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AMAZON’S KIRANANOW: THE INDIAN ONLINE GROCERY MARKET[[1]](#footnote-1)

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Amazon’s mission is to transform the way India buys and sells.[[2]](#footnote-2)

[Amit](http://knowledge.wharton.upenn.edu/faculty/kartikh/) Agarwal, Amazon India

In 2015, the Indian retail industry contributed around 10 per cent to the gross domestic product of India.[[3]](#footnote-3) The market size of the industry in the same year was US$600 billion.[[4]](#footnote-4) Although online retail was a very small slice of this pie (around 1 per cent), this scenario was expected to change for the better. The food and grocery category, the single largest contributor to Indian retail, made up 60 per cent of the market, and the online grocery segment was estimated at $0.6 billion in 2015.[[5]](#footnote-5) To capture its share of this market, Amazon India launched its own online grocery arm, KiranaNow, in 2015. KiranaNow’s marketplace model was to source products from local retailers and deliver them to a customer’s doorstep in a timely and cost-effective manner.

Relatively low competition, increasing smartphone and Internet penetration, and increasing acceptance of digital buying made the not-so-pursued online grocery segment seem like a lucrative venture for Amazon India. However, despite consumers being motivated to purchase groceries online for the purposes of convenience, variety, and lower costs, the reality was that they liked to judge a product’s quality by its freshness, and to negotiate prices based on product quality; an offline setting was more conducive to these desires. The slow-paced adoption of technology by consumers and retailers was another problem. Amazon’s KiranaNow was also troubled by an announcement made in September 2016, regarding a strategic deal between its biggest rival in the Indian market, Flipkart, and the global behemoth Walmart.[[6]](#footnote-6) Finally, though KiranaNow had the makings of a market leader, the sustainability of its business model was unknown. In light of these challenges, what strategies could KiranaNow use to find success in the Indian online grocery market?

**GROCERY RETAIL IN INDIA**

As of 2015, the Indian grocery market was the sixth largest in the world; it constituted 69 per cent of the total Indian retail industry, valued at $360 billion, and had a growth rate of 15 per cent. This rate was expected to double by 2020.[[7]](#footnote-7) The traditional form of trade in the industry was through brick-and-mortar stores, which had a huge presence across the country. Increasing foreign direct and indirect investment in the economy, along with increasing consumer buying power, encouraged online buying, even for grocery items. New online stores mushroomed to compete with traditional stores.

Brick-and-Mortar Grocery Models

There were primarily two types of brick-and-mortar grocery models operating in India: traditional and modern. Traditional grocery retailing comprised mom-and-pop stores and kirana stores. In 2015, these were the primary revenue generators among all types of grocery retailers, contributing 98 per cent of the total sales value of the grocery retail business. These stores also had the highest penetration in terms of the number of outlets across India. The convenience they offered in terms of proximity and delivery to the end consumer made them one of the most preferred grocery retail channels.

Modern retail channels included department stores, hypermarkets, and supermarkets/convenience stores. Consumers preferred modern retailers because there were more payment options, wider product ranges compared to traditional grocery stores, bulk-purchase discounts, a superior shopping experience, and innovative promotional offers. Because of these factors, by 2015, the growth in grocery retailing was led by modern retail channels despite their meagre share compared to traditional stores. It was expected that the sales value of grocery retailing would grow at a compound annual growth rate (CAGR) of 11 per cent from 2015 to 2020, driven by both modern and traditional grocery retailers.[[8]](#footnote-8)

Online Grocery Model

By 2021, around 30–40 per cent of the overall retail business in India was expected to come from the online segment.[[9]](#footnote-9) Globally too, the online grocery model was growing seven times faster than the traditional model. This growth potential presented great opportunities for established and new players, even in the Indian online grocery market, where factors like convenience, easy shopping facilities, and fast-paced growth led to the rising popularity of online stores.

