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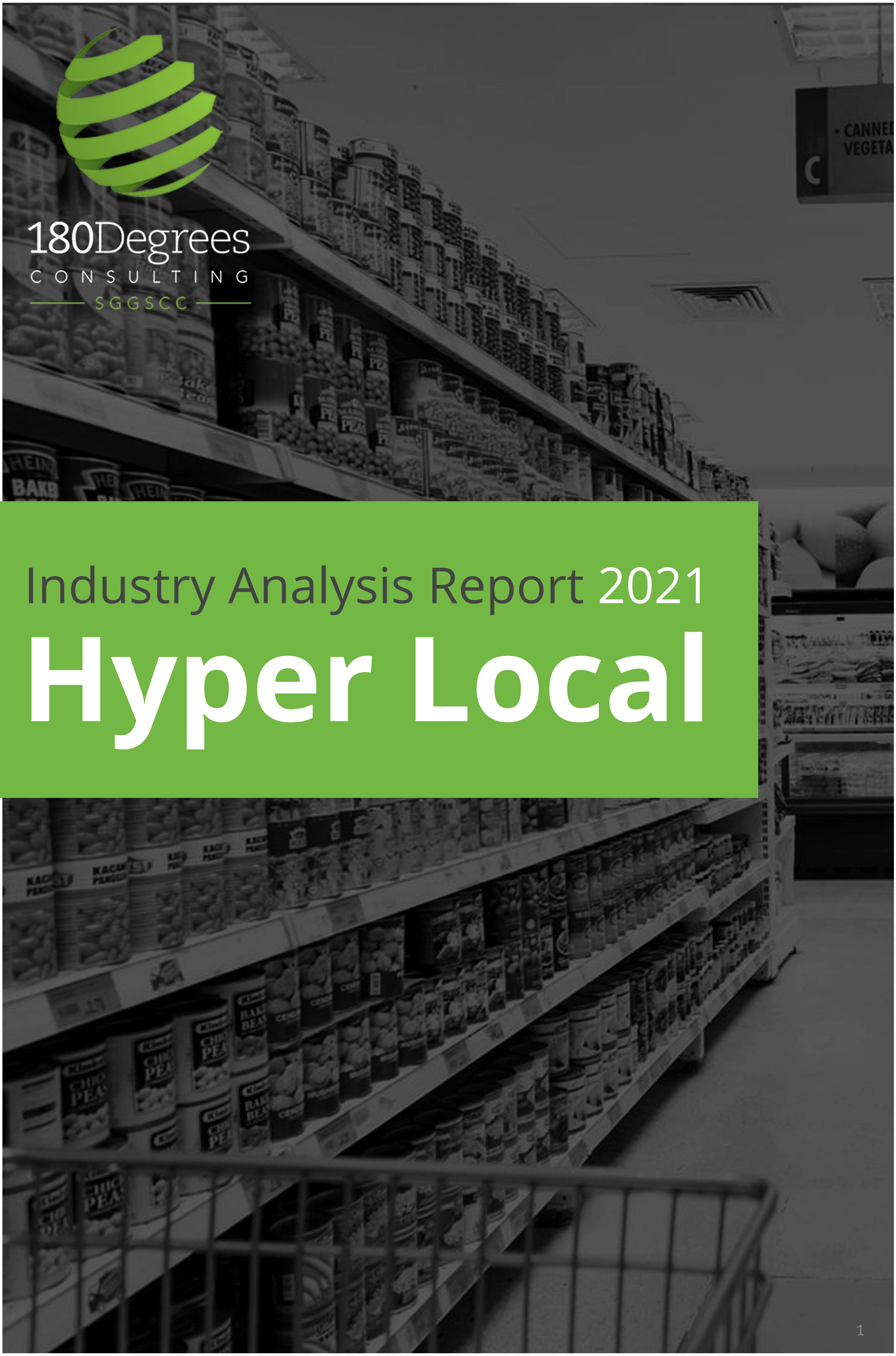

Industry Analysis Report 2021

Hyper Local

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EXECUTIVE SUMMARY

Annual Growth Rate of the Indian Hyperlocal market was expected to exceed INR 2,306 crore by 2020. But, the market share of the hyperlocal industry has increased even more rapidly and is expected to increase further due to the pandemic.

This paper will mainly focus on the hyperlocal food and grocery industry where we will focus on the market trends, major players, and their future trajectories.

The hyperlocal food market has witnessed an enhancement in the demand for online food ordering due to the migration of people to urban areas. The leaders in the hyperlocal food market of India are Swiggy, Zomato, Food Panda, which have commanded a remarkable market share over the years in terms of market revenues. Owing to the ever-rising intercity migration for professional as well as educational purposes which have further led to the amplification in the number of orders leading to inclination in revenues.

The market for hyperlocal grocery has changed drastically in India in the past few years. The market has seen the presence of big players such as Grofers, Big Basket, Pepper Tap, and many other players. Grofers has been the leading player in the India Hyperlocal logistics market and has captured the highest percentage of the overall market revenues.

So, let's dive deeper into the nitty gritties of the Hyperlocal Food and Grocery industry to fully understand the competitive landscape, the dynamics, the challenges, and the impact of COVID-19 on the industry.

INTRODUCTION

WHAT IS HYPER LOCAL?

Hyperlocal commerce can be described simply as building connections between local retailers and consumers in a particular area. This is a great model for India as households of all sizes are already used to patronizing the local kirana stores. The Indian market has always had great potential to embrace the hyperlocal. Bangalore and Delhi have been the home to various Hyperlocal startups due to ease in transportation and infrastructure facilities.

For a hyperlocal startup to be successful, it must have a reliable and efficient network of local partners. It is also crucial that the firm has an excellent delivery capability to provide prompt services to consumers with minimal cost and lead time. Hyperlocal startups need to curate products considering the aesthetic sensibilities and aspirational desires of consumers. Keeping scalability and profitability in mind, hyperlocal commerce must be built on investments in data, analytics, and technology. There is also great potential for takeovers and mergers due to the increasing number of emerging players in this field. For sustainable development, hyperlocal firms need to find a suitable niche in the market.

SEGMENTS

The Hyperlocal industry in India comprises various segments such as ***Logistics, Food, Groceries, Pharmacy, Horizontal*** and ***Concierge*** segment that comprises various companies in the Hyperlocal market in India.

