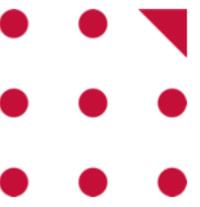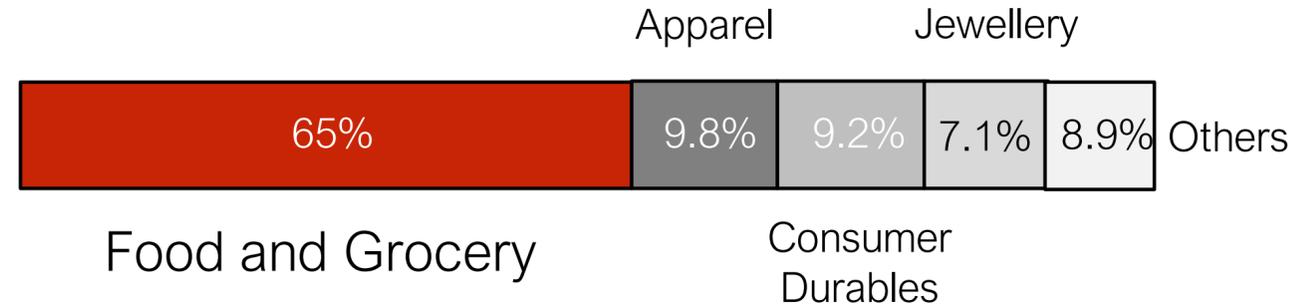# A PRIORI

How can e-grocers gain share in the post COVID-19 world?

Grocery shopping in India is dominated by the unorganised sector

E-grocery has the potential gain share of the grocery market

Food and Grocery	Apparel	Consumer Durables	Jewellery	Others
65%	9.8%	9.2%	7.1%	8.9%

The Indian food and grocery market is worth $473.4B

66% of an average Indian consumers' spend is on food and grocery

The majority of the food and grocery market is dominated by unorganised sector

97% of revenues comes from the unorganised sector. E-grocery constitutes just ~0.2% of the total food and grocery market amounting to $1.2B (CY2018).

The organised sector (modern trade) accounts for $16B revenue and the rest is driven by the unorganised sector (primarily kiranas).

E-grocery ($1.2B)

99%

Rest of the Market

60% CAGR

$1.2B

$8.7B

CY18

CY22 F
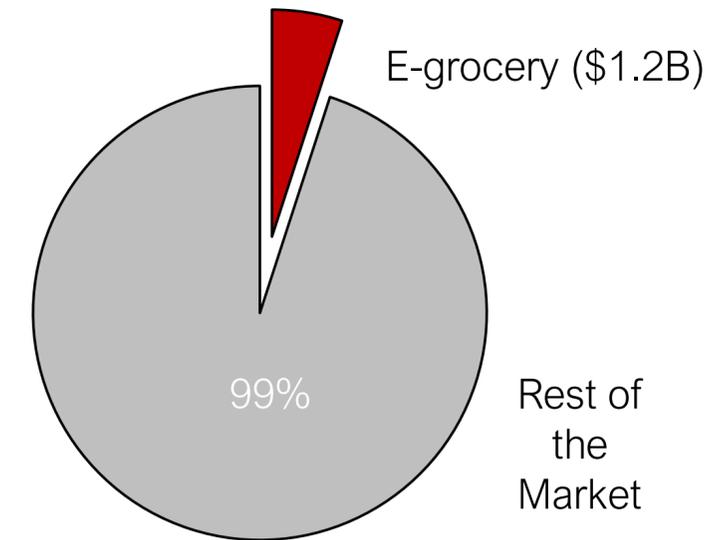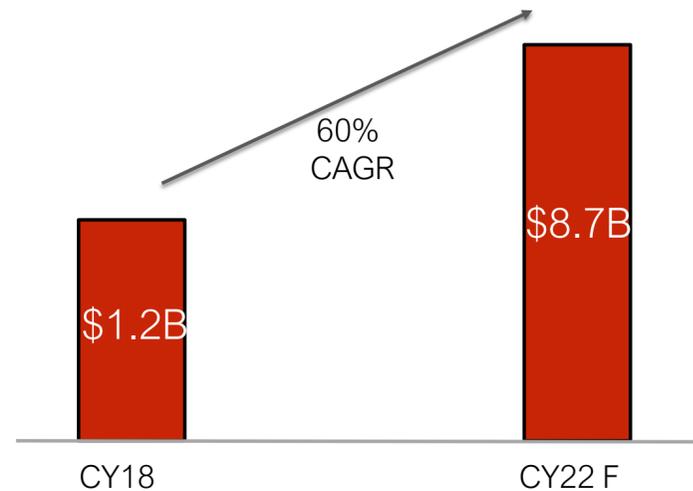
## E-grocery is miniscule but the fastest growing segment

