

E-commerce in India Local heroes

Online grocers are offering small shops a lifeline in the age of smartphones

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AS PERSONAL service goes, few big retailers can match the tailor-made offerings of India's 15m or so tiny, family-owned shops known as kiranas. In addition to selling all manner of goods, most are happy to cut and deliver small amounts of fresh food—1kg of onions, say—and let customers buy on credit.

The steady advance of home-grown supermarket chains has so far done little to dim the kiranas' prospects; and successive Indian governments have been reluctant to let in foreign grocers, for fear that many households would lose their livelihoods. With more than 200m Indians now able to access the internet on their mobile devices, e-commerce might appear a bigger threat. A clutch of Indian and foreign—owned online grocers has been set up in the past few years. Rather than supplying all their goods from central warehouses, however, most have struck partnerships with kiranas and other physical retailers. They employ an army of young workers to collect orders from kiranas and other local shops, and deliver them to the customer, often within the hour.

Aniket More, aged 18, is one such worker. His employer is Grofers (as in "grocery gofers"), founded in 2013. When a customer uses the firm's app to order, say, a cake, a bottle of Coke and bag of tomatoes, Aniket hops on his bike, collects the tomatoes from a small depot run by a contractor (this is how it ensures the quality of fresh produce), buys the Coke from a local kirana and then calls in at a nearby cake shop. He has a colleague riding pillion to help him. "The cake needs protection," he says.

Grofers also deploys a shopper at some kiranas, who is notified of orders on his smartphone. He buys the necessary items from the shopkeeper and has them ready for when the deliverer swings by. On busy days, just before the shopper runs out of cash, another company man calls at the kirana to top it up.

Grofers, and other firms trying this labour-intensive model, reckon that by linking with the myriad small shops in Indian cities, they will be spared having to spend heavily on warehousing in a country where urban land is scarce. It will also, they hope, help them to scale up fast, and make deliveries rapidly. For the big foreign firms entering the Indian market, such as Amazon, even if they do build central warehouses, it may also suit to be seen working with small local retailers rather than going all out to squash them.

Critics such as Arvind Singhal of Technopak, a retail consultant, argue that adding another layer to the supply chain just makes the business inefficient. Customers also need to be won round. Grofers has pulled out of nine cities, blaming "low acceptance of its service in these areas". LocalBanya, another online grocer that sourced products from local shops, ceased operations in October. Grofers' bosses argue that a volume driven business such as theirs takes time to build. Nor is it putting off Amazon, whose KiranaNow service has a slightly different model, letting kiranas set up virtual stalls and take orders by smartphone app, to be delivered either by the kirana's own workers or by Amazon's delivery service. None of the online grocers is yet in profit. Last month Grofers reported losses of 39m rupees (\$591,000) on revenues of 7.3m rupees in its first full year of operations. Investors so far seem patient. Grofers' backers have provided \$166m in the past two years.

It remains far from certain if any of these attempts to bring kiranas into the age of smartphone shopping will succeed, even though India has a plentiful supply of young deliverers, like Mr More, prepared to work hard for modest pay. In the long term, large-scale online retailing, using central warehouses, will surely prove more efficient. Even then there is likely to be a place in Indians' hearts, and wallets, for the local shopkeeper who knows them by name and for whom no order is too small.