



E commerce and its Penetration Strategy in India

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Introduction

India's e-commerce sector ranked 9th in cross border growth in the global market. Indian e-commerce growth projected to increase its growth by 8% in 2025 from 4% in 2020. It is possible to achieve this predicted growth when food and grocery items, apparels and consumer electronics goods volume of sales increased. By attracting huge investments from global players like Facebook and Google India's e-commerce industries predicting more growth. As of early 2023, the average online retail business had a gross margin of 42.78% and a net margin of 0.64%. The gross profit margin for eCommerce is quite impressive compared to the average for all businesses. Few e-commerce companies are working in loss due to low profit margins. Many e-commerce businesses operate on thin profit margins, which can make it difficult to turn a profit. This can be due to a variety of factors, including high competition, high operating costs, and low prices for goods and services. The author tries to analyse its growth from the existing players in the Indian market.

Objective

To know the growth of e-commerce and how it gives competition to kirana store

Review of Literature

According to Payoneer Report, The Indian e-commerce was ranked 9th in cross-border growth in the world. Retail trade in the total food and apparel and consumer electronics was projected to increase from 4% in 2020 to 8% in 2025. India's e-commerce order volume increased by 36% in the last quarter of 2020.

Ambani Group expanded its presence in the e-commerce space by purchasing Future Group by Reliance Retail. Investments from global players like Facebook, is investing in Reliance Jio—in the e-commerce market. Google also invested and its first investment worth US\$ 4.5 billion in Jio Platforms. Growth in the industry has been triggered by increasing internet and smartphone penetration. As of September 2020, the number of internet connections in India significantly increased to 776.45 million, driven by the 'Digital India' programme.

Out of the total internet connections, 61% connections were in urban areas, of which 97% connections were wireless. In the first quarter of 2020 smartphone shipments in India increased by 8% y-o-y to reach 50 million units in the first quarter of 2020, driven by positive shipments of all smartphone vendors in the market. Samsung led the Indian smartphone market with 24% shipping share, followed by Xiaomi at 23%.

Pratik Pal, CEO of Tata Digital said, “Grocery is one of the largest components of an individual’s consumption basket in India, and BigBasket, as India’s largest e-grocery player, fits perfectly with our vision of creating a large consumer digital ecosystem.” According to Hari Menon, BigBasket’s co-Founder and CEO, the company was ‘extremely excited about its future as part of the Tata Group’. He added, “As a part of the Tata ecosystem, we would be able to build stronger consumer connect and accelerate our journey.” Rohan Agarwal, Director of RedSeer, a consulting firm stated, “Tata group has a significant presence in the Indian retail market across the categories, and given an online presence is now necessitated, the potential deal will ensure faster entry into the e-Grocery segment.”