Although, e-grocery has a small share of the market,
it is projected to grow at CAGR of 60%.
The organised grocery sector is projected to grow at 27%

Although very small, e-grocery is projected to have immense potential

Nation wide Lockdowns – An opportunity for e-grocery?

Perfect time to accelerate adoption amongst Indian consumers
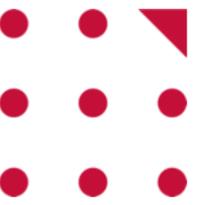
Rise in Daily Active Users for top players

The major players of e-grocery saw a huge rise in their daily active users. Grofers reported a 5 times increase in their daily active users for the month of March, leading up to around 1.2 Million users on the app. Similarly, Big Basket saw a 2X growth in the same number.

Increase in revenue for e-grocery companies

Big Basket clocked twice as much revenue for the month of March, while the average basket size increased by 20%. On the other hand, Grofers saw an 80% rise in the number of orders and 48% rise in its average basket size during mid March

Emergence of new players

Other e-commerce giants like Swiggy and Zomato also entered the market and launched their essential delivery services for groceries
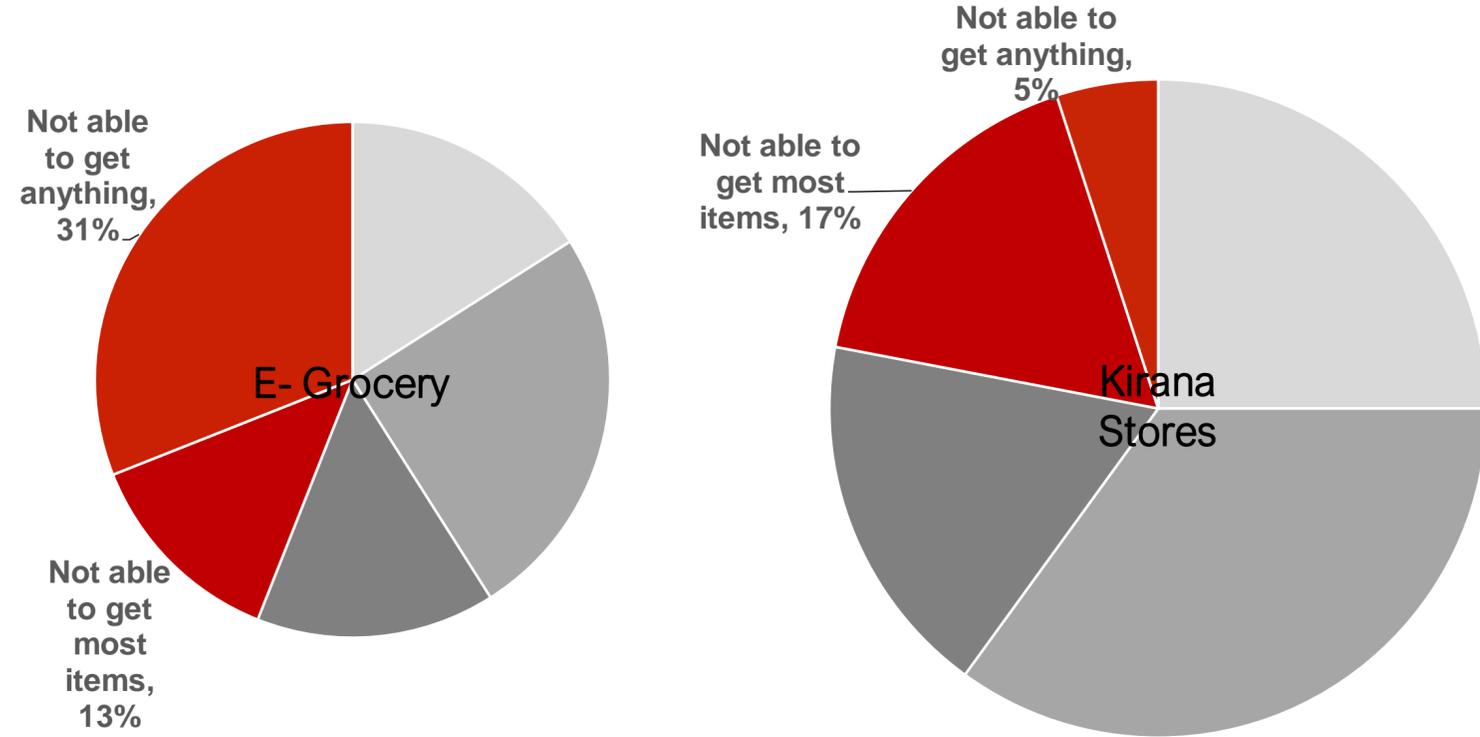
COVID-19 lockdowns