The Indian online grocery market started in 2011, with the emergence of firms like Bigbasket and ZopNow. The market was expected to grow at a CAGR of 62 per cent in 2016–17, and revenues were expected to reach 2 per cent of the overall grocery market by 2020.[[10]](#footnote-10) Although there were high growth expectations for online grocery retail, surviving in the market was challenging, as exemplified by multiple players that had ventured into the market and failed.

Regulatory Framework

Different retail formats, such as multi-brand retail, single-brand retail, and wholesale trading, had different foreign direct investment guidelines, regulated by the Department of Industrial Policy and Production (see Exhibit 1). The *Income-tax Act, 1961* also defined the taxation policies for the Indian e-commerce industry. For companies in the industry, withholding tax[[11]](#footnote-11) was extremely important because a majority of technology-driven services and facilities had to be sourced from non-resident providers.

EARLIER online grocery ATTEMPTS

PepperTap

With the aim of taking groceries from local kirana stores to consumers’ doorsteps, PepperTap was founded in December 2014. It started in Gurgaon and expanded its online grocery business to 17 cities by September 2015. PepperTap was the only online grocer with a zero-inventory model. At its peak, PepperTap was one of the three largest online grocery retailers in India, and claimed to deliver 20,000 orders on a daily basis. However, in the quest to expand too much, too fast, PepperTap spread itself too thin, leading to poor integration of its mobile application (app) with its partner stores, and eventually leading to a poor customer shopping experience. Another issue was the significant amount of time, money, and labour exerted in giving customer discounts, which led to high monetary pressure on the firm. In addition, there was pressure to keep the delivery timeline of two hours. Though PepperTap attempted to solve these issues initially by shutting down operations in a few cities, it could not sustain momentum any longer, and management finally decided to cease operations altogether.[[12]](#footnote-12)

Localbanya

Started in May 2012, Localbanya was Mumbai’s first online supermarket store. It had a presence in major cities like Mumbai, Pune, Delhi-National Capital Region, and Hyderabad. It offered 14,000 products across 20 categories, including fruit and vegetables, groceries, personal care, and household supplies. In 2015, the company stopped taking orders through its website and temporarily shut down operations due to low margins, which led the company’s funds to drying up. Localbanya promised to come back after upgrading its technology and services.[[13]](#footnote-13)

Flipkart Nearby

As one of India’s largest e-commerce firms, Flipkart launched its “Nearby” app on an experimental basis in Bengaluru in October 2015. The initial intent was to deliver fruits, vegetables, and other grocery items from supermarkets to customers within an hour of an order’s placement. However, a quarter later, in February 2016, Flipkart decided to discontinue the app due to poor customer demand and low margins.[[14]](#footnote-14)

GROCERY SHOPPERS’ PREFERENCES

The online grocery market was an especially challenging one for online marketers because grocery shoppers generally preferred offline grocery shopping where they could judge the quality of the produce. It was very important for shoppers to make sure the produce they were buying was fresh and healthy looking. Furthermore, Indian grocery shoppers were used to negotiating prices to get the best deals. Online grocery shopping did not allow for such negotiations—a behavioural hindrance to Indian grocery shoppers adopting online grocery shopping. Another challenge was the low rate of technology adoption by Indian homemakers, the largest segment of grocery shoppers in Indian society.

The scenario was changing slowly but surely. Increasing mobile penetration (seeExhibit 2), growing acceptance of online shopping, growth in the online retail market leading to a reduction in prices, and the launch of lucrative schemes for customers were all fuelling the growth of online grocery shopping. The convenience offered by the prospect of grocery delivery to one’s doorstep was another factor that prompted an increase in online shoppers.

AMAZON’S ENTRY INto INDIA

In June 2013, the world’s biggest online retailer, Amazon.com, entered India as Amazon.in with a third-party marketplace model. Amazon entered India with only two categories initially: books and movies. The retailer offered 7 million books and 12,000 movies. Amazon.in provided a marketplace for sellers to list their offerings and in turn charged them a referral fee,[[15]](#footnote-15) monthly subscription charges, and a store fee.