Factors contributing to growth:

The major factors contributing to the growth of the hyperlocal industry in India are:

1. Change in purchasing behaviour of consumers in India
2. Increased digitization
3. Rise of disposable income of people
4. Contribution of the global pandemic in increasing the market share this industry

ADVANTAGES:

Firms which follow the hyperlocal model are able to save a lot of costs because they work on established local trade and service links, instead of building from scratch. This leads to lower logistics costs, less delivery lead time and negligible inventory costs. The concentration on a specific area also allows firms to offer customisation based upon the demographics of their target market. In the Indian context, the hyperlocal model has been enormously responsible for providing ease to the daily lives of consumers. Users can order a wide range of goods and services, ranging from groceries to bathroom repairs, all on their phone screens. Even tier-II cities are slowly adapting; warming up to this ideal blend of online comfort and physical reassurance.

CHALLENGES:

The Indian setup also poses many challenges to the hyperlocal model, which can make or break a startup. One of the biggest obstacles is the mindset of Indian consumers, especially since the retail sector dates back to centuries ago. There is resistance towards accepting something this new, and consumers are more comfortable with purchasing from the familiar unorganised sector. It is an uphill task to convince individuals that hyperlocal firms are not replacing local retailers but merely giving them a coherent platform. Other difficulties include procurement and last-mile delivery. Hyperlocal startups also face competition from e-commerce giants inclined to set up their own hyperlocal branches.

HYPER LOCAL MARKET

MARKET SIZE AND REVENUE

Hyperlocal commerce has led to a significant change in consumer psyche and expectations. The Compound Annual Growth Rate is expected to be considerable, with the Indian hyperlocal market potentially exceeding INR 2,306 crore by 2020. The market share of the hyperlocal industry has considerably increased from 2014 and is expected to increase further due to the pandemic.

India Hyperlocal Market Report – 2020 : Ken Research

Some of the startups engaged in the hyperlocal industry in India:

- Housejoy
- Swiggy
- Dunzo
- Medlife
- 1mg
- Grofers
- BigBasket
- Urbanclap

Post-COVID is expected to see a surge in the hyperlocal services due to structural changes in consumption. Fast adoption of technology by both customers and neighbourhood shops, the comfort of buying and selling at the click of the button, deep penetration of warehouses in most localities, quick transportation, easy availability of highly mobile delivery partners etc. are a few critical factors that will further drive the surge of hyperlocal delivery post-COVID in India, said Shadowfax's Chandra.

HYPERLOCAL FOOD INDUSTRY

Name	Founded	Founders	Total Funding	Est Revenue	Est Employees
Swiggy	**2014**	**Sriharsha Majety, Nandan Reddy, Rahul Jaimini**	**$1.6B**	**$181.6M**	**11,086**
Zomato	**2008**	**Deepinder Goyal, Pankaj Chaddha**	**$972.6M**	**$394M**	**7867**

Name	Founded	Founders	Total Funding	Est Revenue	Est Employees
Dunzo	**2015**	**Kabeer Biswas, Ankur Agarwal, Dalvir Suri, Mukund Jha**	**$88.4M**	**(?)**	**926**

SUPPLY CHAIN, REVENUE & PRICING MODELS: FOOD

SWIGGY

SUPPLY CHAIN MANAGEMENT SYSTEM:

Swiggy provides an online platform for ordering from a wide range of listed neighbourhood partner restaurants and has their own fleet of delivery personnel who picks up the orders from the partner restaurants and delivers it to the customers at their doorsteps.

Swiggy works by providing a complete food ordering and delivery solution that connects the existing neighbourhood restaurants with the urban foodies proving to be beneficial for both.

Once the restaurant is selected and the order placed, the restaurant which has its own Swiggy application receives the order details and starts preparing for the order.

A broadcast signal is then sent to all the drivers in the vicinity who have their own driver application. Those willing to accept the order can choose to accept and deliver it.

Like other on-demand delivery startups, Swiggy also has integrated the Google Maps API which lets the customers know where their order is and the amount of time it will take for their order to get delivered in real-time.

https://www.feedough.com/swiggy-business-model-how-swiggy-works-makes-money/

REVENUE MODEL:

There are mainly **6 revenue streams** at present through which Swiggy makes money:

1. Delivery charges:

The first type of revenue stream Swiggy obtains is from its customers. A nominal delivery fee of Rs. 20 to Rs. 40 is charged from customers on orders below a threshold value of Rs. 250. Swiggy raises the charges during high order demands or unusual weather conditions

2. Commissions:

Swiggy acquires another major part of the revenue stream from commissions. It collects commissions from restaurants to generate sales leads and to deliver their food items through Swiggy's fleet. Restaurants have to pay 15% to 25% on every order placed on Swiggy's website.

3. Advertising-

Swiggy earns advertising revenue in these two ways:

(a) Banner Promotions – Swiggy promotes and displays ads of various restaurants on its app. Restaurants, related to different regions, receive greater visibility via banner promotion and pay price for the displayed page.

(b) Priority listing of restaurants – Swiggy charges restaurants premium rates to give them priority in the list of available restaurants. A restaurant has to pay high if it wants to be displayed higher on the list.

4. Swiggy Access:

Swiggy came up with an entirely new idea based on the cloud kitchen concept, its Swiggy Access facility. It provides ready-to-use kitchen spaces to its restaurant partners in those areas where they don't operate. With the aim of bringing food nearer to its customers, Swiggy enables restaurants to set up their kitchens in new locations and let the food be delivered to them at the fastest speed. Expecting around 25% of revenues in 2 years, Swiggy expands its cloud kitchen model to include 30 restaurants onboard with 36 kitchens to four new cities.

5. Swiggy Super:

Swiggy has launched a membership program called 'Swiggy Super' for the customers. This program offers unlimited free delivery on all orders above ₹99. After subscribing to this program, customers don't have to pay surge pricing during excessive demands.

6. Affiliate Income:

Swiggy earns revenue by partnering with various financial institutions like Citibank, HSBC, and ICICI Bank. This affiliate income is a new yet successful revenue stream where both parties benefit. It also allows customers to receive credit card offers from those financial companies.

PRICING MODEL

Swiggy has an extensive workforce and this flexibility prompts it to allow for a customer policy of no minimum order. This has increased its customer base to a great deal. Swiggy was able to raise 2 million dollars in Series A funding from Accel Partners and SAIF Partners. During Series B it raised 16.5 million dollars funding from an undisclosed investment firm and Norwest Venture Partners. Swiggy has tie-ups with restaurants that offer a minimum of 15% to 25% commission, which has helped it in increasing its distributive channel and garnering better revenues. It also charges a minimum delivery fee from its customer irrespective of a small or high amount order.