Lockdowns by their very nature discouraged consumers to step outside the house thus helping people to explore such alternatives
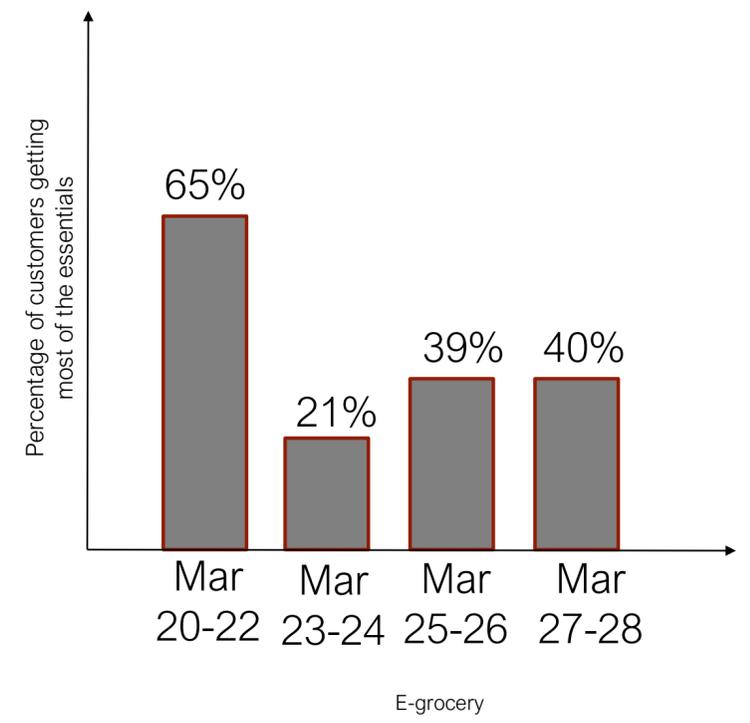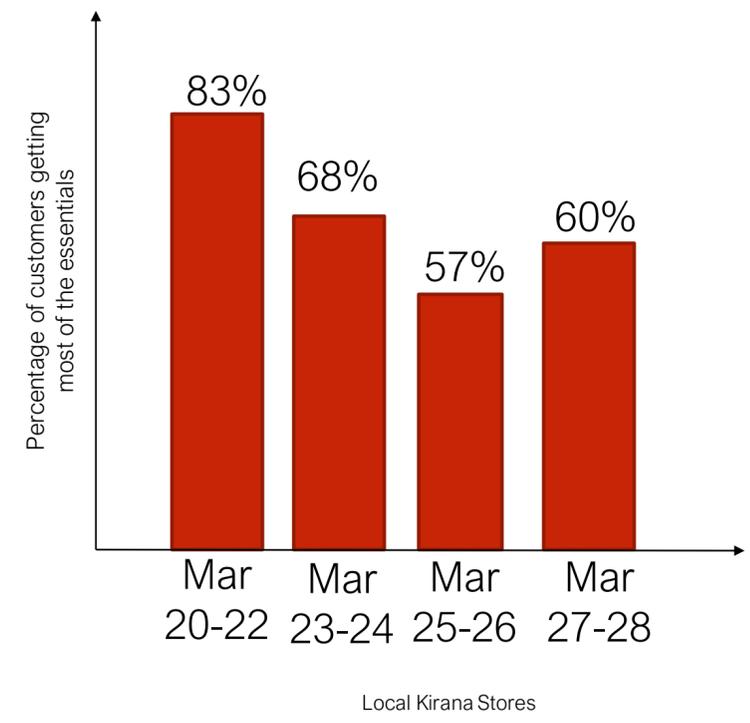
E-grocers saw a huge lift during the initial phases of lockdown

