E-MANDI

Business Strategies for Effective Discounting

Consulting & Co.

Ankush Gupta

OUR INSIGHTS ON E-COMMERCE INDUSTRY

INTRODUCTION

INDIAN E-COMMERCE

E-commerce has transformed the way business is done in India. The Indian E-commerce market is expected to grow to US$ 200 billion by 2026 from US$ 38.5 billion as of 2017.


Government Insights

The Central Government has allowed 100% FDI in food retail through E-commerce. This could allow the existing players to attract FDI.
And the policies like Digital India and Atmanirbhar Bharat(Make in India) have also contributed to the growth.

Market Growth and Size

Market Trend

Market Split of e- grocery among major players

India Grocery Market Size & Growth USD Bn

The grocery market saw led by the reduction in overall spending due to COVID

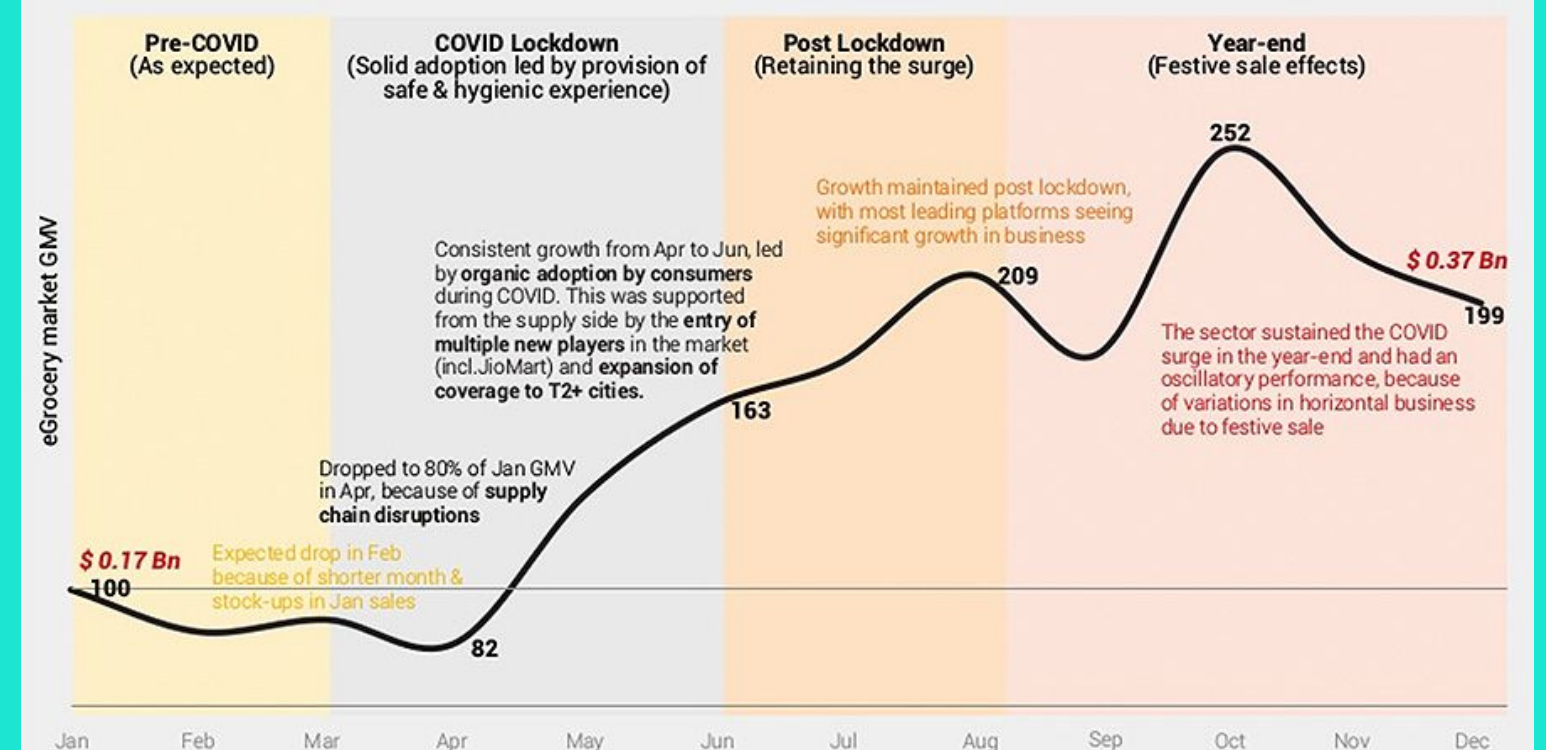|	2016	2019	2020F	2025F
Market Size	442	603	573	852