Over the years, to compete with established domestic players such as Flipkart and Snapdeal, Amazon added more products and service features for both sellers and customers. It expanded its product portfolio from only books and movies to electronics, home and pet utilities, toys and baby products, cosmetics, sports goods, jewellery, clothes, and so on, and had a gross merchandise value of $2 billion in 2015[[16]](#footnote-16) (see Exhibit 3).

Catering to Customer Needs

According to Amazon India’s country manager, Amit Agarwal, Amazon continuously strived to transform the way India shopped and sold.[[17]](#footnote-17) The company aimed to enable customers to buy anything and everything they wanted online, at any time and from anywhere. These products were expected to be competitively priced, and delivered quickly and reliably. To attract and retain customers, Amazon continued to come up with a number of initiatives such as Amazon Pantry,[[18]](#footnote-18) festive sales, Amazon Exclusives stores, and daily deals.

Reaching out to Sellers

Through its Amazon Connect program, Amazon aimed to interact closely with sellers regarding its products and services. With the help of services such as Fulfillment by Amazon (FBA), Easy Ship, and Seller Flex, Amazon wooed its seller community. While FBA was used to store sellers’ products in Amazon’s fulfillment centres for eventual shipping, Easy Ship used Amazon’s courier services to pick up and deliver sellers’ products to consumers’ doorsteps. With Seller Flex, vendors designated a part of their own warehouse storage space for products to be sold on Amazon’s site, and Amazon coordinated the delivery of goods. To prompt the maximum number of sellers to get online, Amazon started an initiative named Chai Carts. Chai Carts covered more than 31 cities and 9.4 kilometres, and engaged with more than 10,000 sellers. Amazon Tatkal was created to help sellers get online quickly by offering them a host of launch services in one place. As of 2014, Amazon allowed retailers to sell their products immediately after registration, as opposed to restricting sellers with a two-weeks processing period like many other such portals.

**AMAZON INDIA ENTERS THE GROCERY MARKET**

KiranaNow’s Launch

Launched in India in March 2015, Amazon’s KiranaNow was a hyperlocal delivery service started as a pilot project with a test hybrid model—both inventory-led and direct pickup—in Bengaluru. The aim was to leverage the existing kirana stores to speed up grocery delivery to consumers who could place orders through the Amazon Now app on their smartphones. Another aim was to help local kirana stores grow into modern-day, technology-packed, one-stop solutions for everyday needs (see Exhibit 4). KiranaNow’s operations were also supposed to boost these stores’ growth and presence in the digital economy.

To improve service quality, KiranaNow launched two delivery models—Delivery and Scheduled Delivery.[[19]](#footnote-19) Express delivery orders were delivered within two hours and priced at $0.75 per order. The orders under this model could be cancelled within one minute of placing the order. For scheduled delivery, orders were delivered based on a pre-scheduled slot of two hours. The minimum order amount for free delivery was $3.73, and orders below this amount were charged $0.29 per order. Here, the cancellation time limit was set at two hours ahead of the scheduled delivery time. The option of refusing the order at the time of delivery was available. For payment, KiranaNow offered a number of different online payment options to its customers. Apart from debit and credit cards issued by Indian banks, the company also accepted certain international cards (see Exhibit 5).

KiranaNow’s Business Model

From its beginnings in Bengaluru, the objective of KiranaNow’s model was to facilitate delivery and bring cost efficiency into the system. To meet this objective, the company partnered with 10 to 15 supermarket chains in Bengaluru, including Reliance Fresh, Nature’s Basket, Big Bazaar, and Amex Supermarket. For the inventory-led part, KiranaNow planned to open 14 collection points in Bengaluru and hire 130 delivery staff for its implementation.[[20]](#footnote-20) KiranaNow planned to pay these delivery persons an average of $200 per month. The company’s initial expectation was 12,000 to 15,000 orders per month. For customer service, KiranaNow had a customer service team that operated from 8:00 a.m. to 2:00 a.m., seven days a week. Customers could provide their phone numbers to get a call from the service team. The team responded to all customer calls within 12 hours.