E-Grocery lost the lead

India's grocery needs continue to be fulfilled by Kirana stores (Unorganised Sector)

E- Grocery

Not able to get anything, 31%

Not able to get most items, 13%

Kirana Stores

Not able to get anything, 5%

Not able to get most items, 17%

Source: LocalCircles

Percentage of customers getting most of the essentials

83% — Mar 20-22
68% — Mar 23-24
57% — Mar 25-26
60% — Mar 27-28

Local Kirana Stores

Percentage of customers getting most of the essentials

65% — Mar 20-22
21% — Mar 23-24
39% — Mar 25-26
40% — Mar 27-28

E-grocery

Source: LocalCircles

31% of the e-grocery users reported they were not able to get anything

A whopping 31% of the users who tried using E-grocers reported that they were not able to get anything from the platform. This proportion was just 5% for the local kirana store.

Supply situation did not improve even until March end

Over time, E-Grocers continued to lose momentum due to supply constraints while the kirana stores fared better with the situation
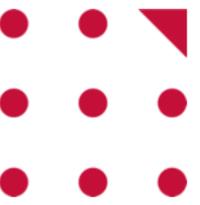
Even though E-grocers had the lead, it was overtaken by kirana shops
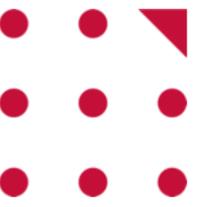
Can e-grocers regain their lost lead in the post COVID world?

Roadmap to gain back share
Focus on the Supply Chain & targeting the Right kind of Shopper

1. Strengthen the supply chain ecosystem
Despite a huge spike in demands by shoppers, shortage in supply and certain government restrictions were the major reasons for unfulfilled orders. While the kirana stores found ways to navigate this, E-Grocers got caught in a loop. The situation although, is getting better for e-grocery firms over time. Getting the supply chain running at optimal levels is a necessary condition for e-grocers and should be of immediate priority.

2. Predicting shopper lifestyle changes post lockdowns
Given how disruptive this event has been to people's outlook, habits and preferences, one must view shoppers and consumers with fresh perspective. It would be dangerous to hold on to old ways of categorising shoppers.

Better understanding shopper lifestyle changes post lockdowns would derive an efficient strategy for e-grocery

We can categorize the consumers into 3 buckets

Their attitude to the Pandemic is the key differentiator
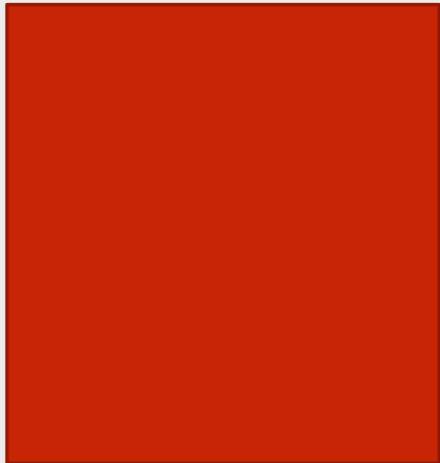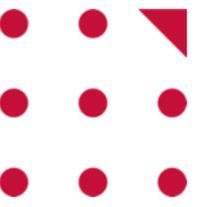
Anxious Consumers

These consumers are really worried about getting Covid 19. They are highly wired and take extra precautions to minimise the risk of infection to themselves and their family. They are in a 'fight' mode, actively seeking information and new ways to protect themselves. They want to continue self isolation so as long as possible - and ideally until a treatment or a coherent plan is found. They are frustrated by people who don't take this situation as seriously as them.
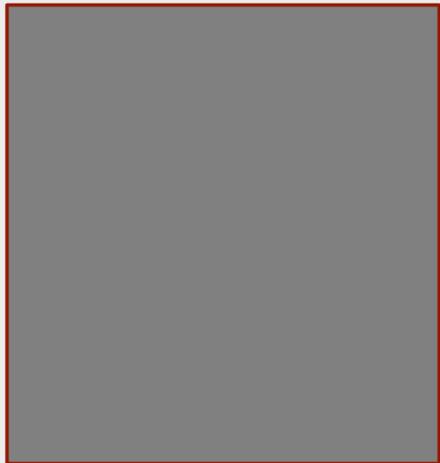
Responsible but Pragmatic

