

## INDIAN GROCERY STORY – AFTER COVID 19

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### **Abstract**

*The retail landscape, in India, is changing rapidly and it has presented itself in various ways that have the potential to change the way we see, understand, interact, and transact with these retailers, mainly groceries.*

*The lockdowns due to Covid 19 has brought forth many facets of this segment, which were always there, but were largely ignored – right from the manufacturers, distributors to the end consumers.*

*The success of this is widely seen, acknowledged & adopted in the mainstream business, not only by those already present in the value chain but from across the industries & sectors.*

*The Kirana segment, with its nuances of proximity, availability & convenience, has become a formidable force in the eyes of the entire country. Their traditional way of working has been the real differentiator in these times. Their sheer presence, in every nook & corner of the locality, not only helped people but also made the experts rewrite their opinion about this segment.*

*The potential of this segment is now not limited to the players of the current value chain, but its worth is now being discussed by the players from Fintech, Technology, Mainstream Banking, and many more. International interest is also pouring in.*

*Katherine Barchetti, Founder of K. Barchetti Shops says*

*“Make a customer, not a sale”*



*This has been “the” MANTRA of this segment, and that too for ages. We came to know about it now.*

**Keywords: Retail, India-retail, Grocery, Kirana, Business.**

**where we stand today...**

**staring at hope & opportunity**

*Coming straight to the point, most of the companies, big or small, have turned towards the grocery business in India, with or without an aim, a strategy, or any execution capability.*

*And Kirana Guy is the Hero of this business. He is a newly found hero, unaware of his strengths, underrated, and most importantly, an underdog.*



The failed companies, or on the verge of failing, even if they are from the non-retail sector, have started talking about this Guy, hoping to encash him, somehow. Many of such companies now have a chance to hide their internal problems for their failures and trying to approach this Guy in an all-new fashion. Every leader in every company has suddenly become an expert on this Guy.

**BUT** - Whatever it is, all are staring at him with hope & for an opportunity. Nobody knows who he is, why he is or how he is.

#### **a new taste**

All big brands have a reach problem, hence private and while labels have conquered the shelves.

Data Research companies proved that the sales of these products have taken off. Product innovation in this space is booming and is a multimillion-dollar business. Markets are getting captured, volumes are being sold, profits are being made. It's a new high for ALL.

Organized, modern formats are filled with these PLs & WLs, and the consumers are buying these packs in the absence of the mainstream products just because they can't kill their taste buds.



**HOT** - A new thing in the market – Private Label.

### wow spikes

When many companies sunk, quite a few FMCG companies profited. Small biscuit packet created a history in the company's books



Family packs flew off the shelves just like that. Big product packets are the new favourites, just to avoid frequent visits to the shops, which could have been a phenomenon in the normal scenario too. In the initial phase of the lockdown, it was the normal pack sizes that were bought, but the consumer thinks in a very unique way. It is not just the fear of the virus, but the fear (or boredom) of standing in a Q for a long time also influenced the buying behaviour. But this is in metros & cosmopolitans, and a modern trade format.

Suddenly a trust factor emerged for PLs/WLs. Not just the need, but the compulsive taste factor also influenced this buying pattern. Banking on the sales figures the Research companies predicted these PLs will shoot up.

Expensive, high-cost products are slow-moving. This is mainly due to the lack of guests at home.

Milk products, Spices are vanishing from stores, because of frequent & different eating requests at home and in many cases, husbands' kitchen experiments.

The impact on sales is huge, but for these different sets of players with their Local & Private Labels. The stores started reporting higher sales – mainly in Home & hygiene, Personal care, Frozen Foods and Ready to Eat.

The worker class suddenly became visible, important and unpredictable. The interstate, intercity movement of this class proved costly to the industry. So, the "fleet of delivery boys" has come in as a fallback option.

Technology, Direct to Customer, Direct to Retailer- are the newfound love in this space, covering almost all the stakeholders, barring 80% of semi-urban and rural population where the business is still a traditional (& personal) approach.

Home delivery of the orders is on increase. Kirana stores, in many places, took advantage of the situation by doing home deliveries. Being able to deliver groceries within few hours, has made these Kirana stores a favourite amongst the customers. Backed by newly adopted technology, the ability to deliver at homes quickly due to the proximity of the shop in the locality has put the spotlight on these Kirana Shops.

**BURN** - Well-publicized players aimed for market share. Mobile App companies added GROCERY to their list. And burning the money.