Growth: 11%, 5%, 8%
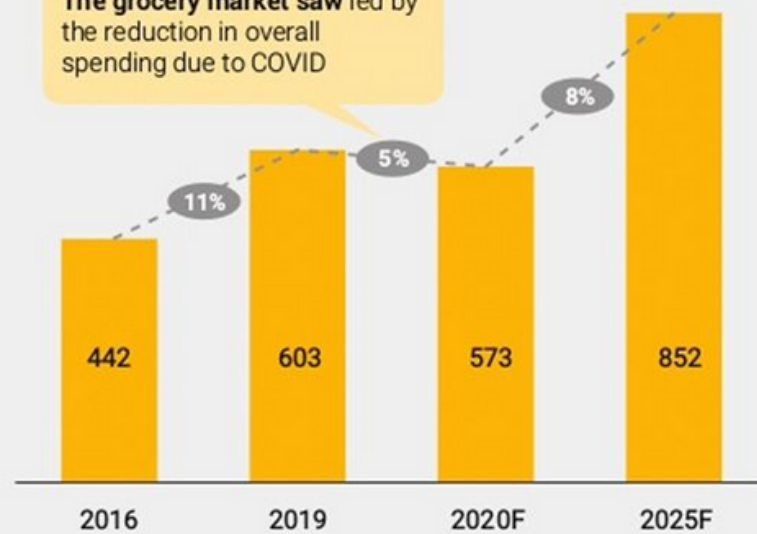
Grocery Spend

Per Capita (USD)	334	446	419	600
As % of GDP	19.1%	19.9%	21.0%	23.0%
As % of retail	67.4%	66.5%	73.4%	65.3%

eGrocery market trend – 2020
GMV, Jan'20 indexed at 100 points

Pre-COVID (As expected)	COVID Lockdown (Solid adoption led by provision of safe & hygienic experience)	Post Lockdown (Retaining the surge)	Year-end (Festive sale effects)

Consistent growth from Apr to Jun, led by organic adoption by consumers during COVID. This was supported from the supply side by the entry of multiple new players in the market (incl.JioMart) and expansion of coverage to T2+ cities.

Growth maintained post lockdown, with most leading platforms seeing significant growth in business

The sector sustained the COVID surge in the year-end and had an oscillatory performance, because of variations in horizontal business due to festive sale