They are generally optimistic and hopeful of a return to normalcy but recognise the infectious nature of the disease. They take responsibility for taking adequate precautions but want to balance it out with limited return to normal life and seek a graded lifting of restrictions. They would prioritise a return of purposeful activities (work, fitness, religious gatherings) while delaying discretionary, pleasurable ones (eating out, holidays etc).
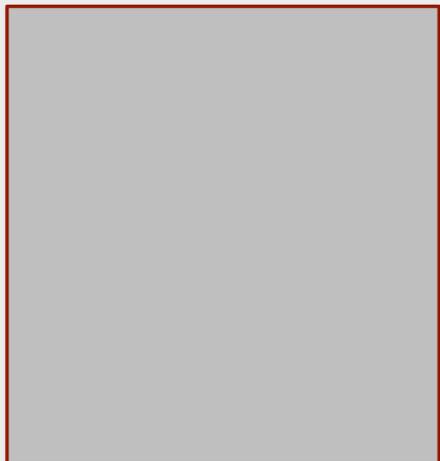
Confident Consumers

They want to return to their pre Covid life as early as possible and are waiting for restrictions to end. They have an optimistic assessment of their ability to deal with any possible infection - either because they don't think the disease is particularly dangerous (it's just another flu) or believe their bodies will be able to deal with it (Indians have immunity).They project their confidence on others and cannot understand why some people are so anxious.

What lies ahead once the dust settles?

Behavioural changes when the lockdowns are lifted

Consumer profiles

Anxious Shoppers

- Upper-middle class with access to news
- Families with members who are especially vulnerable - young, aged, unwell or past histories.
- Typically have a high need for control of their lives

Responsible Shoppers

- Middle class nuclear families
- Have an optimistic, upbeat outlook to life
- Miss pre Covid days and with every passing day feel that the Pandemic is under control.
- Care for their friends, neighbours and colleagues and will take precautions to not be a vector of the disease

Confident Shoppers

- Young adults, no kids or dependent parents.
- Very confident of their ability to manage any infection
- Struggling with imposed restrictions in terms of social life, mental peace and boredom
- Strong sense of time ticking away - need to catch up.

Behaviour patterns

- Avoid leaving home as much as possible
- Products/services with minimum human contact
- Affluent enough to pay a premium
- Online Shopping preferred

- Prioritise purposeful activities like work, education, fitness etc as the first step to return to normalcy
- Alter shopping patterns and basket to minimise trips
- Adhere to precautionary measures - masks, hygiene, social distancing etc; relax a bit with trusted friends and family

- Would rush back to reclaim pre Covid 19 life - especially in terms of social interactions.
- Would find new ways to substitute continued restrictions (e.g. eating out, sports, entertainment).
- Online shopping affords a time saving alternative - maximising their available time to spend with people

E-grocers can reach out to every consumer segment

Inherent advantages over other retail formats
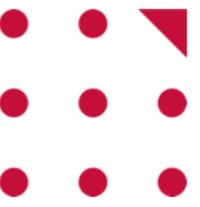
Data is the new oil

The amount and the depth of the data any e-grocery have about their shoppers is immense. Having this data enables these firms to understand their shoppers much better, analyse their behaviour, better predict their actions beforehand and act in advance rather than reacting to the situation.

Categorizing Shoppers

Any e-grocers can categorise their shoppers in the mentioned segments leveraging the power of data and analysis. This can help them better understand what sort of audience are they attracting and how to change their offering accordingly.

Constant touch with each shopper

Any retail format has limited touchpoints with their shoppers. But any e-grocery can talk to their shoppers at any point in the day using their apps. In a phase where many shoppers are actively seeking information, this can be a huge advantage.

Catering to new shopper demands and trends

It is clear that shopping behaviour has got disrupted due to the Pandemic and the lockdowns. Identification of newer trends and reinforcing them will be key to laying down new shopping habits. E-grocers are best placed to do this quickly and at scale.