Once the pilot in Bengaluru was successfully implemented, the plan was to take it to the national level. KiranaNow aimed to deliver orders within two to four hours as opposed to one to two days, which was the norm with other such platforms. Since the sourcing of material was done from local kirana stores, customers could approach these stores directly in case there were any issues with the delivered material. The delivery of goods was made using either Amazon’s own logistics, a neighbourhood store’s staff, or one of Amazon’s logistics partners.

According to the Amazon website, the prices, inclusive of all taxes, for various products were listed in rupees and did not usually change on a daily basis. Yet there were certain commodities and fresh foods for which prices fluctuated daily.

KiranaNow versus AmazonFresh

Before entering the grocery market in India, Amazon operated in the grocery markets of the United States and United Kingdom as AmazonFresh. As opposed to the hyperlocal delivery model followed by KiranaNow, where deliveries were sourced from local retailers, AmazonFresh worked on a hub-and-spoke, inventory-based model: deliveries were made from Amazon-owned distribution centres to individual homes. This model increased Amazon’s operational costs significantly. However, the inventory-based model also allowed for superior quality control compared to the zero-inventory model (see Exhibits 7 and 8).

**COMPETITION**

KiranaNow’s online grocery competitors featured a variety of business models, locations, and services (see Exhibits 9 and 10).

Bigbasket

Bigbasket was started in Bengaluru in December 2011. By 2016, the company had over 18,000 products in its catalogue, including fruits and vegetables sourced directly from farmers, and had reached net sales of $25.5 million; however, it operated with net losses of $9.1 million.[[21]](#footnote-21) In that same year, Bigbasket operated in 25 cities and offered product delivery in four slots per day according to customer choice, making a million order deliveries a month, on average. The company allowed for a 10 per cent refund in case an order was not delivered on time. If any ordered products were missing at the time of delivery, an extra 50 per cent of the missing product’s value was guaranteed to be returned. Finally, if customers did not like the product quality upon delivery, no questions were asked and the full amount was refunded.[[22]](#footnote-22)

Similar to AmazonFresh, Bigbasket worked on an inventory-led model. A quality-control and packaging team compiled products based on cumulative orders, which were then sent to distribution centres. Individual order deliveries were made from these distribution centres. Bigbasket also launched itself in limited categories and geographies in a marketplace model, by which product deliveries were made from local retailers. The company added further product lines to its offerings by introducing things like cut and packed fruits and vegetables, and a range of recipe mixes and baked-to-order breads.

In June 2015, Bigbasket acquired another neighbourhood marketplace-based online grocery retailer, Delyver, in cash and stocks. Through seven rounds of fundraising from 10 investors, it raised $246.76 million by 2016.[[23]](#footnote-23)

Grofers

Grofers was India’s second-largest online hyperlocal grocery delivery company after Bigbasket. Its product range included groceries, fruits and vegetables, bakery items, flowers, meats, baby and pet products, cosmetics, and electronics accessories. These products could be paid for using credit and debit cards, cash-on-delivery, and e-wallet services. Delivery was promised within 90 minutes of placing an order, and there was an option for scheduling the delivery time.

Grofers was a smartphone-based grocery delivery platform that worked on a marketplace model. For growing inorganically, it acquired a business-to-business logistics provider, Townrush. To increase its operational efficiency and service-delivery quality, Grofers acquired My Green Box in 2015. By 2016, it operated in 17 cities across India, was taking more than 40,000 orders daily, and had more than 4,000 stores live on its app on both Android and iOS platforms. By that time, Grofers had conducted four rounds of funding and raised $165.5 million from five investors. With a total revenue of $0.129 million, Grofers reported a net loss of $6 million in fiscal year 2015.[[24]](#footnote-24)

