leading platforms—hybris and Magento. With a combination of our seasoned business consulting and sound engineering skills, our clients can expect an increased and sustainable RoI.



CPG
LaunchPro
100
Agile Commerce
Deployed

With experience in digital commerce implementation for the food and grocery sector, Embitel has designed a Rapid Deployment Solution on hybris for online grocery businesses aspiring to success with a reduced time to market and a lower cost. Read about [CPG LaunchPro 100](#).

About the Author

Sunita Sharma is a Digital Commerce Business Consultant with Embitel Technologies. She has 6 years' experience in product designing, implementation and strategy planning in the ecommerce industry. Sunita has played a significant role in business case, technical use case development and implementation of digital commerce for top EMEA and APAC retail customers and their successful go-live planning. A few of the leading names she has consulted for include TomTom, Esize, INTERSPORT, Wijnbeurs, Xerox, and the Future Group's multi-brand retail.

She has an MBA in Business Strategy and Consulting from the acclaimed Indian Institute of Management - Bangalore, and completed the consulting program at Audencia Nantes School of Management, Nantes, France.