ZOMATO

SUPPLY CHAIN MANAGEMENT SYSTEM:

In food delivery service the key part lies in the fact that food should be hot and fresh when it reaches the customers. All the players in the food delivery space make this a differentiating factor from its competitors. In Zomato one needs to sign in with a registered phone number and email address. The location is detected and one can browse the menu and place the order. Payment can be made either by cash or online modes. The restaurant confirms the order and dispatches as soon as it is made. Zomato asks for feedback after the service provided. Thus an entire process is made to be convenient to the user and the user can have a hassle-free experience.

https://www.mbaskool.com/marketing-mix/services/17445-zomato.html#:~:text=Marketing%20Mix%20of%20Zomato%20analyses,marketing%20investment%2C%20customer%20experience%20etc.

REVENUE MODEL:

Zomato has multiple revenue channels besides online ordering,familiar with most customers:

1. Restaurant Listings / Advertising:

In its first avatar, Zomato was just a listing platform and a restaurant directory. This brought in advertising revenues from restaurants that joined the platform. Extending this further after the launch of food delivery and restaurant reservations, Zomato now charges commissions from restaurants to be placed prominently on the feed. Restaurants can pay to have their events or offers promoted as well as their overall banner, thus bringing in improved visibility and conversions from Zomato users.

2. Food Delivery:

To begin with, through its food delivery business, Zomato charges a commission to the restaurants on the basis of orders. While users pay a delivery fee, Zomato earns through restaurants who pay a commission for each delivery, which is then split among the delivery partner and the company. Commissions from restaurants vary based on whether Zomato is fulfilling the delivery or whether the restaurant uses its own riders. This is said to contribute in a small way to the company's total income due to huge competition and the need for deep discounts.

3. Subscription Programmes:

With Zomato Gold for consumers and users, along with subscription solutions for restaurants, Zomato opened up a steady stream of revenue. While users pay a subscription fee to access the Zomato Gold loyalty program which brings exclusive offers, restaurants also pay a monthly fee to be part of Zomato's bouquet of offers and for miscellaneous services such as live tracking, Zomato-branded tamper-proof packaging, and more.

4. Live Events:

With Zomaland, Zomato entered the branded live events market last year. Zomato charges users an entry fee to attend Zomaland, where besides food they can witness live musical performances and other acts. In 2018, it organized the entertainment carnival in Delhi, Pune, and Bengaluru, where Zomato claimed a footfall of over 100K people. This year, Zomaland is going to Pune, Delhi, Bangalore, Hyderabad, Mumbai, Jaipur, Pune, Chandigarh, and Kolkata.

5. White Label Access:

Zomato also enables services such as Zomato Whitelabel under which they give offers to the restaurants to develop a customized food delivery app. It also works with cloud kitchens and restaurants for consultancy services. Zomato works with select restaurant operators to help in identifying locations for expansions at a minimal fixed cost, but increased options for the user. It provides the requisite licenses and operational enablement for such restaurant partners.

6. Zomato Kitchens:

Zomato also enables services such as Zomato Whitelabel under which they give offers to the restaurants to develop a customized food delivery app. It also works with cloud kitchens and restaurants for consultancy services. Zomato works with select restaurant operators to help in identifying locations for expansions at a minimal fixed cost, but with increased options for the user. It provides the requisite licenses and operational enablement for such restaurant partners.

7. Sustainability:

In the past few years, Zomato has shifted its focus from a transactional company to a company relying a hundred per cent on its advertising revenue. The company is trying to balance both features— the delivery and the dine out— that have generated a revenue of $2M in the sustainability department.

The percentage revenue distribution can be summarized as under— restaurant advertising- 85%, event advertising- 5%, event ticket sales- 15% of the revenue.

https://inc42.com/features/what-is-zomatos-business-model/#:~:text=To%20begin%20with%2C%20through%20its,delivery%20partner%20and%20the%20company.

PRICING MODEL:

Zomato does not charge for restaurants to put their details on their application or website.

The restaurant advertising,done by Zomato on their site or application, is the major source of their revenue. Restaurant advertising includes banners ads for restaurants that gives them maximum visibility as soon as a person logs into the app or the site.

Event-based advertising for when a restaurant holds an event and uses Zomato as a medium to advertise its event. A commission is set on the ticket sales through Zomato. They also provide consulting services to restaurants on where the restaurant chains open their next outlet.

Zomato uses various analytical tools to analyze where the demand lies and helps them with the solution.

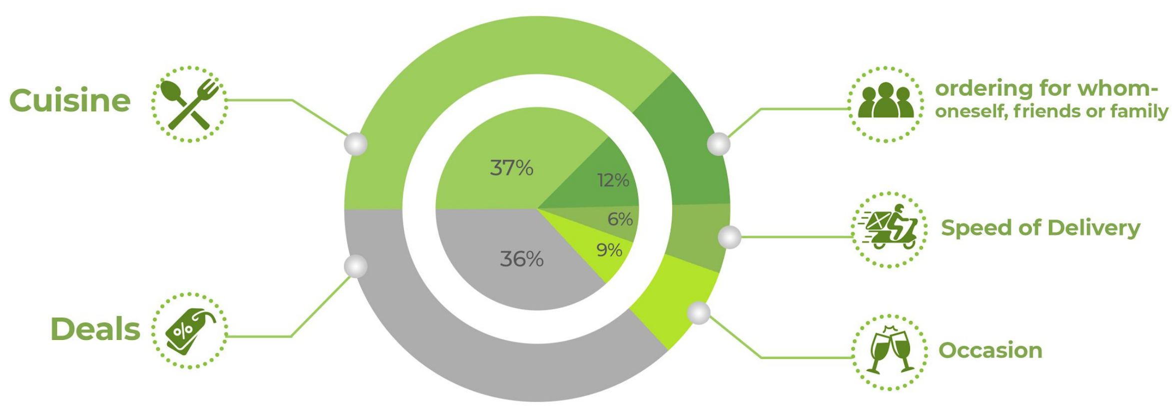
https://www.marketing91.com/business-model-of-zomato/

CUSTOMER BEHAVIOUR

Online food ordering has gained momentum in the past few seasons and while discounts have been one of the top reasons for ordering food via Swiggy and Zomato, among others, a recent study revealed that there are several other reasons behind the rise in food delivery in India. Urban Indians order-in food for uplifting mood and avoiding cooking. Other reasons include a desire for change in taste, special occasions, missed meals and catching up with friends. Further determinant to order online is the taste and quality of food.