**and tomorrow ...**

## Private Labels

Governments are promoting 'Vocal for Local' as a new essence, but the fact, unknown to many, is that it was always there. Depends on where one is looking and how much one knows about this subject. The new upward trends that we are witnessing are mainly from Tier1-2 cities, which has been blown out of proportion mainly because such a trend came in for the first time.

It's also seen that customer loyalty, during the lockdown, was at an all-time low. The PLs, Local Brands, had even better margins, better availability and therefore got more traction when compared to other known Brands, which were scarcely present in the market.



What will happen when the market scenarios become normal?

The supply chain is bound to bounce back because the companies must bounce back. The way of doing the business may change, but the business will happen as before. The brands will return to shelves, PLs have to take a back seat.

If a mother is brand conscious, she will always go back to the product she prefers for her kids.

Now that the PL owners have tasted this sudden success, they have to keep up with the momentum which they will do by moving to outer regions. Here again, the big boys will follow them, soon.

What will happen to the local brands, PLs that are already present in these regions?

The competition will increase, without a doubt, but the localization factor plays a very big role in the success of a product. The product comes first in these regions, followed by Brand. Variation to a product by way of packaging, taste & price, in the said order, will determine the growth path.

## Connectivity

Though it's claimed that infrastructure is in the middle of the manifestos, seldom has it been given a thought to cover the semi-urban and rural India, in full. Which will happen now. If the economy has to come back to shape, this part will not be missed.

The big companies have to perform, not just for themselves, but for the country. Their and others' reach to remote places will come into focus soon.

Roadways, Data, Logistics & Technology will drive the next wave of growth in this sector. Even if one of these is missed out, the growth will be slow. There are positive signs and the situation is somewhat ameliorated as many startups & corporates are working in this space.

### **Consolidation**

There are clear signs that the sector's stakeholders, supply chain functions & machinery will consolidate, but only in part, with major holding going to the big boys.

The language & state barriers will be lost to a great extent, but this will happen in a longer course of time.

### **Supply Chain**

Tier 1-2 cities are already crowded with multiple sellers which includes FOS & C&C. The real challenge is how everyone will handle the outer regions.

IT companies will have their major portion of the workforce work from home in the next 3 to 5 years' time. Some other sectors may follow suit in part. This will have an impact on the footfalls in the modern trade in major cities. These consumers will prefer walking to the store just for fun. In the current scenario, 80% of the consumer's bill is towards the need & 20% is the discovery. The latter part will double in the coming days. The supply & availability of a range of products will drive impulsive buying & First Time buying. Categories to look out for are Snacks, Food & Beverages - Health and Chocolates. Semi-Urban and Rural parts will be handled through the distributors, in one form or the other, and for many companies, Direct To Retail & Direct To Customer will never be an option owing to the ground to be covered.



Employment opportunities will arise in Semi-Urban and Rural parts. Manufacturing and Supply chain machinery will consume a major part of the workforce followed by others.

Consolidation, Turn Around Time and Connectivity will define the effectiveness of the Supply Chain.

### **Services**

It's only one word – Convenience.

Convenience for everyone will matter the most. From manufacturer to the consumer will seek this at all levels.



## Consumers

If they have a choice, they will choose what they have been preferring, else whatever is available. But they will definitely buy.

Lockdown only forced them to compromise on the quantity, not on the category of products.

## P&L

The companies' statements will rely on multiple factors, each bearing a weight. Stark differentiation between Trading & FMCG movement. Clear demarcation of exports & local sales. Village & panchayat wise sales figures. Unit economics and very importantly, the manpower cost and per head revenue at all levels of hierarchy. The tracking mechanisms, which are missing until now, will come into existence sooner than expected.

The explicit representation of these numbers will become important because the valuation of the company will be split this way.

The lockdowns have shown that each parameter has to be tracked separately. Consolidated figures will not much make sense going forward.

## The Guy

Till now, it was all about the manufactures and channel & support functions, but the real hero of this story is The Kirana Guy.

The Spotlight will remain on him for a very long time.



It's an irony that many claim to know him, but not many understand his character. He is impervious to suggestions & pleas. Is high-headed. He cannot be tamed. He cannot be controlled.

But he is still needy. Not just for technology or gadgets, but for a business partner, a friend. If you are his visible friend, you will be allowed to enter his small shop. Otherwise, like an unwise, you will be standing outside his store waiting for him to give you a few moments of listening.

Whoever is the friend of Kirana “GUY”, will be the winner!