ZopNow

ZopNow was launched in September 2011, and operated by ZN Retail Pvt. Ltd.[[25]](#footnote-25) Starting as an inventory-keeping online retailer in 2014, ZopNow shifted its focus to smart technology, and building an efficient logistics platform to let hypermarkets and customers interact. For this purpose, the company entered into a number of partnerships with renowned offline retailers (e.g., HyperCITY). ZopNow offered over 1,200 brands and over 300 categories with similar features to those of competitors, such as easy payments, guaranteed returns, and fast deliveries. ZopNow raised $10 million in two rounds of funding from four investors up to 2016. The company operated in five cities, of which it claimed that only Bengaluru was profitable until 2016.[[26]](#footnote-26)

**CHALLENGES FACING KIRANANOW**

The growth of e-commerce in India was fuelled by a multitude of factors, such as increasing Internet penetration, the growing number of smartphone users, greater awareness about online shopping, and improved logistical support. The e-commerce industry was riddled with challenges related to merchandising, logistics, people management, and technology. Specific business models invited further specific challenges.

Operating a zero-inventory model, KiranaNow faced the following challenges.

Merchandising Issues

Due to its innovative model for last-mile delivery, collaborating with local retailers caused a host of product quality problems for KiranaNow. The company had little control over the quality of products being supplied by different retailers, so standardizing product quality became difficult.

The merchandising problems were augmented by the perishable nature of the inventory. Ensuring that the goods delivered were fresh and undamaged put significant strain on company resources in terms of capital and labour. For this express reason, most online grocers had a no-questions-asked return policy upon not meeting the quality criteria.

People-Management Challenges

A major challenge that hyperlocal start-ups faced was high attrition rates. The blue-collar attrition rate in the industry ranged from 12–30 per cent per month, and KiranaNow was no exception. Another challenge was adequate hiring and training of delivery staff. With KiranaNow collaborating with local retailers, a large workforce was required for delivery. Hiring and training these individuals to give a better service experience to customers turned out to be a huge challenge.

Technology Challenges

Many small retailers were unable to adapt to the level of technology used by logistics companies and, hence, failed to be a part of the value chain. Some retailers were flexible and adopted the technology easily. However, for others, technology was still a challenge, and they remained sceptical of it.

Apart from adapting to new technology, poor management of information technology (IT) meant that online retailers like KiranaNow faced problems in collaborating with small retailers. According to Navneet Singh, co-founder and chief executive officer at PepperTap, the quality of data available was poor, and delivery staff were technophobic, which made it difficult for partners to connect with merchants.[[27]](#footnote-27)

Consumer Behaviour

Predicting consumer behaviour and adapting the business according to the observed trends was the key to success. Although digital buying penetration in India was expected to almost double by 2020, leading to the growth of many small online grocery retailers, relatively few consumers were ready to buy groceries online. To ensure more consumers came onto its platform, lower the cost of customer acquisition, improve the purchase volume of repeat purchasers, and generate more referrals by repeat purchasers, KiranaNow knew it had to focus on service elements such as the ease of transaction, fair prices, on-time delivery, and product quality.

The WAY FORWARD

As a new entrant in the industry, KiranaNow struggled to establish its presence in a highly disorganized market. The many challenges facing the industry kept groceries off the list of the most pursued online retail players in India. KiranaNow was also challenged by the slow pace of technology adoption by Indian consumers, the consumer preference for buying groceries offline, technological hurdles faced by Indian retailers, issues with selling perishables, and human-capital management issues. Another concern was the change in competitive dynamics, with Flipkart and Walmart coming together in a strategic deal. Finally, KiranaNow’s business model was untested in terms of its sustainability.

With its innovative business model and huge funding backup, it was expected that KiranaNow would be able to compete with existing online grocers. However, the company needed to develop strategies to overcome its challenges and find success in the online grocery market.