$ 0.37 Bn

252, 209, 163, 199

Dropped to 80% of Jan GMV in Apr, because of supply chain disruptions

$ 0.17 Bn
Expected drop in Feb because of shorter month & stock-ups in Jan sales

100, 82

Jan Feb Mar Apr May Jun Jul Aug Sep Oct Nov Dec

Player Share of India's Hyperlocal E-Grocery Market

XX Quarterly E-Grocery GMV, Mn$

Y-o-Y growth of 106%

160, 252, 330

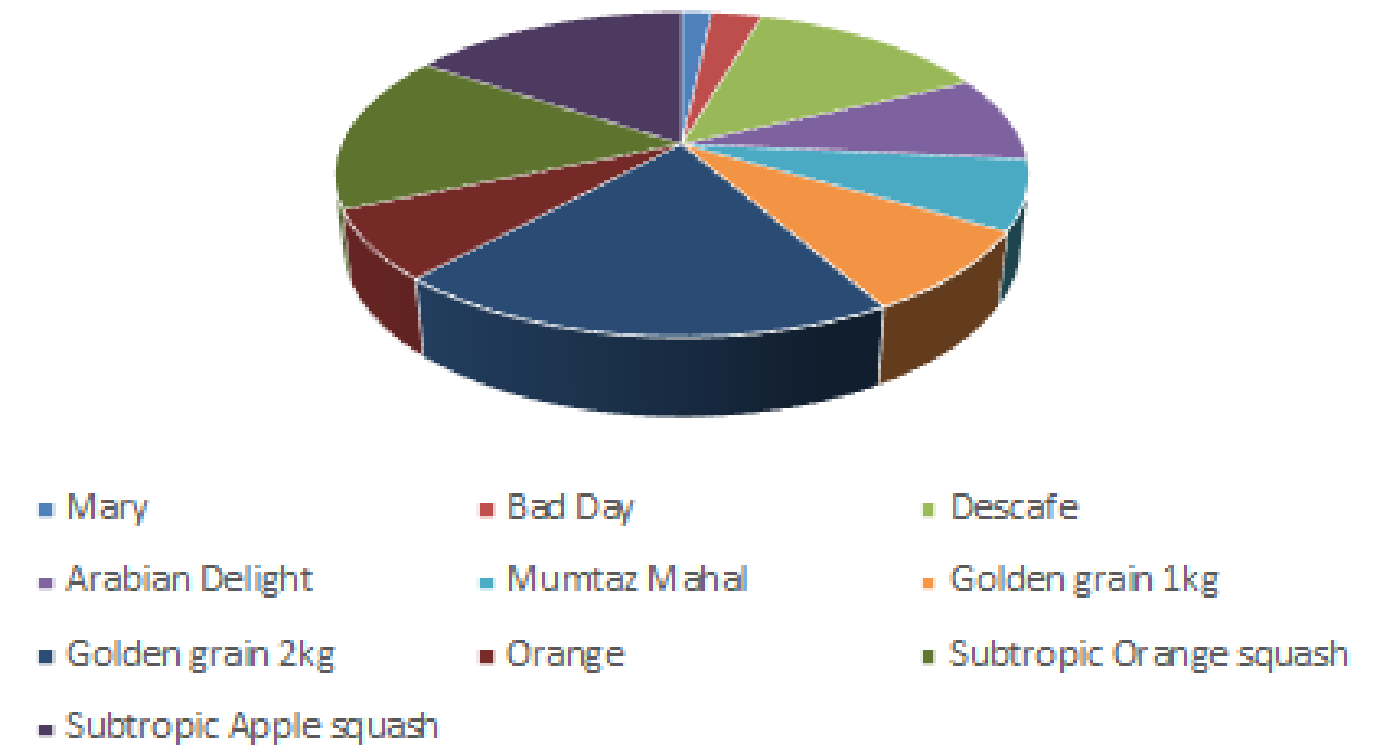|	JFM'18	JAS'18	JFM'19
Others — Licious, Milkbasket, Doodhwala, DailyNinja etc.	10%	15%	15%
Large Horizontals — Flipkart, amazon.in	9%	8%	5%
Grocery Specialists — bigbasket, GROFERS	81%	77%	80%