The first step towards an order is the cuisine one wants to indulge in; based on that, the restaurant is chosen. The restaurant choice is largely dictated by the type of cuisine (37%) and deals (36%), and other factors like ordering for whom — oneself, family or friends (12%) — occasion (9%) and service/ speed of delivery (6%) too have some sort of bearing, while zeroing in on the restaurant.

Factors Determining the choice of Restaurant



Furthermore, the majority of customers tend to be loyal to the restaurants they order from and 82% of them restrict themselves to a maximum of five restaurants. Online food ordering peaks around dinner time and over half of the orders placed during a day are at night, next in line is at lunch.

The southern region is the major contributor to this market due to the highest online consumers located at Bengaluru and Chennai, followed by the western region and northern region.

Around 35-40% of the shoppers retail spends from online channels, another 30% to 40% of the retail spends are across local Kirana stores, while the rest 20% to 30% of the spends is registered across modern retail formats such as organized brand stores, chain stores, and hypermarkets.

Consumers' Spending

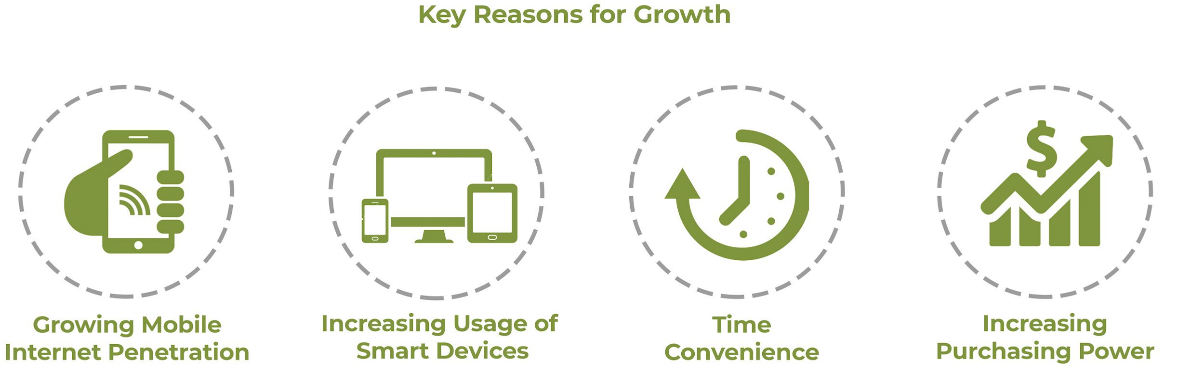
MARKET DYNAMICS

CHALLENGES

GENERAL

One of the biggest obstacles is the mindset of Indian consumers, especially since the retail sector dates back to centuries. There is resistance towards accepting something so new , and consumers are more comfortable with purchasing from the familiar unorganised sector. It is an uphill task to convince individuals that hyperlocal firms are not replacing local retailers but merely giving them a coherent platform. Other difficulties include procurement and last-mile delivery. Hyperlocal startups also face competition because of the tendency of e-commerce giants to set up their own hyperlocal branches. Keeping scalability and profitability in mind, hyperlocal commerce must be built on investments in data, analytics, and technology. There is also great potential for takeovers and mergers due to the increasing number of emerging players in this field. For sustainable development, hyperlocal firms need to find a suitable niche in the market.

The key reasons for the growth of the hyperlocal industry would include- growing mobile internet penetration, increasing usage of smart devices, time convenience, and increasing purchasing power.



FOOD:

India's growing internet population as well as online buyers coupled with higher-order frequency (though lower in value) and the expanding size of food-tech firms, such as Zomato and Swiggy, to small cities will help increase the size of the food tech market from $3.5-4 billion in 2019 to $7.5-8 billion by 2022. According to a report by Google and Boston Consulting Group (BCG), the growth will be at a CAGR of 25-30 per cent . While this growth in the booming food tech is expected, the strongest driver, surprisingly, is the variety of cuisines listed on food tech platforms and not the discounts. There is an opportunity to bolster the growth factor with five key value propositions – deep personalization, focused marketing, increased quality assurance, constant value for money and advanced convenience features.

The time spent by consumers on food tech apps has also more than doubled from 32 minutes per month in 2017 to 72 minutes per month in 2019. Also, the ordering frequency will likely grow by 18-20 per cent while average order values may go down by 5-10 per cent.

SWIGGY:

In Aug 2016 Swiggy was handling approximately 1.5 million deliveries per month. In Oct 2019, Swiggy announced that they were handling 1.5 million deliveries per day.

2016

1,50,000 Deliveries per Month

30x Growth

2019

1,50,000 Deliveries per Day

Swiggy has been able to achieve this rapid growth not only with the help of exceptional talent (across engineering, product, marketing, operations, etc. teams) but also with the help of a culture that is strongly anchored on "customer-backwards thinking" (with high customer empathy), first-principles thinking, fast execution focused on raw problem-solving skills (complemented by strong data-driven experimentation), insane passion, and grit.

Swiggy applied the RICE framework (where R = Reach, I = Impact, C = Confidence, and E = Effort) to perform a cost-benefit analysis and to pick the best candidate. For example, RICE analysis revealed that "faster delivery promise" not only required a lot of effort but also implied that faster delivery for super users might worsen the experience of customers—because the delivery partners would get allocated to serve the super users and, therefore, might increase the delivery times for other customers). This implied that this option not only had high 'E' (effort) but also had low 'C' (confidence).

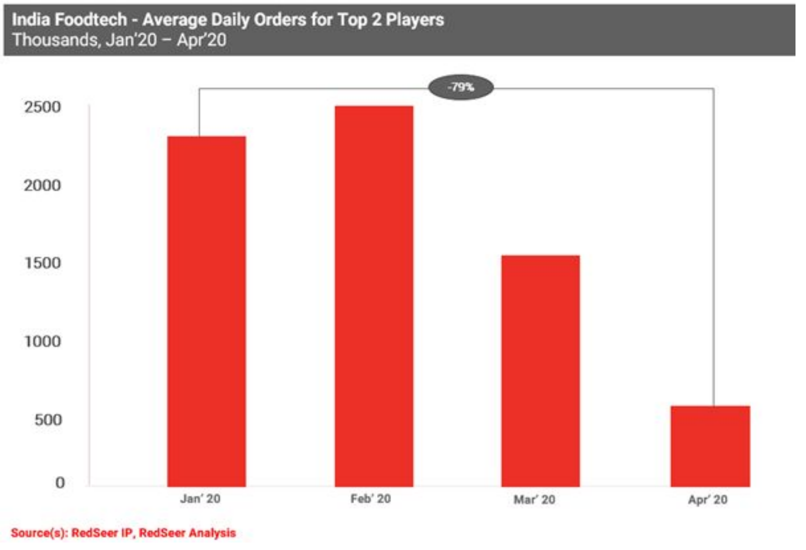
ZOMATO

Zomato expands the ecosystem with its revenue models comprising of multiple streams such as advertising, delivery, dine-out and streaming. The management is also reportedly looking at bringing innovation into the food delivery space with the use of drones. After acquiring TechEagle Innovations, a Lucknow based start-up, in 2018, the company has been exploring the possibilities of drone-based deliveries in order to get an edge over its competitors in terms of user experience. It sounds more like a PR stunt than something that can actually solve the delivery problem for them in the longer-term.