Exhibit 1: Foreign direct investment guidelines for Indian e-commerce firms,

released by the department of industrial policy and production

1. Clear definition of e-commerce units such as marketplace and inventory model, which forced existing e-commerce companies to relook at their business models.
2. 100% foreign direct investment (FDI) allowed in the marketplace model by an automatic route, thus improving foreign investor confidence in Indian e-commerce.
3. 100% FDI in business-to-business (B2B) e-commerce.
4. Non-influence of sale prices by business-to-consumer (B2C) e-commerce marketplaces, leading to a reduction in heavy discounting being followed until now, and shifting the control of pricing in the hands of the seller and creating a level playing field for both offline and online retailers.
5. Maximum 25% sale allowed through one vendor in a marketplace model, forcing many B2C retailers to relook at and restructure their sales process.
6. Mandatory mention of name, address, and other contact details of the vendor in cases of goods and services being sold electronically in the marketplace model, leading to the seller being wholly and solely responsible for the quality and originality of goods, and empowering customers to reach out directly to the seller.
7. Seller will be responsible for post-sale delivery of goods, satisfaction, and warranty/guarantee of goods and services, thus bringing clarity to the responsibility of the goods and services on e‑commerce platforms.
8. Non-allowance of FDI in inventory-based model to provide a level playing field for offline players too.

|  |  |
| --- | --- |
| **B2C e-Commerce** | **B2B e-Commerce** |
| FDI in B2C e-commerce has been permitted recently in the marketplace model. | 100% FDI is permitted in B2B e-commerce. |
| In the inventory led model, FDI is not allowed. | 100% FDI is permitted for an entity buying/selling through an e-commerce platform purely in B2B e-commerce. |
| A single brand retail trading entity operating through brick-and-mortar stores is permitted to undertake retail trading through e-commerce. |  |

Source: Adapted by the case authors from Vijay Vir Singh and Siddhartha Mitra, *Regulatory Management and Reform in India,* CUTS International, accessed October 12, 2016, www.oecd.org/gov/regulatory-policy/44925979.pdf; Confederation of Indian Industry, *E‑Commerce in India, A Game Changer for the Economy,* April 2016, accessed October 12, 2016, www2.deloitte.com/content/dam/Deloitte/in/Documents/technology-media-telecommunications/in-tmt-e-commerce-in-india-noexp.pdf.

Exhibit 2: Buyer demographics

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Parameter** | **2014** | **2015** | **2016** | **2017\*** | **2018\*** | **2019\*** | **2020\*** |
| Total population of India (in billions) | 1.26 | 1.29 | 1.30 | 1.32 | 1.34 | 1.36 | 1.38 |
| Share of population in India that uses a smartphone (in %) | 10.0 | 13.4 | 16.1 | 19.0 | 21.5 |  |  |
| Number of mobile phone Internet users in India (in millions) | 237.14 | 279.52 | 322.87 | 408.55 | 449.36 | 488.12 | 524.51 |
| Digital buyer penetration in India (in %) | 30.3 | 37.3 | 43.8 | 52.3 | 58.0 | 64.4 | 70.7 |

Note: \* Estimated

Source: Adapted by the case authors from “Share of Population in India That Use a Smartphone from 2015 to 2021,” Statistica, accessed October 12, 2016, www.statista.com/statistics/321487/smartphone-user-penetration-in-india/; “Digital Buyer Penetration in India from 2017 to 2019,” Statistica, accessed October 12, 2016, www.statista.com/statistics/261664/digital-buyer-penetration-in-india/; “Number of Mobile Phone Internet Users in India from 2015 to 2021 (in Millions),” Statistica, accessed October 12, 2016, www.statista.com/statistics/558610/number-of-mobile-Internet-user-in-india/.

Exhibit 3: Amazon India’s financial performance for the year ended March 2015 (in ₹ BILLION)

|  |  |
| --- | --- |
| Revenue | 10.220 |
| Loss | 17.236 |
| Key Expenses | |
| Sales promotion | 6.616 |
| Advertisements | 7.439 |
| Delivery charges | 4.362 |
| Legal | 2.213 |

Source: Adapted by the case authors from Sagar Malviya,“Amazon’s Net Loss from India Business Widens to Rs 1,724 Crore Even As Sales Jump Six-Fold,” *Economic Times*, January 25, 2016, accessed October 15, 2016, http://economictimes.indiatimes.com/markets/stocks/earnings/amazons-net-loss-from-india-business-widens-to-rs-1724-crore-even-as-sales-jump-six-fold/articleshow/50710173.cms.