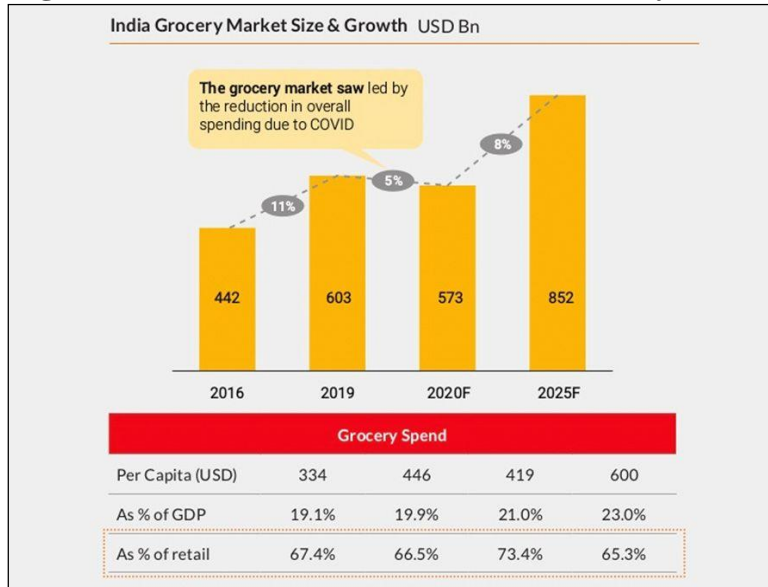
Research Analysis

E-commerce is a method of conducting business through electronic means rather than through conventional physical means. E-commerce has become an integral part of everyday life. Accessibility to e-commerce platforms is not a privilege but rather a necessity for most people, particularly in the cities and urban areas. There are alternative e-commerce platforms available (instead of the traditional physical platforms) for almost every aspect of our lives, starting from purchasing of everyday household items to online brokerage

During September 2020 a joint initiative study was conducted by Bengaluru-based market research company RedSeer and Bigbasket (Brand Intelligence), it showed that during Covid -19 there was a substantial growth for e grocery in June 2020, it was increased by 1.7 times compared to January 2020, the study also predicted that in the remaining month it would touch more than \$3 billion, noted. According to Mr Hari Menon, co-founder and CEO of BigBasket, “The industry has seen more than 70 per cent ARR (annual recurring revenue) jumps in the last quarter across categories. This brings the opportunity to serve a larger set of customers, and some challenges with it”.

In 2020, due to the COVID-19 pandemic induced economic slowdown, consumer spending in the grocery market dipped by 5%. RedSeer report predicted that India’s grocery market size would touch \$790 billion by 2024 and cross \$852 billion in 2025 Figure:1. Meanwhile e-grocery was one of the fastest growing segments in the consumer e-commerce space. India’s rising consumption, changing lifestyle of the consumers, growing urbanisation, the increased number of tech-savvy consumers and digital penetration were the key drivers of this growth. The pandemic further accelerated its adoption as ‘the convenience of ordering quality groceries delivered safely at home’ gained priority. India’s online grocery market’s value touched \$1.9 billion in 2019 while in 2020 it was more than \$3 billion. This was expected to hit \$18 billion by 2024. It was also predicted that the market would grow at a CAGR of 37.1% from 2021 to 2028.

When the e-grocery market started growing in 2014, e-commerce players like Amazon and Flipkart wanted to utilise the opportunity and gave tough competition to BigBasket. Flipkart and Amazon which dominated the e-commerce market experimented with different models in groceries. But they were far less successful in this category when compared to other categories such as apparel, electronics and books.

Figure:1 Growth and Size of the Indian Grocery Market

Source: “Indian e-grocery market to touch \$24 billion by 2025”, <https://www.consultancy.in/news/3561/indian-e-grocery-market-to-touch-24-billion-by-2025, March 10th 2021>

In India, digital grocery platforms had disrupted the grocery space and positively transformed the consumer’s grocery shopping experience. Firms sold products at much cheaper prices, gave more choices and provided doorstep deliveries. By providing various types of services companies like Grofers and BigBasket dominated the market by expanding their business beyond metros.

Grofers was the right choice for people who showed preference to local stores. Grofers allowed buyers to select their grocery items from the stores within a radius of 6km of their place. In addition to basic grocery items, the consumer can order flowers, pet care products, baby care products, and cosmetics. Grofers provided a mobile e-commerce platform for online shopping and delivery of groceries, fruits, vegetables, cosmetics, electronics, and other daily needs. It offers fresh produce, pet care products, bakery products, meats, flowers, sports products, household products, baby care products, and others.