E- grocers should leverage these advantages for each cohort of shopper

The anxious will go the extra mile

Likely to stick if you feed their desired needs
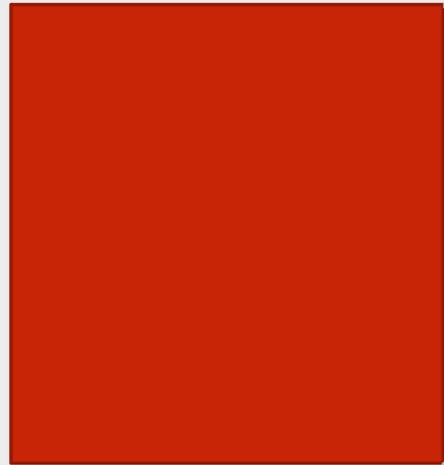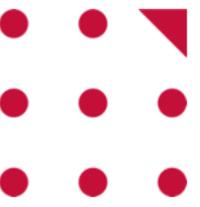
Anxious
Shoppers
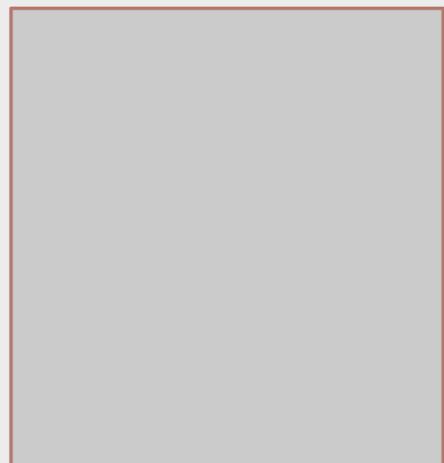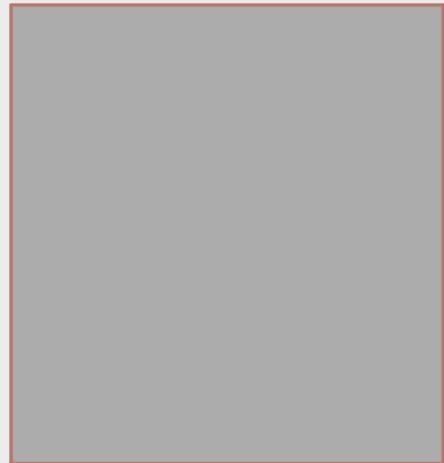
Premium charge for "minimum touch" services

Any shopper driven by COVID-19 anxiety would be ready to pay a premium for products or services aimed at reducing their anxiety. Services like minimum touch delivery could be very popular among such shoppers.

Supply more information around COVID-19

A common trait among such people would be that they would be hungry for more information/data around COVID-19. Trying to feed them with this information through app can not only push up app engagement but help in increasing the probability of placing an order

Products with Anti-COVID features

Certain products which helps one boost immunity have been a rage among such shoppers. Displaying similar assortment to such shoppers could help push the revenue for such e-grocery companies

The cautious will look better services

Potential to stay if you give them options
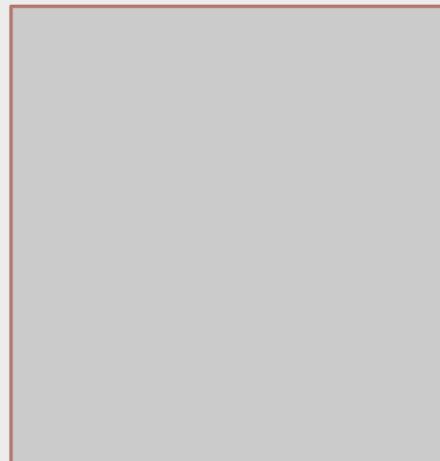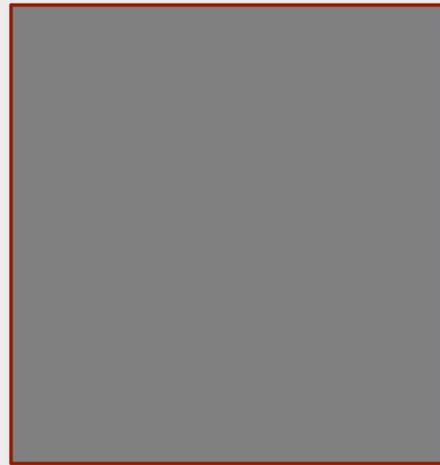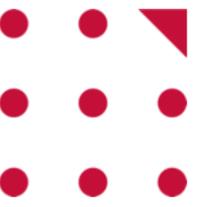
Increase shoppers' "anxiety"
Trying to make such shopper more aware of dangers of COVID-19 can help them move to "Anxious customers" category. The likelihood of such shoppers to stick to your platform always be high as compared to "Cautious shoppers"

Cautious Shoppers

Localities Mapping
A lot of localities exist in urban areas where there are no local grocers in the vicinity and even if one exists, the number of household it serves is really high. Hence, identifying such localities and increasing penetration there could help e-grocers. This would also help in increasing the percentage share of hopeful consumers.

