

News monitored for: METRO Cash and Carry



# BATTLEGROUND KIRANA

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# BATTLEGROUND KIRANA

India's ubiquitous kirana stores are finding themselves in great demand as a slew of companies across payments, ecommerce and supply-chain tech vie for their loyalty and customers

By Rahul Sachitanand

There is an air of familiarity around Prabhu Stores, a small grocer on the fringes of Malleswaram, a Bengaluru neighbourhood. It is nearly 5 pm on a Friday evening and as the evening rush hour begins to build, Nagesh Prabhu, whose family has owned the store for the better part of five decades, is getting set for business.

Along with his wife, Prabhu operates the store from early in the morning to late evening, providing for small purchases of regular customers, ranging from one-off items such as a bar of soap to extensive monthly grocery lists. Over time, Prabhu Stores has become something of a landmark, with locals happy to point you in its direction. Until 12 months ago, the store, which is around 100 square feet and stocks under 1,000 items, typified the mom-and-pop store that's ubiquitous around India. The interiors were dim and disorganised, billing was ad-hoc and most transactions were in cash. The Prabhus, who live right next to their store, take turns minding the till. The business wasn't exactly booming, but just like the old neighbourhood, coasting along happily.

Over the past year, the store has undergone a transformation, rendering it nearly unrecognisable for long-time customers. Even as the Prabhus have tried to keep pace with change (they visited German retailer Metro Cash and Carry's India store the day it opened its first India store in Bengaluru, 18 years ago, and source from there regularly), it is the more recent actions that have turned heads. First, in mid-2019, Prabhu decided to sign up with Metro for its

point of sale, or PoS, machine to hand out digital bills and better manage the inventory.

This also helped piece together a list of some 800 customers to whom he could push special offers. Later, the store itself was overhauled and remodelled, bringing in fresh design and pleasing lighting, effectively opening up the store, making it more accessible to customers and store help alike. (Another unintended consequence: newly installed cameras detected a helper was pilfering groceries.) "The store has completely transformed in the past 12 months, but we have retained old customers and brought in new ones," says Prabhu. With the addition of a range of digital payment options and the slow adoption of apps to manage suppliers, certain change is in the air.

There are an estimated 12 million small retailers such as Prabhu Stores, meeting customer needs in every nook and cranny of the country. They are now the focus of two transformational forces – one that seeks to modernise such stores, using technology to bestow the efficiencies and tactics of modern retail, and another that seeks to make them the pulsating nerve centres of a coming ecom-

merce and digital payments revolution focussed on smaller cities and beyond, by hooking them up to virtual hubs of demand, supply and transactions.

Fintech companies such as Paytm, PhonePe and Google Pay are all jostling to become the payments bridge between the store and the customer. While store owners pay some of these companies a fee to receive payments, they also get commissions as volumes grow, opening up a new avenue for earnings. Companies such as Reliance, Metro and Amazon have offered glimpses of plans to make the kirana store a big part of their groceries and daily needs ecommerce play and also as delivery hubs and pick-up points for other goods. They have made a beginning by helping such stores better manage their inventory, refurbish the premises with cheap credit and gain more business.

## Catching the Corner Store

Away from the visible consumer-facing side of the business, a range of supply chain tech upgrades are underway, with everyone from Udaan to Ninjacart looking to get a kirana owner's attention. Then, a bunch of startups in catalogue management and inventory, including the likes of Store King and Snapbizz, are helping kirana owners sort their stock and better understand their business.

While tech companies get a chance to wire up a new set of customers (and hope to grow in parallel with them), consumer goods firms, including Hindustan Unilever and Future Group, are hoping to benefit from accessing tonnes of customer purchase data.

"Kirana stores are fast evolving with the adoption of technology to serve changing shopper aspirations and needs. HUL is experimenting with different business models in collaboration with retail partners," an HUL representative said. Historically, companies have struggled to prise business out of India's small retailers. Battered down by limited funds (mostly focused on meeting working capital needs), they have struggled to modernise their businesses.

