

A Case Study of Growth of Online Grocery Market Big Basket: A Shift in Grocery Shopping in India

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Abstract

The paper shows How Bigbasket became online grocery market place with digital marketing strategy. In India online shopping has shown a tremendous growth in fashion and electronics and at the same time grocery shopping online has also made remarkable increase in the recent years. BigBasket is a leading brand in grocery field. Grocery requirement is one of the basic needs of human being and with emergence of e-commerce world wide, online shopping has also increased significantly. India is a big market for online and offline shoppers. Traditionally people used to go to the grocery and vegetable shops or markets to buy their required products. As the time passed along the concepts like supermarkets, hypermarkets and malls became popular where people could buy grocery, vegetable and other food items at place. E commerce and online purchasing and selling of goods has become the latest trend among the people which provides them a platform for anywhere and anytime purchase with lot of options available for the purchaser at a reasonable price. Every customer needs hygienic, safe and quality products at their door step and BigBasket is a classic case of providing the customer with all their requirements at their doorstep. It has become India's one of the largest e-grocery stores.

Keywords: Online Shopping, E-Commerce, E grocery Stores, door step delivery,supermarkets, hypermarkets.

Introduction

Internet has become an integral part of human life. With the advancement of time and technology it is becoming a necessity. Internet has a far wider reach now a days than ever and with introduction of latest technology and invention of smart phones it has its reach up to almost each and every person and each and every area of the world. Since the era of globalization where world has become a global market, Internet has played a very vital role in connecting the whole together. With passage of time internet has become a source for global market of products and services and for that Electronic Commerce (E- Commerce) has played the prominent role. The term E-commerce refers to the use of an electronic medium to carry out the commercial transactions. Most of the times it refers to sale of products through internet, but the term also covers purchasing mechanism via Internet.

A person who purchases goods online is called a cyberconsumer. E commerce is not only limited to online sales, but it also covers preparation of estimates online, consulting the users as well as providing them electronic catalog, access plan to point of sale, real time management of inventory, making online payments, tracking delivery and after sale services.

The paper shows How Bigbasket became online grocery market place with digital marketing strategy. In India online shopping has shown a tremendous growth in fashion and electronics and at the same time grocery shopping online has also made remarkable increase in the recent years. BigBasket is a leading brand in grocery field. Grocery requirement is one of the basic needs of human being and with emergence of e commerce world wide, online shopping has also increased significantly. India is a big market for online and offline shoppers. Traditionally people used to go to the grocery and vegetable shops or markets to buy their required products. As the time passed along the concepts like supermarkets, hypermarkets and

malls became popular where people could buy grocery, vegetable and other food items at place. E commerce and online purchasing and selling of goods has become the latest trend among the people which provides them a platform for anywhere and anytime purchase with lot of options available for the purchaser at a reasonable price. Every customer needs hygienic, safe and quality products at their door step and BigBasket is a classic case of providing the customer with all their requirements at their doorstep. We all know that people today have hardly any time for going to market and spend so much time on selection of various goods and products. Here BigBasket comes to them with all their requirements just at a few clicks.

Aim of the Study

The main aim of the study is to highlight the changing trend of Indian consumers towards the traditional purchasing methods and with increasing use of internet and other technologies the Indian consumers have shifted to online purchasing of grocery products as well . Initially online shopping was only limited upto few products majorly durable goods like electronics and clothings but with passage of time people have shifted to purchase of groceries and other non durable products from online grocery markets and development of BigBasket is a classical example of that. This study shows that how Online Grocery Market like BigBasket has taken a giant leap in a very short span of time.

Review of Literature

Ecommerce, also known as electronic commerce or internet commerce, refers to the buying and selling of goods or services using the internet, and the transfer of money and data to execute these transactions. Ecommerce is often used to refer to the sale of physical products online, but it can also describe any kind of commercial transaction that is facilitated through the internet.