IMPACT OF COVID-19

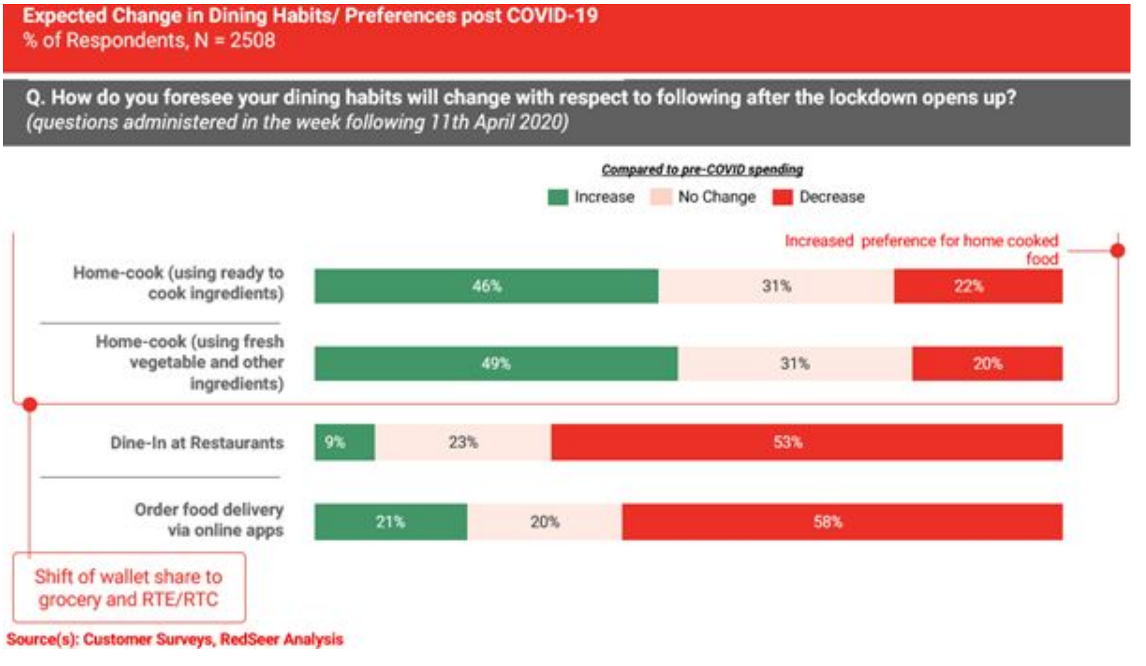
FOOD

Food tech orders dropped by **80%** during COVID period.



Orders for leading Foodtech players have dropped by ~80% in the month of April owing to safety concerns, implementation of Work from home, junta curfews, stoppage of operations and collapse in discretionary consumption in Tier 2+ cities.

Post-COVID, **Dine-out** and **Food delivery** spending is shifting to **home-cooking**



SWIGGY

Swiggy has reacted very quickly during the current crisis: starting with "zero contact deliveries", Swiggy has launched new services to meet evolving customer needs. For example, Swiggy Stores for groceries and Swiggy Genie for instant pickup/drop service (to get groceries and other essentials from nearby stores). Swiggy uses a framework called "Accepted Customer Belief" (ACB) for this purpose. ACB is typically used by the marketing teams to understand how customers look at a product (and the broader product category). ACB is used to check whether the company understands customers or not — especially, the target consumers' frustrations of their unmet needs. Swiggy has found that ACB is a wonderful tool for imbibing customers- backward thinking in the product teams. ACB also enables product teams to capture evolving customer needs and wants quickly. For example, before the Covid19 crisis, ACB for college students (to pick a specific persona) included: need for not-expensive food, extremely fast delivery, and desire for discounts. However, after the spread of the Covid19 crisis, their ACBs changed and instead focused on safety (of the delivered food and the delivery partners). In addition, the speed of delivery became less important though the need for not- expensive food continued. In other words, though JTBD remained the same, the underlying requirements (GTBAs / expectations) changed significantly.

ZOMATO

After Covid-19 outbreak, food delivery company Zomato announced downsizing operations including 13 per cent workforce layoff to survive.

After contactless delivery to deal with the COVID-19 pandemic, food tech unicorn Zomato on Friday announced: "contactless dining" features to help restaurants increase trust and confidence of customers in their safety and hygiene measures in a post-lockdown world.

Zomato said that contactless dining will have three main components; contactless menu, contactless ordering and contactless payment. With a contactless menu, diners will be able to scan a QR code on the table to explore the restaurant menu with dish and pairing recommendations.

The Zomato app will also enable contactless ordering and payment. This eliminates the need for menu cards and bill books; two articles that are often touched by guests, and are typically unsanitized hence a potential source of concern.

Zomato said it is building additional features on the app -- such as the ability to order multiple courses, and the option to pay for self or the entire table -- to ensure a hassle-free dining experience.

HYPERLOCAL GROCERIES INDUSTRY

Name	Founded	Founders	Total Funding	Est Revenue	Est Employees
Big Basket	2011	Hari Menon, V.S. Sudhakar, Vipul Parekh, Abhinay Choudhari, V.S. Ramesh	$1.1B	$460M	3,773
Grofers	2013	Albinder Dhindsa, Saurabh Kumar	$607.4M	$34M	3,366

SUPPLY CHAIN, REVENUE & PRICING MODELS: GROCERIES

GROFERS

SUPPLY CHAIN MANAGEMENT SYSTEM:

Grofers has continuously strived to improve its delivery system in order to meet the stated delivery time in a cost-efficient manner, to better its financial health and to maximise customer retention.
Their supply chain cycle consists of transporting processed orders from warehouses to aggregation centres, combining Groceries with Fresh items of the order and delivering orders to customers' locations.
A typical customer order for groceries varies from daily consumption to a weekend party consumption. A customer can also be located in any part of the town with varying delivery times. In a basic set-up, the delivery executives will be given a list of orders with customer details. It is for them to decide, which route to take to make on-time deliveries. So the problem then is to balance the orders as per van or bike capacity in the fleet, as per weight and as per location in order to efficiently meet the delivery time promised to the customer.