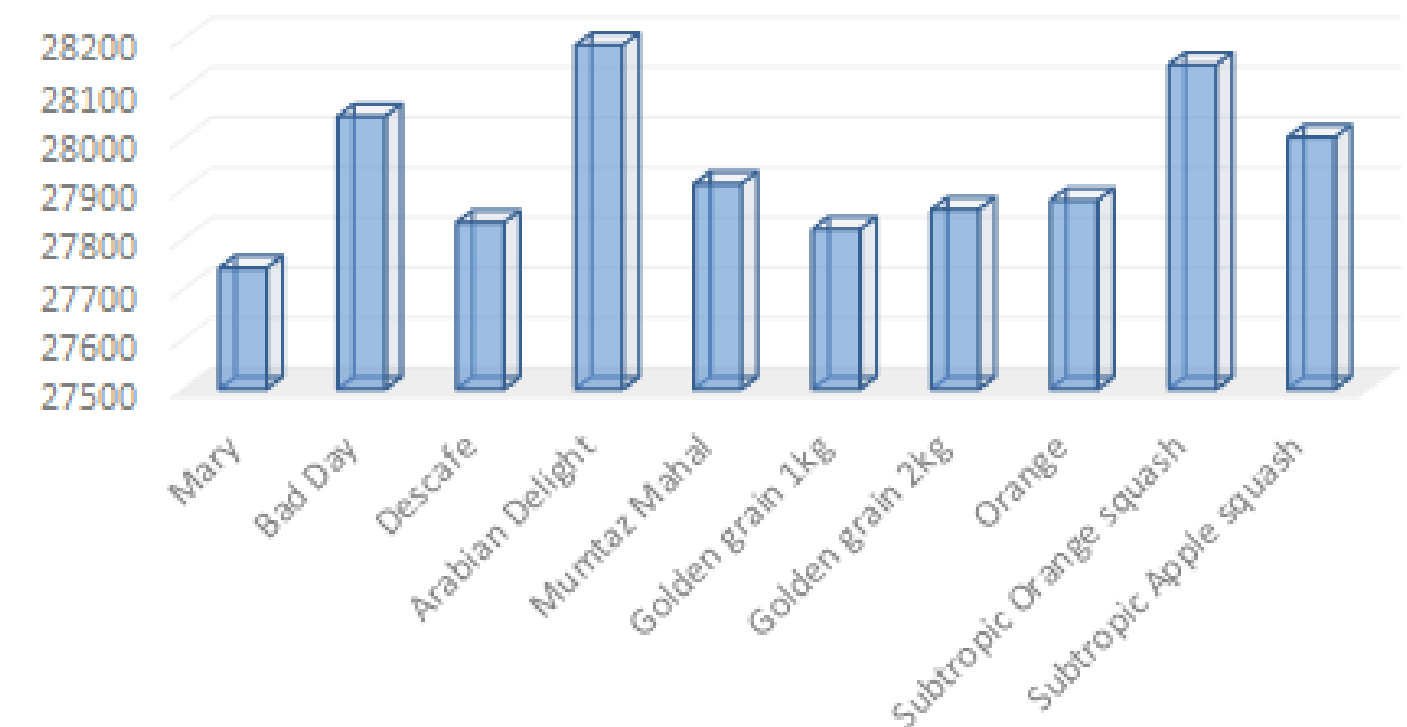# OUR INSIGHTS ON E-MANDI

Key Features of E-Mandi:
- Inventory led model
- Competitive Prices
- High Quality Standard
- Highly Skilled Employees

Key Competitors such as Grofers, Big Basket, Jio Mart, Spencers and many others
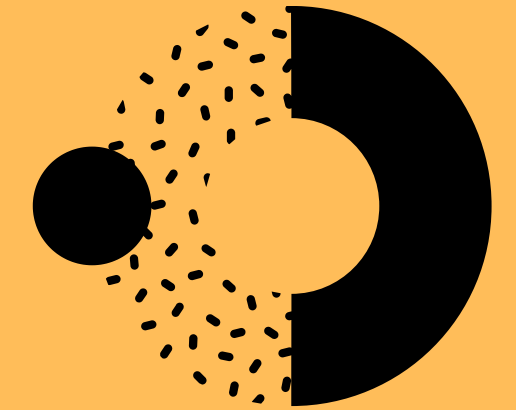
Profit split for last 6 months(Product Wise)

- Mary
- Bad Day
- Descafe
- Arabian Delight
- Mumtaz Mahal
- Golden grain 1kg
- Golden grain 2kg
- Orange
- Subtropic Orange squash
- Subtropic Apple squash