Exhibit 4: Various product categories offered by KiranaNow

|  |
| --- |
| Make-up essentials |
| Personal and health care |
| Baby care |
| Kitchen and home essentials |
| Dairy, eggs, and breakfast |
| Household supplies |
| Hair care |
| Skin care |
| Family essentials |
| Cooking essentials |
| Snack food |
| Tea, coffee, and beverages |

Source: Adapted by the case authors from the Amazon Now grocery shopping online app.

Exhibit 5: Kirananow Online payment methods

The following credit and debit cards (issued in India) could be used for payment on KiranaNow:

* Credit cards:Visa and MasterCard
* Debit cards: Visa, MasterCard, RuPay, and Maestro, issued by the State Bank of India and CitiBank

The following cards issued outside of India were accepted:

* All international personal credit and debit cards (Visa and MasterCard)
* All commercial MasterCards issued in South Asia, the Middle East, and Africa
* All commercial Visa cards issued in the Asia-Pacific region

Source: Adapted by the case authors from the Amazon Now grocery shopping online app.

Exhibit 6: Kirananow Return policy

The return policy for products bought through the KiranaNow app is the following: At the time of delivery, the customer can reject unwanted or unexpected items. Once accepted at the time of delivery, a product cannot be returned unless it is damaged, defective, expired, or not as per the order placed. In this case, the customer can claim full refund for the product by contacting the KiranaNow team, provided that the issue is reported within 10 days of delivery of the product. All items sold on the KiranaNow app fall under the non-refundable category after delivery, as such items have been accepted.

Source: Adapted by the case authors from the Amazon Now grocery shopping online app.

Exhibit 7: Difference between AmazonFresh and KiranaNow business models

|  |  |  |  |  |
| --- | --- | --- | --- | --- |
|  | Suppliers | Distribution Centres (DCs) | Scheduling  and Routing | Delivery |
| AmazonFresh | Hub-and-spoke inventory-based model enables tight control over quality along with hyperlocal delivery, to avoid costly investments in delivery. | DCs have refrigeration and freezer capabilities for storing items. | Refrigerated delivery trucks; routes are designed to minimize total distance travelled and maximize fullness of the truck. | Grocery crates, reusable totes, insulated coolers, frozen bottles, and dry ice. |
| KiranaNow | Hyperlocal delivery model—deliveries are sourced from the local retailers; zero-inventory model. | No DCs are required because products are not stored, as in the case of the inventory-based model; quality and freshness of product is maintained by local kirana stores. | Based on customers’ preferred time slots. | Local delivery persons or kirana stores; local employees deliver the product to the customer’s doorstep. |

Source: Adapted by the case authors from “How Amazon Plans to Strike It Big in India,” Reddif.com, January 25, 2016, accessed October 18, 2016, www.rediff.com/business/report/tech-local-flavours-make-a-global-amazon/20160125.htm; “Amazon India Unveils ‘Kirana Now’ Service with Same Day Delivery,” NDTV Gadgets 360, March 26, 2015, accessed October 18, 2016, http://gadgets.ndtv.com/internet/news/amazon-india-unveils-kirana-now-service-with-same-day-delivery-674805.