A route planning system has been built by Grofers to plan all customer deliveries in an optimal manner; taking into consideration various parameters such as Delivery SLAs, order weight, and minimum distance.
Geocoding is an intricate part of the logistics puzzle in identifying a customer's location to building an optimal route. If the system has coordinated with a 200m variance, it can mean that the delivery executives will have to cross a congested signal in Bangalore which can delay delivery by 10 mins; or worse, take a u-turn at a flyover in Mumbai which can make him travel for an additional 15 mins. A geocoder provides the delivery executive with accurate drop locations that result in faster deliveries. It continuously cleans up the customer addresses in order to make them more accurate. The supply chain management takes place using Google Optimization tools (OR Tools) to solve the combinatorial optimization problem for route generation and Open Source Routing Machine (OSRM) to calculate between two coordinates and geocoding. Deliveries are scheduled prior to the actual day of the delivery, giving their systems the input required to provide logical route planning and load balancing solutions.

Based on the routes generated, the orders are sorted and segregated at the aggregation centre to ensure easy dispatch. Orders are stacked in the sequence of actual deliveries. Once loaded in the van, they are stacked in a LIFO manner— crates of the first customer are stacked at the end. This saves crucial time in servicing a customer as per the delivery slot.
At the predefined cut off time before scheduled delivery, the delivery executive gets the route orders on his app. Once the delivery executive picks up all the assigned orders, he is shown the in-app routing sequence for delivery. The customer is also notified of dispatch and can track the order status on his or her app.

https://grofers.com/blog/journey-of-an-order-from-the-grofers-warehouse-to-your-doorstep/#:~:text=The%20journey%20of%20your%20Grofers%20order%20from%20the%20warehouse%20to%20your%20doorstep,-Thursday%2C%20May%204th&text=Our%20supply%20chain%20transports%20processed,to%20a%20customer's%20delivery%20location.

REVENUE MODEL:

Grofers has tied-up with merchants and stores in local areas. Grofers allows these stores or merchants to have more customers through their app and they charge a commission(8%-15%). Grofers charges 8% on orders below 700 and 12%-15% commission on orders below 1,000.

Announced Date	Transaction Name	Investors	Fund Raised
8-Dec-14	Series A	Deepinder Goyal, Founder of Zomato, and Sequoia Capital.	$500K
26-Feb-15	Series B	Sequoia Capital and Tiger Global	$10M
14-Apr-15	Series C	Sequoia Capital and Tiger Global	$35M
26-Nov-15	Series D	Cyriac Roeding, Roeding Ventures, Tiger Global Management, SoftBank Sequoia Capital.	$120M
16-Mar-18	Series E	SoftBank and Tiger Global Management	$61.5M
20-Dec-18	Series F	Tiger Global Management and Sequoia Capital	$250M

https://adirgrip.com/grofers-business-model/

PRICING MODEL:

Grofers has a business model that is established to help people meet their specific demands, especially the working class, who do not have the required time to go for daily shopping. The company offers its customers a choice in payment, for instance, a customer can pay via e-wallet, debit card, credit card, or cash-on-delivery.

Grofers has adopted a free as well as an economic pricing policy for its customers and a reasonable pricing strategy for its merchants. It offers free delivery to its customers if the order exceeds rupees 250, if not then a minimum fee of just rupees 49 is charged. The actual revenue of the brand is earned through local grocers and merchants. Grofers levies a percentage on every sale they conduct for them.

https://www.marketing91.com/marketing-mix-grofers/

BIG BASKET

SUPPLY CHAIN MANAGEMENT SYSTEM

In the eyes of consumers, BigBasket is a delivery platform. But in terms of business, it is an amalgamation of everything — including but not limited to procurement, supply chain and logistics, consumer services through subscription-based delivery and also food-tech category; thanks to some local shops selling speciality items.

The Alibaba-backed grocery giant has so far relied on an asset-light model, indicating that it does not own retail outlets and uses warehouses for fulfilment. BigBasket partners with third-party vendors, wholesalers, and resellers, and also sells some goods under its private labels.

In recent months, the company has tried to add more assets in the form of a more efficient delivery fleet. BigBasket has announced plans to turn towards e-mobility for its last-mile delivery operations across metros.
While private labels may be called a key differentiator in terms of inventory, allowing BigBasket immense price flexibility, its primary focus is on the technology stack that powers the end-to-end operations from procurement, distribution, supply, delivery, payments, and returns.

BigBasket has two sides to its operations; the first is a buying side for the farm produce and personal care products, and the second is the management of the stock in its warehouses in the cities where it has a presence.

The second focus of the company is on managing the supply of fresh and perishable goods such as meat, vegetables, and fruits, in which it directly connects with the suppliers, grocery stores and dark stores (which cater only to online delivery services) for inventory building.
As the hyperlocal delivery battle intensifies, BigBasket has rejigged its operational model to make all deliveries under four hours. In the earlier model, it used to offer two delivery options including 90-minute delivery and next day delivery.