Whereas e-business refers to all aspects of operating an online business, ecommerce refers specifically to the transaction of goods and services. The history of ecommerce begins with the first ever online sale: on the August 11, 1994 a man sold a CD

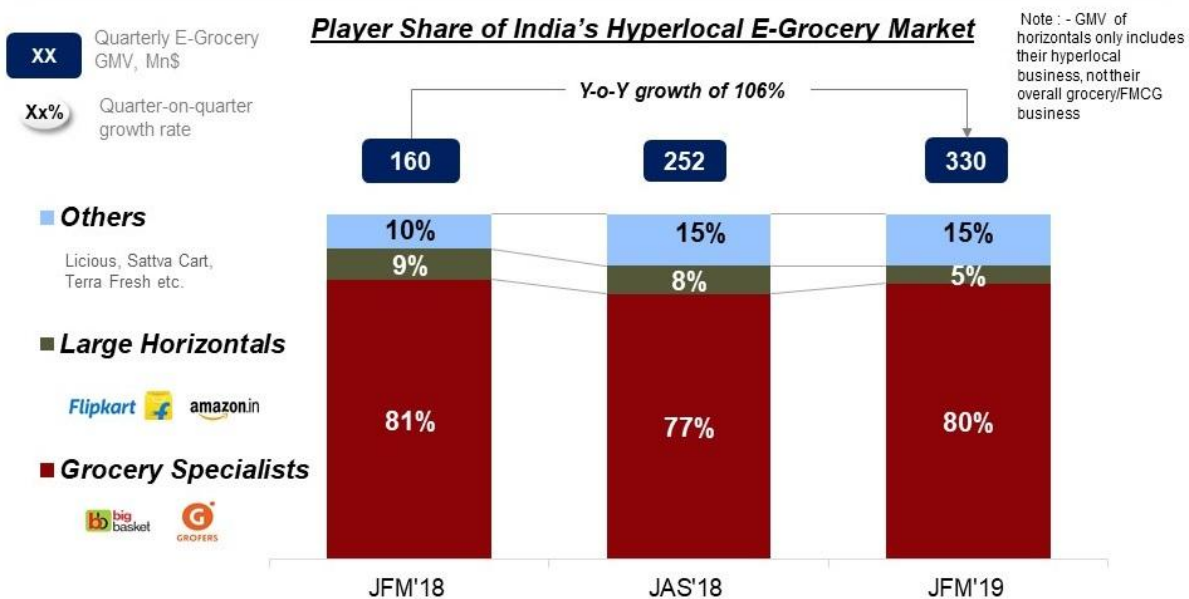
by the band Sting to his friend through his website NetMarket, an American retail platform. This is the first example of a consumer purchasing a product from a business through the World Wide Web—or “ecommerce” as we commonly know it today. Since then, ecommerce has evolved to make products easier to discover and purchase through online retailers and marketplaces. Independent freelancers, small businesses, and large corporations have all benefited from ecommerce, which enables them to sell their goods and services at a scale that was not possible with traditional offline retail. Global retail ecommerce sales are projected to reach \$27trillion by 2020.

Advancement of E commerce in India

Some of the major developments in the India eCommerce sector are:

1. Flipkart, after getting acquired by Walmart for US\$ 16 billion, is expected to launch more offline retail stores in India to promote private labels in segments such as fashion and electronics. In September 2018, Flipkart acquired Israel based analytics start-up Upstream Commerce that will help the firm to price and position its products in an efficient way.
2. Launch of Paytm Payment Bank. Paytm bank is India's first bank with zero charges on online transactions, no minimum balance requirement and free virtual debit card.
3. The E-commerce industry in India witnessed 21 private equity and venture capital deals worth US\$ 2.1 billion in 2017 and 40 deals worth US\$ 1,129 million in the first half of 2018.
4. Google enters India's eCommerce Space with Google Shopping. Google and Tata Trust have collaborated for the project 'Internet Saathi' to improve internet penetration among rural women. (Source: <https://www.ibef.org/>)

India's hyperlocal e-grocery market is growing at triple-digit rates, with sector specialists continuing to lead the market. In a year when online retailing has been through ups and downs, the hyperlocal e-grocery market continues its rapid growth spree with 106% y-o-y growth recorded in first quarter of 2019.



