

BigBasket Encashing the Demonetisation: A Big Opportunity

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Abstract:

: Big basket the largest online grocery supermarket in India was launched in 2011 when the trend of buying grocery online had just begun and at a time when e-commerce was in its infant stage in the country. Bigbasket was founded by Hari Menon and his associates. Bigbasket is headquartered in Bengaluru and delivers to various big and small cities in India. In its journey to make itself profitable it had the first major opportunity in 2016 during demonetization when country's online grocery delivery sector valued at just around \$1 billion-was given a unique and powerful opportunity to hit the accelerator. During the cash crunch in the country, online grocery business saw an immense boost. The biggest worry for consumer was how to pay a local vendor for daily grocery needs like fruits, vegetables, fish, and milk with cash. The lack of cash in the market pushed consumers to buy groceries online and opt for digital payment options. With local retailers not having digital payment options, the vacuum was promptly filled by e-grocers like Big Basket. But with the big opportunity it faced hard challenges. Consumers are not willing to wait for grocery for more than two days how it is going to step up tie up with local vendors for providing fresh fruits, vegetables, and groceries. Also, they must devise a right promotional strategy at this point of time to seize this opportunity along with increasing the delivery staff, transportation, and logistics in this very short span of time.

Keywords —:BigBasket, Demonetization, Cashcrunch,Grocery,Online.

I. INTRODUCTION

BigBasket (Innovative Retail Concepts Pvt. Ltd.) founded in 2011 by Hari Menon is India's largest and most popular online grocery store in the year 2016. They had close to eighteen thousand products and thousand plus brands in their catalogue and the customers get everything and anything they are looking for from fresh fruits, vegetables, staples, groceries, household product, toiletries, gourmet food etc. Each product is handpicked, and the customers can avail the best quality at very competitive prices. While placing the order the customer can chose a time slot for their delivery and all the items in the basket or cart as they say it

on the website are promptly delivered at their doorstep with the facility of tracking the order available. It is currently offering services in eight major metro cities and 10 Tier II cities with plans of expansion to total 35 cities. Clients can pay thru a myriad of digital payment options like Net banking, Visa, Amex, Maestro enabled debit and credit cards, payment wallets, Sodexo cards and cash on delivery option available along with a card on swipe on delivery. They ensured customers prompt delivery, convenience, and the best quality! BigBasket.com allowed clients to leave the struggle of shopping for food and groceries and welcome a smooth, easy, and relaxed method of sourcing their monthly needs. They can find new items, gourmet food and shop

for the daily items and staples from the comforts of their homes or offices without running around in the city looking for parking slots and hassles of everyday shopping.

BigBasket was founded when shopping for groceries online was still in the infant stage in the country by Hari Menon and his associates V.S Sudhakar, V. S Ramesh, Vipul Parekh and AbhinayChoudhari. BigBasket was headquartered in Bengaluru. But it was started at the right time when India's tech savvy middle class and especially working women wanted to walk away from the boredom of buying home essentials while saving on time also. The founders had begun their journey much earlier when they started a company known as Fabmart for online retail business and physical retail stores known as Fabmall in southern India in 1999 way ahead of its time. The venture was later taken over by Aditya Birla Group and was later known as More Mega Store .But Hari Menon when starting BigBasket had big dreams and in reality was the captain of their ship who aimed at capturing the wide market of online grocery this time with this novel and timely venture and was not deterred by the setback of Fabmart. Hari Menon was alumni of BITS Pilani, V.S Sudhakar who was the co-founder took management decisions at the senior level. Vipul Parekh was a pass out from IIM Bangalore and headed the finance and marketing department. Abhinay Chaudhary was also an alumini of IIM Ahmadabad and he looked after the

new practices and initiatives at BigBasket, V.S Ramesh was an engineer from University of Karnataka and headed logistics and SCM atBigBasket.

Bigbasket was successful in getting a funding of USD 12 million from Ascent Capital in the year 2012. BigBasket is the front runner in the online grocery segment in India and according to Goldman Sachs the company led with 85% market share. But the order volume was only 40000 and it had exponential room for growth. In the FY2014-15 the revenues were 171 crores. The revenues consisted of sale of traded products, advertisements, licence fee, and other operating income. BigBasket had an inventory led model and that is why the biggest expense was the purchase of stock in trade. The company had spent Rs 22 crores on advertising and promotion an expense which was 420% more than the last year. BigBasket also acquired Delyver in the 2015 for a sum not disclosed; Delyver like BigBasket was also online retail grocery store and was highly competent in using the neighbourhood vendors to deliver groceries to people on the hyper local model. Also, in the year 2015 BigBasket chose actor Shah Rukh Khan as the brand ambassador for advertisements and promotions at an enormous fee. They chose SRK because of his popularity across age, gender, and geography. For a mass brand like this it was very essential because everyone in the country identifies with SRK.