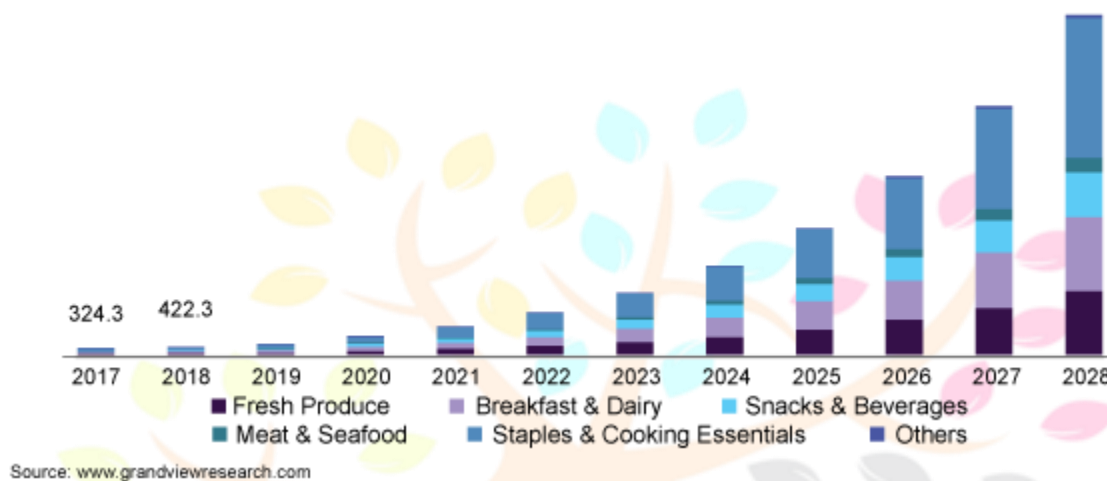
Tata Group, the Indian multinational conglomerate, had huge ambitions for the e-commerce space and was building a super app under its subsidiary Tata Digital. It was focused on building a digital consumer ecosystem addressing consumer needs across categories in a unified manner and online food and grocery was an important part of this ecosystem. As a step towards achieving this objective, Tata Sons Private Limited, the holding company of the Tata Group, acquired 64.3% majority stake in BigBasket, India’s largest e-commerce player in the food and grocery segment, through Tata Digital. This acquisition was expected to strengthen Tata’s growth ambition, as it allowed the company to offer several consumer-focused services under one umbrella. E-grocery was one of the fastest-growing segments in the Indian consumer e-commerce space and its growth was propelled by India’s rising consumption and digital penetration.

As marquee players like Amazon, Reliance, Walmart-owned Flipkart lined up e-grocery emerged as one of the most coveted retail segments. To remain as a leader Bigbasket required fund. A deal with the Tatas as a strategic partner made perfect sense. In the Financial year 2020,super market grocery reported a consolidated net loss of Rs 611 crore, in the same year Bigbasket revenue increased by 36 % INR 3,822 crore.

In 2020 India’s online grocery market, which contributed 0.3 per cent to the \$603 billion food and beverages market in India, has grown 73 per cent from the preceding year. According to a RedSeer analysis the gross merchandise value (GMV) of the e-grocery market increased from \$1.9 billion in 2019 to \$3.3 billion in 2020, taking its penetration in the overall market to 0.6 per cent on the back of Covid 19.The online grocery market is

currently led by BigBasket, Grofers, [Amazon](#) Pantry, [Flipkart](#) Supermart, JioMart, Dunzo, and more. The fruits, vegetables, and staples category saw the strongest shift from offline to online in 2020 with its GMV share in the e-grocery segment increasing from 39 per cent to 47 per cent. This was led by customers prioritising buying essentials online followed by a shift from dining out to home-cooked meals. During 2020 the size of Indian online grocery market amounted to USD 2.9 billion and expected that The compound annual growth rate (CAGR) of 37.1% from 2021 to 2028. India online grocery market size was valued at USD 2.9 billion in 2020 and is expected to expand at a compound annual growth rate (CAGR) of 37.1% from 2021 to 2028

South India online grocery market size, by product type, 2017 - 2028 (USD Million)



Conclusion

Digital platforms tried to attract more people through simplified supply chain model. The tech-enabled retail layer, created a wide range of products, brands and SKUs (stock keeping units). E grocery benefited in a big way. Due to Covid 19 pandemic people preferred to stay home and shop online. It is expected that in the total grocery market 2025 e-grocery market may penetrate by 3%. Despite being the largest contributor to the retail basket of Indian consumers, grocery's online penetration so far has been limited as compared to other categories such as fashion and gadgets

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