Quantity Sold in Last 6 Months

KEY OBSERVATIONS

Observations from meetings/Videos

- Customer Acquistion & Retention Costs Y-O-Y haven't been in line with the revenue growth and costs trend.
- Marketing expenses have slightly reduced over the years and company has less focus on brand building.
- Net Profits have increased from 4.9% in 2018 to 6.9% in 2020

Observations Based on Data Analysis

- The maximum amount of profit havs been generated by rice(2 kg) and has got the highest margin.
- Quantity sold of all products are very much similar over the period of last six months which very well show that there is no seasonal influence on the sales of any particular commodity.
- Frequency of small orders is much higher than big ordrrs.

Important Observations

- The customers who ordered less in a particular month has got certain times more discounts than the ones who order more, the only difference is the amount of cart value each time. So, discounting strategy is ineffective.
- There is no product based discount strategy which could boost sales and attract consumers.

# DATA SUPPORTING OUR OBSERVATIONS

No of orders

We can very well see that most of the consumers have not been able to avail the present discounting benefits based on cart value and supports the need to have new discounting strategies.

				Months					
	Jan'21		Feb'21		Mar'21		Oct'20		
Customer ID	Total Sales (spe	Total Discount	Total Sale	Total Disc	Total Sale	Total Disc	Total Sale	Total Disc	Tota
1001	1970	220	850	67.5	2140	206.5	1320	72	
1002	840	0	1590	145.5	830	0	590	0	
1003	550	67.5	1370	145.5	1630	187.5	1070	160	
1004	1760	208	550	52.5	3160	417.5	1210	48	
1005	1010	60	1570	100	1700	220	2220	153	
1006	3660	412.5	6060	635	2730	410.5	860	72	
1007	2480	286	2360	305	2570	347.5	1500	220	
1008	2510	200	280	0	440	0	1600	175.5	
1009	1340	148	1440	100	1130	52.5	610	0	
1010	1200	105	300	0	2200	295	2950	354.5	
1011	490	73.5	840	40.5	2040	267.5	960	100	
1012	1780	100	2830	428.5	2770	380.5	4200	490	
1013	2990	267.5	2740	335	150	0	1810	235.5	
1014	1640	234	1560	181.5	1250	127.5	550	60	

From the above data, it is clear that in certain cases, consumers who order more in a month has got less discount than the ones who have ordred less amount than them which leads us to have a Customer based Discount Strategy.