With the four-hour delivery plan, BigBasket will help the company make sure that users get ample product choices, which was not possible in the earlier 90-minute delivery option. These warehouses are supposedly three times larger than the dark stores that BigBasket had.

https://inc42.com/features/what-is-bigbaskets-business-model/

DISTRIBUTION STRATEGY

Big Basket is spread over many parts of the country including cities such as Bangalore, Mumbai, Hyderabad, Pune, Chennai, Delhi-NCR, Madurai, Coimbatore, Mysore, Vijayawada-Guntur, Ahmedabad, and Nashik. BigBasket will soon be expanding its operations to other cities. The customers place their orders online according to their needs. While doing so, they choose the delivery timings and the mode of delivery. BigBasket provides two types of deliveries: Standard and Express. Express delivery is done within two hours of placing the order and Standard is delivered on the next day.

https://www.mbaskool.com/marketing-mix/services/17382-big-basket.html

REVENUE MODEL

Features of BigBasket Revenue Model:

1. Inventory-led Model: With the growth in BigBasket's business, it shifted to an inventory model for most of its products. The company purchases products from suppliers such as P&G, HUL, farmers, mills, and stocks it in their warehouses. To generate revenue, it adds a small margin to the cost price before vending them. Most of its profit and revenue is dependent on its private label products such as Fresho, Royal Organic, Happy Chef Gourmet, and more.
2. Hyper-local Delivery: BigBasket has also joined hands with more than 1800 neighbourhood grocery stores across India to deliver goods within an hour. This also applies to other perishable items. This step has led to a substantial decrease in wastage and has aided in decreasing inventory prices as well.
3. Exceptional Customer Service: BigBasket offers lucrative discounts, bundling techniques, on-time delivery, and convenience that helps them retain customers and maximize sales. This adds-on to the company's revenue.

https://cashkaro.com/blog/bigbasket-business-model/103407

PRICING MODEL

BigBasket is a leader in online grocery delivery services. Big Basket is the first to venture into this sector and currently has many competitors. Even with all the competition, it continues to be the market leader and most popular amongst the customers.
BigBasket tries to increase its margins by setting a nominal price of Rs.20 as delivery charge for items ordered below Rs.1000. It also provides a nominal discount on the order of Rs.3000 or Rs.5000 and above to encourage households to buy their monthly groceries from Big Basket thus providing economies of scale.

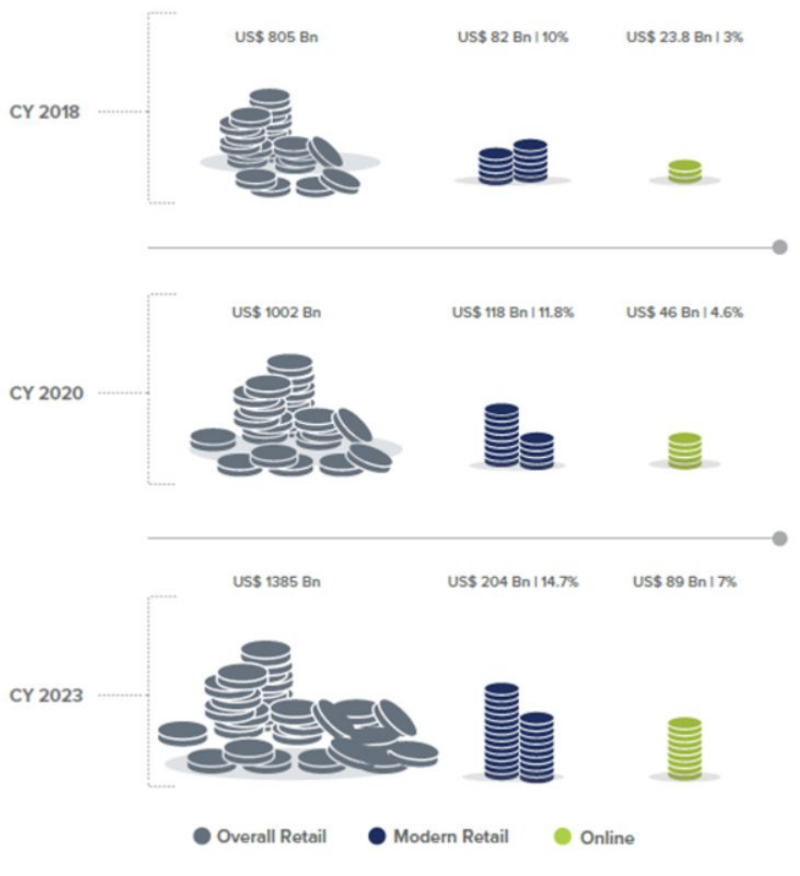
They mark up the prices of the groceries a little higher from the market prices so as to cover the high variable costs. High variable costs are incurred due to wastage of perishable items, cost of transportation, cost of labour, transportation damage, cost of storing inventory, etc. Although there's a markup in the price it still tries to keep the prices competitive with the other players in the market.

https://www.mbaskool.com/marketing-mix/services/17382-big-basket.html

Challenges

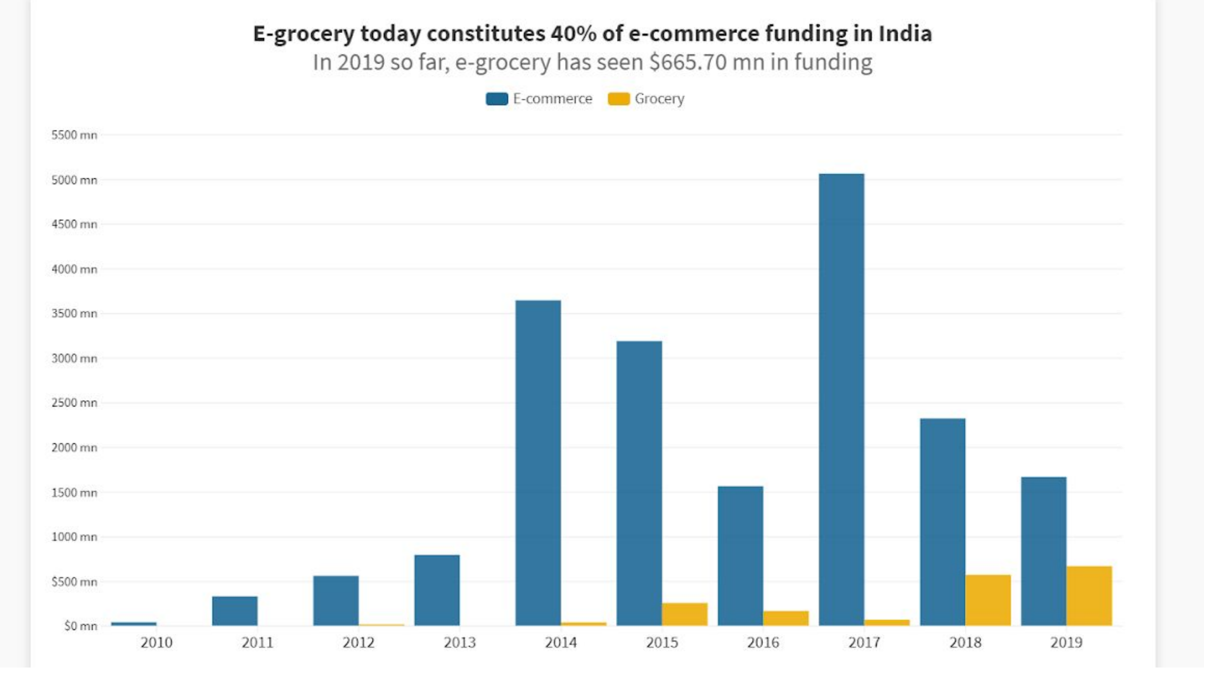
One of the biggest obstacles is the mindset of Indian consumers, especially since the retail sector dates back to centuries. There is resistance towards accepting something so new , and consumers are more comfortable with purchasing from the familiar unorganised sector. It is an uphill task to convince individuals that hyperlocal firms are not replacing local retailers but merely giving them a coherent platform. Other difficulties include procurement and last-mile delivery. Hyperlocal startups also face competition because of the tendency of e-commerce giants to set up their own hyperlocal branches. Keeping scalability and profitability in mind, hyperlocal commerce must be built on investments in data, analytics, and technology. There is also great potential for takeovers and mergers due to the increasing number of emerging players in this field. For sustainable development, hyperlocal firms need to find a suitable niche in the market.