However, over the past two or three years, a range of businesses, ranging from fledgling ventures such as Periple, a provider of self-check-out technology, to global retail bellwether Walmart, wants a piece of this action. "We believe kiranas' success is our business ... We understand their needs and know the existential dilemma they are facing in the current competitive environment," says Arvind Mediratta, MD & CEO, Metro Cash & Carry India.

Metro provides a PoS solution (available on monthly instal-

## The Kirana Pie

12 mn kirana stores across India

90% retail market is unorganised

\$700 bn Current size of India's retail market

\$1 tn Projected size of market by 2020

350-400 mn Retail consumers likely to be digitally influenced by 2020

Source: ASSOCHAM and MRRS India



ments) to small retailers, enabling kiranas to track their inventory, sales and revenue; they can refer to the dashboard wherein they can track slow- and fast-moving items like any modern retailer. They can run special promotions for high-value consumers and even send text messages and emails for promotions to their customers. They can also print GST-compliant invoices. Metro is also offering interest-free credit solutions for traders & kiranas, helping them optimise their working capital. Metro has also extended the reach of its 27 stores with a new offering whereby small store owners can order products on the fly from visiting sales staff.

Reliance Industries chairman Mukesh Ambani signalled the ambitious plans for his group at the firm's annual general meeting last year. "We shall create this (technology platform) by integrating and synergising the power of Reliance Retail's physical marketplace with the fabulous strengths of Jio's digital infrastructure and services... The 35 crore and growing customer footfalls at Reliance Retail stores... The 21.5 crore and growing Jio connectivity customers... The targeted 5 crore Jio Giga-Homes; and all the 3 crore small merchants and shopkeepers all over India who provide





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## Then & Now

### Eezy Kart, HSR Layout, Bengaluru

#### Then

100 sq ft store, sold 250 stock keeping units (SKU) daily, accepted cards for payment

#### Now

1,000 sq ft, 7,000 SKUs, multiple digital wallets for payments, apps to connect with suppliers, piloting own wallet

#### What's new:

20-30% incremental business after digitisation  
65% store earnings from digital payments



“Technology has completely changed the customer-facing operations and backend function for my business”  
Srihari Srinivasan, proprietor

### Prabhu Stores, Malleswaram, Bengaluru

#### Then

Small second-generation family business

#### Now

Modernised by Metro Cash & Carry, has a digital point of sale (PoS), flat screen to flash offers, multiple digital payment options

#### What's new:

Streamlined operations  
Closer tracking of inventory  
20% additional business



“The store has transformed in the past 12 months. We have retained our old customers and brought in new ones”  
Nagesh Prabhu, proprietor

the last-mile physical market connectivity,” he announced.

Reliance's focus on small retailers is part of its broader strategy that encompasses its retail, telecom and diverse tech interests. For example, it has piloted its mPoS solution across Gujarat and will soon try it in other states, too, before a national rollout. The firm wants to reach five million retailers by 2025.

India's richest man can expect some stiff competition in the race to woo India's small retailers. The world's largest retailer, Walmart, thinks it has the secret sauce to crack the market. The retail giant is offering small retailers a combination of store modernisation and its own PoS offering, to woo mom-and-pop stores keen for a tech upgrade. “With our knowledge of the country, retail expertise and because of our decade-long work with kiranas, we are in a unique position to understand their pain points,” Krish Iyer, chief executive, Walmart India, told ET in May this year.

In HSR Layout, on Bengaluru's eastern periphery, Srihari Srinivasan is keeping his options open. Over the past six years, his store Eezy Kart has grown ten-fold in size from a 100 sq ft outlet. Along the way, he has also used a combination of customer feedback and technology to tweak what he sells – Uncle Chipps was a smash hit with his customers as were Dove's products for men – even as he has added multiple digital payment options and apps to manage his supply chain.

If Bengaluru is arguably India's startup capital, then HSR is emerging as the laboratory for retail innovations. Retailers tend to offer more payment options, easier home delivery (on WhatsApp) and are more open to trial new products.