OPPORTUNITY TO BOOST TOPLINE THROUGH DISCOUNTING REALIGNMENT

No of Customers

- 0-400
- 400-800
- 800-1200
- 1200-1600
- 1600-2000
- >2000
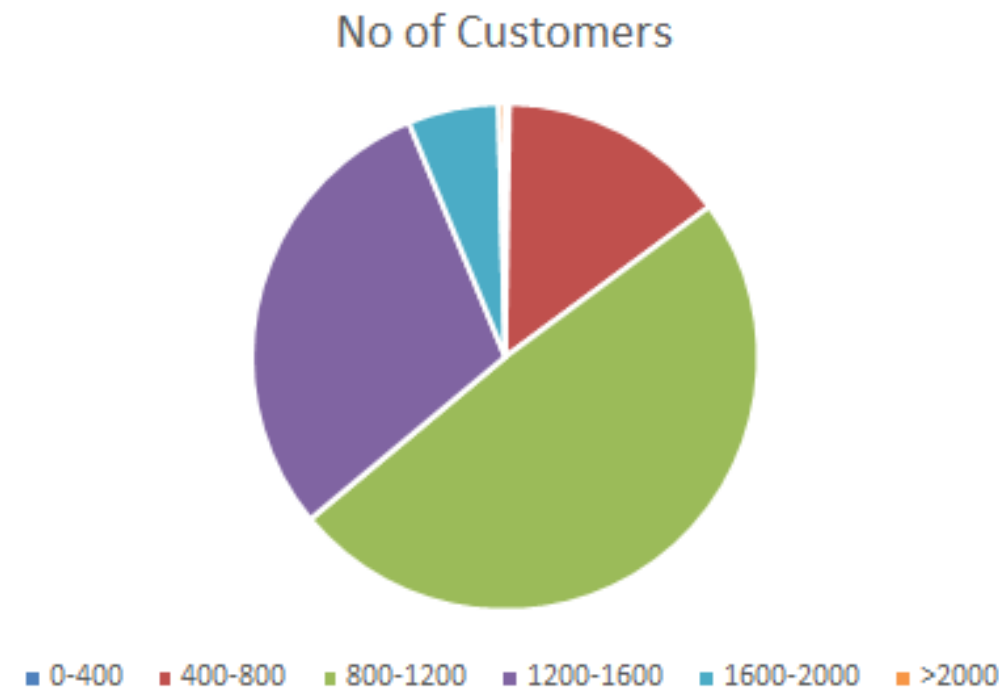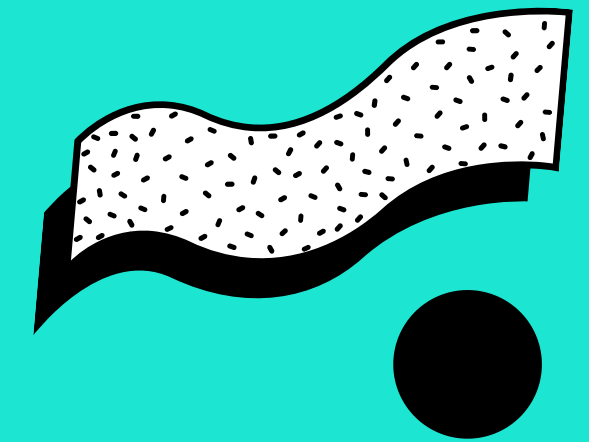
Here from the given pie chart we can conclude that most of the customers have been offered total discount in the range 800-1200 for the last 6 months .

Customer Based Approach

The new discounting strategy can be inclined towards the customer consistency in placing orders, so if a customer is spending more than a spending floor(ie the minimum amount of price spent by customer in a month) then he could unlock new discounted prices for all commodities for next month.
So this strategy could attract more people to order from E-mandi and generate high customer base.

Rice

- GOLDEN GRAIN(1KG)
- GOLDEN GRAIN(2 KG)

From the previous graph we can make sure that maximum amount of sales was of product 7 and moreover the sales in each month was quite similar for this product.
So there is no seasonal influence on the sales of this product and also it has the highest margin and has generated the maximum profits
Here on a unit quantity we make a profit of about Rs 7.2, so one thing is very much sure that if we can give a discount on this product, then also there will be a high amount
of margin left and because of discount offer, more people will get attracted to buy this product from E-mandi since rice is
very common indian commodity which one can always find in Indian households and so people who were earlier purchasing only 1kg will be preferring to buy 2kg of it
because of higher discount offered.

Juices

- SUBTROPIC ORANGE SQUASH
- SUBTROPIC APPLE SQUASH

Now if we focus on Product 9 and 10, ie the orange and apple juice ,one thing is very much clear that both offers the same amount of profit on a unit quantity, but if we look at the sales of both juices, we can see that orange juice certainly has got more sales than apple juices and Orange juice has almost higher monthly sales than apple juices in each month except in November and March, but it does not reveal any particular pattern and the differences in the sales could be due to sampling fluctuations and nothing could be concluded about the entire population as whole.
But since the margin on unit quantity of each one of them is Rs 5.6, so we can give dicount on it based on the quantities ordered in each particular order placed so because of discounting options people might order more quantity and can lead to high sales