The company's ad campaign print, TV, outdoor and radio had the now famous tagline "Shah Rukh Khan is a BigBasketer! What about you?" They had a contract with SRK which was renewable annually. They expected him to be ideal brand icon and get the desired results. E-Commerce firms have a lot of funds at their disposal and every player was trying to claim the market share. BigBasket with this move was trying to capture the significant share in e-grocery segment. Engaging celebrities helped them to communicate with the masses and to show the investors the growth they had promised. Duff and Phelps which provides expert services for business and finance for a long time felt that SRK had been made the brand ambassador with the clear objective to make BigBasket a Pan India brand and to expand its reach to small towns as well. The Other E-Commerce brands were also roping in Bollywood actors for endorsement of their ventures. While Amitabh Bachchan was the brand ambassador for firstcry.com Aamir Khan was the face of Snapdeal. In 2015 BigBasket raised \$50 million in second round of funding led by Bessemer Ventures with contribution from old investors, including Helion Venture Partners Ascent Capital and Zodius Capital. In March 2016 BigBasket has closed a \$150 Million funding round led by The Abraaj Group took the valuation of BigBasket close to \$1 billion as per experts.

BigBasket also had stiff competition from other players in the online grocery segment. The major competitors were Grofers, Zopnow, Pepper Tap, Nature's basket, Aaram shop. Various local vendors in small cities had also started their online retail stores which were giving BigBasket a stiff competition. Even the big fish of The E-Commerce industry such as Amazon, Snapdeal and Flipkart were starting their online grocery stores which made the road for BigBasket difficult. The online grocery business was about to see rapid boost thanks to millennials and generation Z. According to a recent research report from Goldman Sachs, Indian online grocery shopping was witnessing a rapid pace of growth. India which has the third largest internet user base in the world, by 2020, 670 million people shopping online, and this could reach one billion by 2030. The e-commerce sector in India has grown very rapidly in recent years and the report estimated that it will reach \$300 billion by 2030. According to a report published by Nielson (earlier in the year) based on a research conducted in 60 countries, a lot of people were ordering groceries online the number would see a sharp increase in the times to come.

BigBasket planned to set up large warehouses in the major metro cities (approximately 100,000 square feet) and supported sixty smaller warehouses also known as dark stores which will be supplied from large warehouses. BigBasket also planned to start

one hour express delivery for emergency items using the two wheeler network of Delyver. They also started housing facilities for delivery boys in order to retain them as a part of their human resource initiatives “Recruiting, training and retaining delivery boys has been little tricky for us. As the catchment dries up, we now go to smaller cities to hire them and provide them with affordable housing in the city of operations. This helps a lot in retention” said Hari Menon.

BigBasket also has a hyper local market model which became the buzz word in 2015 where orders are sourced locally and delivered. “It is very difficult to work in this segment if you do not have the visibility to inventory. You need to ensure that you are meeting large orders of customers. Keeping inventory will further be important as we are launching the one hour express delivery as it gets difficult to keep a check on quality control with less time in hand” said Hari Menon.

The revenues of BigBasket tripled and losses quadrupled in FY 2015-16. In the financial year 2015-16, the company's revenue increased by three times. The revenues increased from Rs 170 crore in FY15 to Rs 563 crore in FY16. However, the three-fold revenue growth also witnessed four-fold hike in losses mainly due to higher spend on expansion, marketing and technology .They hoped to reach 2000 crore revenue by end of 2017. But the USP of BigBasket was better customer satisfaction

which made them different from others. They had a record 99.5 percent in time delivery record and zero questions asked easy return policy with and had planned revenue of 2000 crores in 2016-17.

But suddenly amongst all this the nation witnessed a huge change when Prime Minister Narendra Modi announced the sudden and unexpected demonetisation of Rs 500 and Rs1000 currency notes of Mahatma Gandhi series. 86% of the currency in India went out of circulation and was not legal tender money after that midnight. The cash crunch gave online grocery business a big boost and was a blessing in disguise. Since they announcement by the Prime Minister the consumers with less cash availability were not left with option of buying their groceries for cash. How could they part with limited cash for transactions done in unorganised retail sector for daily commodities like fruits, vegetables, milk, meat, and staples. The lack of cash had diverted them to look for Digital payment options. Since the unorganised retail sector was out of digital payment system the gap was filled by grocers like BigBasket and Grofers. In the week after the demonetisation BigBasket saw an enormous jump of 25% in their new customers. The company saw an overall growth of 10%. The fruits and vegetables orders were up by 90 percent. “The number of new customers has shot up. Earlier, 15-16% of all monthly orders were by new customers. That has shot up to about 25

percent, ”said Hari Menon, CEO of BigBasket. It was an enormous opportunity for BigBasket to prove to consumers who were experimenting with it that they could pay without using cash at these difficult times. Once the consumer's ordered with them and was happy with the overall experience BigBasket would have added to its permanent customer database. As per a survey conducted by leading research firm the Indian online grocery retail market would witness a growth at a CAGR of 62 % in the coming 5 years. The segment apart from government approval had a big support from the demonetisation move of the Government of India. The customers also realised that buying grocery online saves time is convenient and offers them better discounts.