“Technology has completely changed both the customer-facing operations and the back-end function of my business,” says Srinivasan, proprietor of Eezy Kart, on a slow Friday afternoon. He is supervising a fresh consignment of 15-litre mineral water bottles that has just arrived, as he waits for business to pick up. Today, two-thirds of his transactions take place digitally and supplies are sourced using a combination of apps, including Amazon, Ninjacart and Udaan.

Despite this, he's cautious

### Reliance Industries

Core business: **Retail, telecom and oil & gas**

Plan: **Low-cost PoS solutions to small retailers (target is 5 million)**

Progress: **1,200 PoS being set up in stores in Gujarat**

Purpose: **Dominate Indian retail, counter Walmart, Amazon & Metro**



“We shall create this (technology platform) by integrating and synergising the power of Reliance Retail's physical marketplace with the fabulous strengths of Jio's digital infrastructure and services...”

Mukesh Ambani, chairman (in his AGM speech on July 5, 2018)

### Metro Cash & Carry

Core business: **B2B retail**

Plan: **Modernise small retail stores, digitise PoS to track sales**

Progress: **Working with 500 kirana stores**

Purpose: **German retail giant plans 50 stores in India by 2020**



“We understand the needs of kiranas and know the existential dilemma they are facing in the current environment”

Arvind Mediratta, CEO

### PhonePe

Core business: **Digital payments**

Plan: **App for retailers to manage inventory**

Progress: **Working with 5 mn small businesses**

Purpose: **Push digital payments into semi-urban areas**

“We plan to work with 7 million small businesses by the end of the year and retailers are a key target as they become tech-savvy”

Yuvraj Singh Shekhawat, head-offline business growth



### BharatPe

Core business: **Digital payments & lending**

Plan: **Start with free payments for small retailers, monetise base by offering loans**

Progress: **Working with 800,000 retailers in 13 cities**

Purpose: **Provide a range of fintech solutions for small businesses**

“We expect 3-4 times growth in all our metrics in 12 months as digitisation wave rises”

Ashneer Grover, CEO



### Walmart India

Core business: **Consumer goods**

Plan: **Store and PoS modernisation of 200-300 kiranas in cities**

Progress: **Pilot project in Lucknow, to be expanded to 100 stores**

Purpose: **Deals with small retailers to better understand consumers**

“With our knowledge of the country, retail expertise and our decade-long work with kiranas, we are in a unique position to understand their pain points”

Krish Iyer, CEO



about the sweeping plans of the likes of Reliance. “I want to be able to have the choice – and give my customers the choice – of what products to have on my shelves,” he says. “Reliance private labels, Jio mobile and an mPoS also from them narrow these choices.”

Having these options suits companies such as PhonePe just fine. The payment solution of the Flipkart-owned company, which is inching towards becoming India's next unicorn (a company valued at a billion dollars or more), is used by over five million small businesses of all hues, with small retailers leading the way. “We plan to work with seven million small businesses by the end of the year and retailers are a key target as they become tech-savvy and push for more incremental business from new-age tech solutions,” says Yuvraj Singh Shekhawat, head, offline business growth, PhonePe. Beyond digital payments, PhonePe now offers a platform for small retailers to manage their entire digital identity.

In February 2019, payments startup BharatPe announced it had bagged \$17 million in its Series A (first institutional round) funding, led by Sequoia Capital and Beenext, reportedly the largest amount raised at this juncture. This money will come in handy for the fast-growing firm. It already has signed up 800,000 small retailers for its business and thousands more are in the queue. CEO Ashneer Grover says business is on a tear – BharatPe signed up barely 70,000 of them as of December 2018. “We expect 3-4 times growth in all our metrics in the next 12 months as this digitisation wave grows,” he says. Rather than just add more businesses to its roster, he wants the company to do more with them – graduate from low-margin (or no-margin) payments to becoming a lender of small amounts of capital to retailers, before an NBFC application is processed and hopefully approved.

India's kirana stores are suddenly finding themselves in great demand. ■

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