Buiscuits

- MARY
- BAD DAY

Now if we focus on biscuits, one thing is clear that product 1 and product 2 have the same selling price but the profit earned on each unit quantity sold of each one of them is different and that product 2 offers higher profit than product 1 and more over the quantity sold of product 2 is also higher.
So people are definitely looking forward to purchase product 2 than product 1 because of quality offered since both of them have selling price and since product 2 offers higher profits, company can also earn more money by promoting it more by giving additional discount offers.
But it is to be kept in mind that this is definitely going to affect the sales of product 1, but won't be reason for any losses of E-mandi , since this will compel the supplier to reduce the cost of their biscuits in order to be more competitive in market.
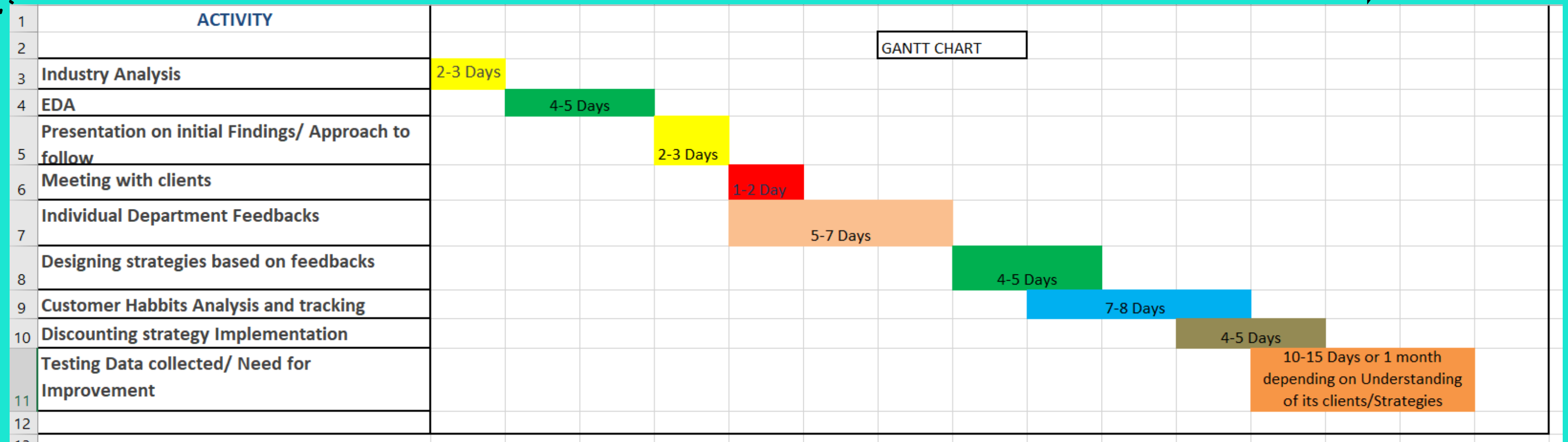
Coffee/Tea

- COFFEE-DESCAFE
- TEA-MUMTAZ MAHAL

After analysing the product 4 and 6 ie coffee and tea respectively one thing is pretty much clear that people order higher quantity of tea than coffee but the difference is not much and the profit generated by coffee is much much higher than generated by tea, one could say almost double.
This is possible since coffee has higher margin of profits than tea. So our discounting factor should be based on the fact that people could buy more tea and the sales of coffee should not decrease since both of them are substitutes, so one should take care of the fact that giving high discount on coffee can eliminate tea from the market.
So our strategy should focus to increase sales of tea and try to saturate the coffee demand in the market.

	ACTIVITY	GANTT CHART											
1													
2													
3	Industry Analysis	2-3 Days											
4	EDA		4-5 Days										
5	Presentation on initial Findings/ Approach to follow			2-3 Days									
6	Meeting with clients				1-2 Day								
7	Individual Department Feedbacks					5-7 Days							
8	Designing strategies based on feedbacks							4-5 Days					
9	Customer Habbits Analysis and tracking								7-8 Days				
10	Discounting strategy Implementation									4-5 Days			
11	Testing Data collected/ Need for Improvement										10-15 Days or 1 month depending on Understanding of its clients/Strategies		
12													

This Gantt Chart helps us to understand our step by step approach in this Business Development Project of E-Mandi and the timeline of individual steps/activities.