Despite aggressive moves by horizontals, their hyperlocal grocery businesses have made limited dent in the market. As verticals continue to thrive basis their core value proposition of large assortment, express delivery and subscriptions (which enables Higher AOV and order frequency)

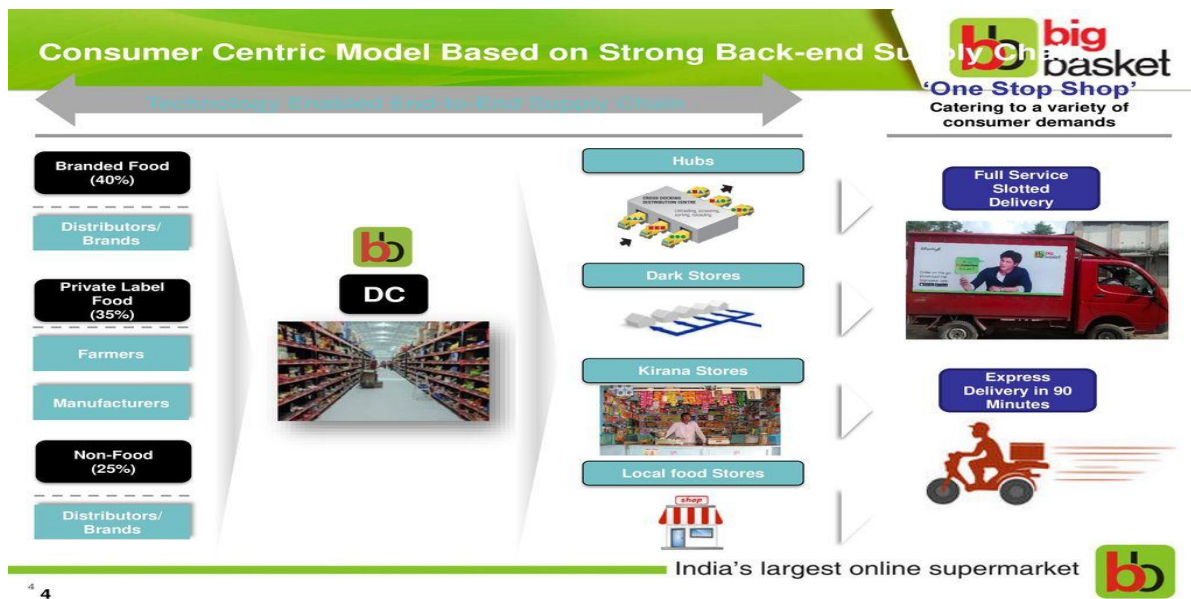
BigBasket.com with 18000+ products and 1000+ brands listed on their catalogue is known to be India's largest online food and grocery store. It offers a wide range of options in every category to provide you with the best quality products at the lowest prices which include – fresh Rice and Dal, Fruits and Vegetables, Spices and Seasoning's, Packaged products, Beverages, Personal care products, Meats, and many more.

It began in 1999 when the founders started their online retail website called 'febmart'. At that time they did manage to get some orders but they were ahead of time they could not shake the masses. They decided to start their online business again and focused all their energy on 'fabmall' it was their physical retail chain stores. They also merged this chain with another grocery retail chain called – 'Trinethra'. Within a period of seven years they expanded their business to 200 stores across Andhra

Pradesh, Tamil Nadu, Karnataka and Kerala. At that point of time they decided to sell their business to Aditya Birla Group but Krishnan Ganesh an entrepreneur concluded to go ahead with it. And finally in December 2011, they launched BigBasket.com!