Efficient delivery times and slots
Majority of the consumers would try going back to work and hence adjusting the delivery time and slot to meet the demands of such consumers is crucial. Trying to match these consumers' schedule and making the deliveries in non-working hours could help retain the penetration for e-grocery

The indifferent will look for value
Financial assistance may be their only driver
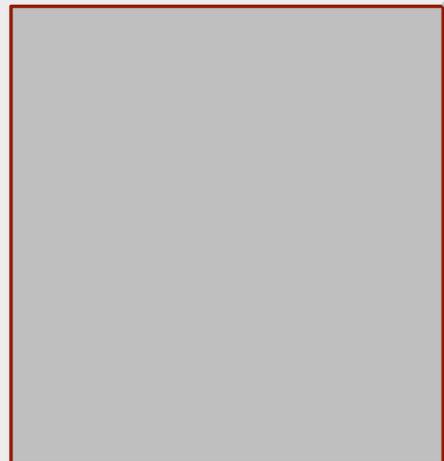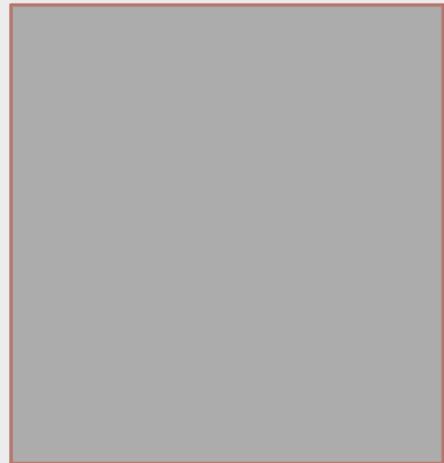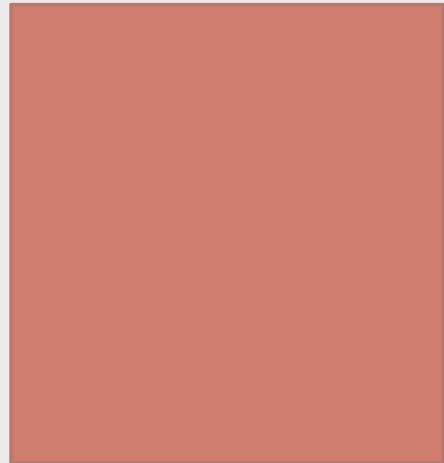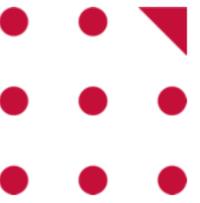
Extending credit to consumers
With lockdowns in place, there are many people who are insecure about their jobs and savings. Also, a lot of local grocery stores are extending credits to such consumers and thus local grocery stores become their first option. E-grocery ,in order to attract such consumers, can try to add features facilitating the same.

Displaying savings done on platform
Many such shoppers are under the illusion that e-grocery platforms are meant for the elite and savings is not something one can expect on such platforms. Trying to break this perception and making them more comfortable with the platform as a whole can increase adoption of e-grocery among such shoppers

Indifferent
Shoppers

There is a bright future waiting for e-grocers
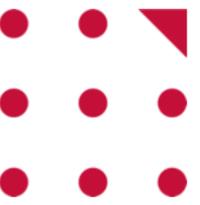
1. Understand your shopper
In order to get a lead in this race, its imperative to understand one's shopper base. It crucial to understand who the shopper is, what does he want and expect from the platform.

2. Identify your strength
Having figured out who the ideal shopper is, one needs to identify where does one's strengths lie. These would be critical in setting one's platform apart from its competitors.

3. Act timely
Nothing really beats having the first mover's advantage in any game. If one is able to do that, one gets the biggest share of the market. Its very crucial to act ahead of your competition.

Understanding your customers, leveraging your advantages and acting timely
hold the key to success

Disclaimer