But with the big opportunity came big challenges half of the COD orders on the website were cancelled because the government had limited ATM withdrawals also to rupees 2500 .In order to be cash ready the consumers were not willing to part away with the current cash in their possessions. Later BigBasket also stopped accepting COD orders and urged customers to choose alternative modes of payment. The business could be impacted for some time as a major part of the orders comes from the smaller towns where COD is the most preferred option. BigBasket had the option of delivering the orders in a two or three hour window which were displayed on the website and had a cut

off time. The customers were able to order on the same day and receive the deliveries the very day if the order was placed before the cut off time. BigBasket maintained deliveries on all seven days in a week and 365 days a year with no holidays. But with the surge in orders and limited delivery slots the company was in a dilemma. But with the surge in orders and limited delivery slots the company was in a fix to accept orders over and above capacity or not to accept them, If they accepted and not delivered on time it would result in tarnished image and bad word of mouth and non-acceptance would have led to prospective customer loss. The customers are not willing to wait for more than two days for grocery. How so much orders being received on the site and app would be delivered?

One big challenge was BigBasket was very people dependent. Every time they grew, they had to add more people so that is one issue that has been there with them and continued to bog them. They needed to invest in automation in terms of warehouse and last-mile delivery, but they will remain people-dependent for a very, very long time to come. Even if one of the delivery boys was absent the entire delivery schedule got changed. Attrition was high among blue-collar workers and BigBasket found it very difficult to motivate staff doing mundane routine tasks such as packing and delivering goods. With the increase in demand for such workers with

the proliferation of ecommerce start-ups, they were finding it very difficult to retain them.

BigBasket did not own the transportation units (vans were deployed by third parties), and the technology routing software automation and manual management was done in house. The SCM of BigBasket had two components: a procurement side and warehouse management. The first was managed by the company, as it buys and brings farmers produce, milk, FMCG products, etc and delivers the hyperlocal model. The second involved managing stocking of goods in the distribution centres for storing which they planned of automating. But at this short notice the warehouses were not amply stocked, and they had to rely on the buffer stock only.

The other thing that was an issue from day one is fruits and vegetables as a business, which are perishables. Either it can make you win, or it can make you collapse because quality perception of a grocery store is built on the freshness and quality of the fruits and vegetables, staples, and meat. It is not the detergent and soap that decides the quality. In the cities where BigBasket did not have warehouses how the freshness of these perishables should be preserved else they will be dead inventory. Managing the complex supply chain to minimize wastage was another big challenge. To maintain the inventory of vegetables and fruits BigBasket relied heavily on small scale farmers. At

the peak time of this cash crunch these farmers will be willing to accept digital payments or sell the proceeds to someone offering cash. The consumer has a perception of quality on fruits and vegetables where there is a big touch factor involved. Grocery shopping online is a drastic change of mindset, habit and custom of people with the belief that items are freshly procured. The challenge is around selling without touch or feel factor which the consumers can do at local shops, the customers would not necessarily want to pick up what is offered by the seller in packs but rather inspect the freshest, cleanest items from the products laid before them.

Despite the widespread use of e payment systems and digital gateways the Indian Consumer is still vary of transacting online. They still have the fear and perception of theft and frauds towards such transactions. The offline retailers within a week of demonetization were ready with digital modes of payments and especially Paytm which was making a big entry into the unorganized retail at this crucial juncture. In the worst come scenarios the local neighbourhood shops resorted to supplying customers groceries on credit. Grocery for middle class without trust is not a big ticket size business, the other challenge was how to lure customers to increase the ticket size with discount, promotional schemes and membership programmes, but too much needed to be done too soon.

On the promotional front Shahrukh Khan appeals to all levels of potential customers young to old and from North to South both men and women his professional traits matched the values of BigBasket of professionalism and dedication. He had worked wonders for brand of sales; it brought a sense of pride to delivery boys and pick up personnel's and BigBasket employees. The decision was not totally uncontested though some felt celebrity endorsement for grocery was not a great thing and some felt the company could have been better positioned with a common man image. Plus, the major company to have gained from demonetization Paytm was giving front page national newspaper ads to encash the opportunity how much more should BigBasket splurge on promotions was the big dilemma.

The top challenges for the BigBasket at that crucial stage were how to develop the best delivery policies, return policies and also maintain quality and hygiene in the products being sold by them and win the trust of customers who were ordering for the first time. BigBasket and Hari Menon had the opportunity to gain the market share and had the immense task of improving processes, delivery capabilities, quality control and optimisation of processing. The online grocery shopping was a big change in the lifestyle of people. The online retailers would acquire major chunk offline customers. Also, the future grocery margins will not be more than 25 to 30% but they must source them

directly from the farmers if they wanted to to make it 40%. BigBasket would still have major competition from the local kirana store which offered credit, has good relations allows customers the feel and touch fresh fruits and vegetables plus also delivers at a phone call. But the room for growth of e-commerce players was also immense and if a successful business model was developed and processes streamlined the profits would be immense and they will be ruling the Indian online retail market in the decades to come. How will BigBasket deal with all these challenges? Will Hari Menon be able to realize his dream with the big opportunity demonetisation had provided. How will he steer ahead in all these challenges and find solutions for them with his highly capable and experienced team? Or will it be one more debacle in his entrepreneurial struggle or will he create new highs in Indian Online Grocery segment.

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