Business Model of BigBasket

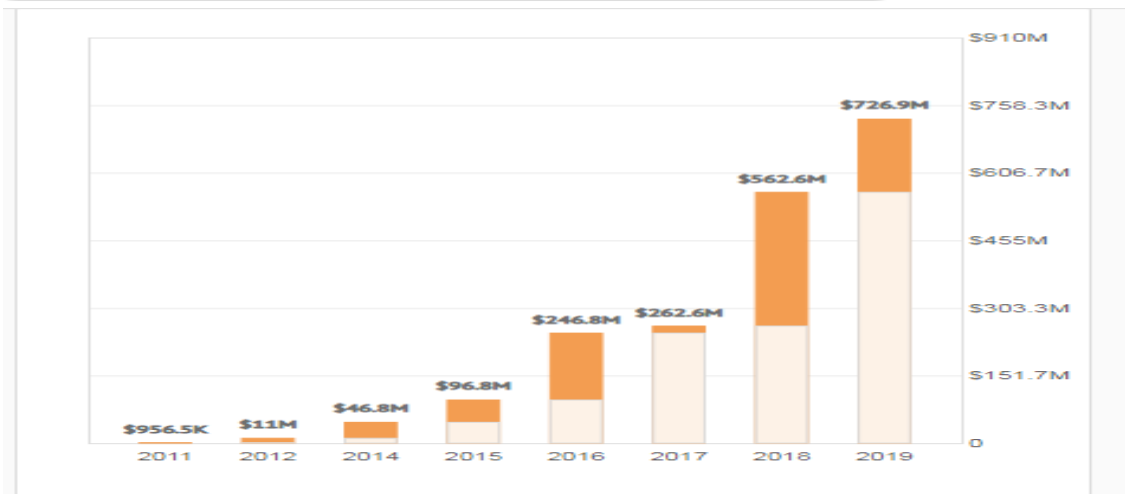
When BigBasket started its operations, it adopted the 'just-in-time model' means they were purchased-to-order. In this model, the delivery boy directly picks up the item from the retailer, and directly delivers it to the customer. Earlier they had acquired a hyper-local delivery start-up 'Deliver', to further strengthen its delivery service. Although, the company still functions as an independent firm, but the co-founders of Deliver have also been included in the management team of BigBasket. BigBasket is currently working in more than 24 cities in India.



BigBasket offers Food items like vegetables, Cake and bakery products, Meat & Fish, Sweet, savories, nuts and chocolates. They also sale non food products like flowers, body care and Ayurveda products. It sells 40% Branded food products, 35% of the products are private labeled and their sales

comprise of 25% of non food items also. They purchase their products directly from farmers, hubs dark stores, Kirana stores, Distributors, Manufacturers.

Investment funds and Revenue of BigBasket



The above chart shows that how BigBasket has shown a big increase in its funding. They started the company in 2011 with initial funding of 956.5K \$ which increased to 46.8M\$ in 2015. In 2018 it got investment from E commerce Giant Company Alibaba.com of 300M\$ and in 2019 also Alibaba invested 150M\$ in BigBasket because of such investments by foreign companies total funding of BigBasket in 2019 is 726.9M\$. So the above chart clearly shows that in just 8 years the company has grown year by year very rapidly and at the same time foreign investors have also shown lot of faith in Indian companies and have invested their funds for future prospects.

In the last 18 months, Bigbasket also launched three new businesses: BB Daily, BB Instant, and BB Beauty Store. On BB Daily, one can subscribe

for milk, fruits and vegetables, bread, dairy, eggs, breakfast cereals, tender coconut, etc for every day or alternate days. BB Instant is for Bigbasket's unmanned vending machines that target corporate offices, tech parks, and apartment buildings in Tier I cities. (Both daily and instant are available in separate apps.) Beauty Store, which is available on on the Bigbasket main app, goes beyond the usual personal care products that are available in supermarkets.

Bangalore-based BigBasket was founded in 2011 by AbhinayChoudhari, Hari Menon, VS Sudhakar, VS Ramesh, and Vipul Parekh as an online grocery store. BigBasket currently operates in 30 cities. It has over 10 million customers and receives nearly 100,000 orders per day. BigBasket expects to end FY 2019 with revenue of INR 3,500 crore (\$506 million) and INR 7,000 crore (\$1 billion) in FY2020.

BigBasket has two registered operating entities – its B2B segment or wholesale arm Supermarket Grocery Supplies, and the online grocery portal Innovative Retail. For FY 2018, the wholesale segment revenue grew 35% to INR 1,583 crore (\$226 million) while net losses narrowed by 52% to INR 310 crore (\$44 million). Innovative Retail segment revenue grew 29% to INR 1,410 crore (\$201 million) and net losses reduced by 6% to INR 179 crore (\$25 million) in FY 2018.