Exhibit 8: KiranaNow business model

|  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- |
| **Key Partner**  Kirana Shop Owners  Sellers  Logistics Partners  Affiliates | **Key Activities**  Merchandising  Promotion  Procurement  Delivery | **Value Proposition**  Ease  \  Convenience  Product Variety  Best Deals  Fast Delivery | | **Customer Relationship**  Automated Service  Customer Helplines | **Customer Segments**  Working Professionals  Medium and Higher Income Groups  Local Consumer Markets  Individual Leverage |
| **Key Resources**  IT Infrastructure  Human: App Development, Application and Maintenance | **Channels**  AmazonNow App  Logistics Partners  Affiliates |
| **Cost Structure**  Economies of Scale  Low Cost Structure  Commission on Products  Online Fulfillment | | | **Revenue Stream**  Volume Sales  Different Delivery Options | | |

Source: Adapted by the case authors from Eric Noren, “Analysis of the Amazon Business Model” Digital Business Models, July 8, 2013, accessed October 21, 2016, www.digitalbusinessmodelguru.com/2013/07/analysis-of-amazon-business-model.html; Adrián Vicente, “Amazon Business Model,” The Blog of Logistics at MGEPS at UPV, February 27, 2016, accessed October 21, 2016, logisticsmgepsupv.wordpress.com/2016/02/27/amazon-business-model/; Tanya Verma, “Amazon Tie-Ups with Kirana Stores,” Thelka Blog, March 28, 2015, accessed October 21, 2016, www.tehelka.com/2015/03/amazon-tie-ups-with-kirana-stores/.

Exhibit 9: Online Grocery Competitors

|  |  |  |  |
| --- | --- | --- | --- |
| **Name** | **Launch Year** | **Business Model** | **Locations** |
| Bigbasket | 2011 | Inventory model with its own warehouse | 20 Tier 2 cities by the end of 2015—total of 28 by the end of 2016 |
| Grofers | 2013 | Hyperlocal | 27 cities and planned to increase to 50 cities by the end of 2016 |
| PepperTap | 2013 | Hyperlocal | 24 cities |
| ZopNow | 2011 | Hyperlocal leading to omni-channel (partnered with local hypermarket chain) | 6 cities—Bengaluru, Mumbai, Thane, Pune, Hyderabad, and Gurgaon |
| Localbanya | 2012 | Mix of warehousing and just-in-time deliveries | – |

Source: Adapted by the case authors from Athira A. Nair, “After Many Shutdowns, Online Grocery in India Finally Takes Off,” YourStory, September 28, 2015, accessed October 30, 2016, yourstory.com/2015/09/online-grocery-takes-off/.

Exhibit 10: Delivery charges for various online grocery retailers in India

|  |  |
| --- | --- |
| **Company** | **Delivery Charges** |
| Bigbasket | Delivery is free for orders above ₹1,000. For any orders below this, ₹20 is charged as a delivery fee. |
| Grofers | Delivery is free for orders above ₹250. For any orders below this, ₹49 is charged as a delivery fee. |
| ZopNow | Delivery is free for orders above ₹750. For any orders below this, ₹30 is charged as a delivery fee. |
| KiranaNow | For “Express Delivery” option, a delivery charge of ₹49 is charged per order. For “Scheduled Delivery” option, delivery is free for orders of ₹499 or more. For any orders below this, ₹19 is charged as a delivery fee. |

Source: Adapted by the case authors from Bigbasket company website, accessed September 28, 2016, www.bigbasket.com; Grofers company website, accessed September 28, 2016, www.grofers.com; ZopNow company website, accessed September 28, 2016, www.zopnow.com; Amazon Now grocery shopping online app.

1. This case has been written on the basis of published sources only. Consequently, the interpretation and perspectives presented in the case are not necessarily those of Amazon’s KiranaNow or any of its employees. [↑](#footnote-ref-1)
2. Priyanka Pani and Unnati Joshi, “Amazon’s Mission Is to Transform the Way India Buys and Sells: Amit Agarwal,” *The Hindu Business Line,* June 4, 2015, accessed September 13, 2016, www.thehindubusinessline.com/info-tech/amazons-mission-is-to-transform-the-way-india-buys-and-sells-amit-agarwal/article7282903.ece. [↑](#footnote-ref-2)
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4. All currency amounts are in US$ unless otherwise specified; US$1 = ₹67.24 on February, 6, 2017; ₹ = INR = Indian rupee. [↑](#footnote-ref-4)
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