The key reasons for the growth of the hyperlocal industry would include- growing mobile internet penetration, increasing usage of smart devices, time convenience, and increasing purchasing power.



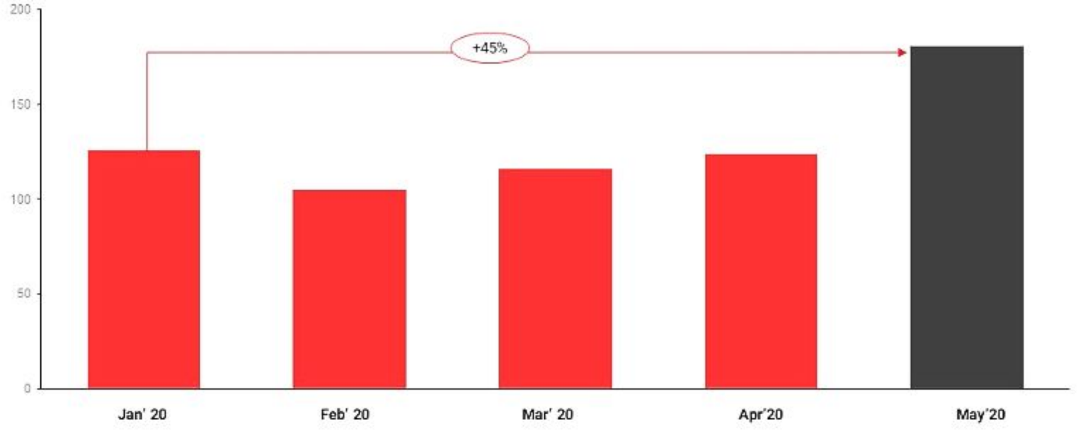
Acceptance of online grocery platforms in India has increased in recent years, owing to the rise in awareness about the convenience of the process, digital literacy, and internet penetration across the country. Also, investors have shown the tendency to spend large amounts on customer retention since grocery is an essential commodity for households. Therefore, customer acceptance and high investment in customer retention is expected to lead to further growth of the online grocery market in India.

The central government of India has designed and developed smart cities with state-of-the-art infrastructure for setting up different models of e-commerce and online transactions. Owing to these reasons, the online grocery retail market has witnessed a growth rate of ~25-30% in the Indian metropolitans, and other emerging smart cities.



IMPACT OF COVID-19

E-groceries category has continued to do a brisk business in COVID with GMV UP 45% in May 2020 vs in Jan.



COVID-19 provided a significant push to the e-grocery market as consumers realized the value of at-home access to groceries. In addition to providing convenience, variety and value, e-grocery platforms are now considered to provide safety as well.
The e-grocery platforms initially struggled to meet the high demand due to lack of proper logistics, but later were able to cope up. Hence, although the overall e-commerce business took a hit, the e-grocery business grew significantly during the lockdown.

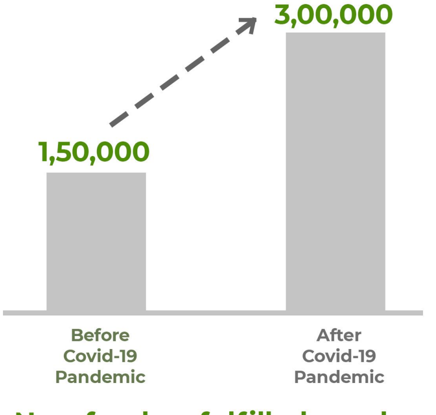
Big Basket

Despite exemption of essential goods, delivery executives were harassed by authorities on roads, triggering an exodus to their homes in the villages. With a truncated workforce, operations at BigBasket came to a standstill.

The technology-savvy company was quick to optimise resources and leverage its huge infrastructure investment to restart operations. Down to a few thousand orders in the early days of the lockdown, the e-grocer managed to scale up operations despite manpower shortage.

The team quickly introduced community selling and asked apartment complexes to put orders together for their residents. This helped in last-mile delivery optimization. It temporarily disabled the COD option promoting online payments.

BigBasket continues to fulfil over 300,000 orders a day, compared to 150,000 orders before the crisis.



No. of orders fulfilled per day

Grofers

Grofers has tried to solve its manpower shortage in a slightly different way. The company has started to give on-ground staff their share of essential goods at the end of the day apart from regular pay, providing an added incentive to venture out for work.

The primary challenges faced in the first week were preventing hoarding, managing uptime and scaling supply to accept more orders, despite implementing rigorous safety measures such as stopping warehouses every three hours for cleaning.

By the second week, resuming on-the-ground supplies became key since the lockdown halted the movement of people and goods. The recovery of stalled systems has been slower as employees are either scared or unable to get back to work, despite it being an essential service.

CONCLUSION

The purpose of this research was to delve deeper into what the future holds for the hyperlocal food and beverage industry in India for which we analysed the upcoming trends and also looked at the big players in the market.

Because of the pandemic, the hyperlocal food and grocery market in India is growing more than ever. Apps like Grofers, Swiggy and Zomato are getting lakhs of orders everyday and are operational in most of the states in India.

The report gave us a thorough idea about what hyperlocal actually is, the challenges it faces, and we also did a complete analysis of the competitive landscape of the major players in the industry.

So, to sum up, we can safely say that the hyperlocal industry is expected to do well in the future as well. It not only ensures safety but makes it even more convenient for the customer. It has become the new normal and it's time we get used to it.

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