BigBasket has raised \$989.5 million from investors including Abraaj Group, Alibaba Group, Ascent Capital, Bessemer Venture Partners, Brand Capital, Helion Venture Partners, ICICI Venture, IFC Venture Capital Group, LionRock Capital, Paytm Mall, Sands Capital Management, Sands Capital Ventures, Trifecta Capital, Zodiac Capital, Mirae Asset-Naver Asia Growth Fund, and CDC Group. Its latest round of funding was held in April this year for \$150 million at a valuation of \$1.2 billion. In an earlier round in February last year, it received \$300 million at a valuation of \$900 million. In September 2017, it had raised \$280 million at an estimated valuation of \$600 million - \$800 million.

In September 2018, BigBasket started its milk subscription business called BB Daily for delivering milk and other items in the morning. Today, it carries out 90,000-100,000 orders a day and aims to increase it to a million orders a day and to 50% of the apartment complexes across the ten major cities it operates in.

Another successful venture last year was the BB Instant service, which was launched as a pilot with IoT-enabled smart vending machines startup Kwik24. Customers can order fresh produce and other FMCG products through the BB Instant app and pick it from the vending machine. It has 200 unmanned vending machines in offices and apartment complexes in Bangalore. It plans to have 2,000 such machines across 10 major cities over the next year.

In 2018, BigBasket went on to acquire Kwik24 to scale the vending machine operation and subscription-based morning essentials delivery company RainCan and daily essential ordering platform Morning Cart to strengthen its BBDaily service. The terms of the deals were not disclosed. Founded in 2016 by Neeraj Ray and Samir Duggal, Kwik24 had raised \$374 K from Fireside Ventures. Kwik24 had deployed its IoT-enabled vending machines at over 30 corporate locations in Bangalore before its residential pilot with BigBasket.

Future plans of Bigbasket

Online grocery platform Bigbasket is combining its two models - 'Express' delivery in 90 minutes and normal (same day or next day delivery) – to introduce a new model, in which all items – regardless of number and size – will be delivered in maximum of three hours after placing the order.

In the Express model, only 2000 SKUs were available, and the delivery was done via small dark stores. These orders were for items like milk, fresh fruits, and vegetables.

For the normal model, all 30,000 SKUs are available, and the delivery is done on the same day or

next day. According to Co-founder and CEO, Hari Menon, this model contributes to 85 percent of their total sale value.

Till now, this model had four slots in a day – two each in the morning and evening. In all the 10 Tier I cities, however, the company is launching 23 slots.

Hari elaborated, "With the new model, we can deliver about 90 percent of items within two hours of placing the order, and 100 percent in three hours, from larger dark stores. The size of our dark stores has increased from 3000-4000 square feet to 25,000 square feet. These dark stores will have delivery personnel with both vans and bikes. (The smaller dark stores had only bikes.)"

It is targeting revenue of 6300Cr. In FY2020 and there investment may go up to 1B\$ by 2020.

BigBasket plans to spend \$100 million on re-engineering its supply chain to reduce the time from farm to its customers and allow for faster delivery to its resellers. To increase revenue and profitability, it is expanding the range of private label products. It expects to increase the share of private label products to 40% by the end of 2019. It plans to ramp up to 20 large and 100 smaller distribution centers by June this year.¹

Competitors of BigBasket

Competition is increasing day by day in E grocery market. The biggest competitor of BigBasket is Grofers which is becoming intensively popular in cities like Delhi-NCR and other metro cities. Some other competitors are as under.

1. Grofers
2. ZopNow
3. Amazon Pantry
4. Flipkart Supermarket
5. Nature's Basket
6. Spencer's Online Grocery
7. Paytm Mall
8. DMart Online Grocery Shopping
9. Reliance Smart

Conclusion

Thus all the facts show that BigBasket has emerged as a big e grocery market in India over the last 8 years. Since its inception in 2011 it has shown tremendous increase in its revenue till today. The concept of E commerce is to provide quality product at right time and at the right place to the consumer and BigBasket in true sense has proven that it has covered all the aspects of the same. Though it has to face a lot of competition from its rivals like Grofers, Amazon Pantry, Paytm mall etc still it is top grossing company of Indian E grocery market. The E commerce website has got a lot of support and investment from the groups like Alibaba and CDC which has helped the company to survive and lead in stiff competition in market.

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8. <https://yourstory.com/>