# E-FMCG Market in India

- A short perspective document on the online FMCG/grocery sector and key players
- Assessed through a regularly tracked set of performance indicators

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RedSeer Consulting

# Study Background

## Objective

Gathering insights on multiple aspects of the online FMCG/grocery retail market in India including :-

- Industry size and online penetration
- Market share and insights on key players
- Consumer Shopping Behaviour
- Customer satisfaction in terms of-
  - Shopping experience (Web and App)
  - Overall value proposition (Prices, availability, quality and variety)
  - Delivery experience ( Delivery time, packaging quality etc.)

## Research Approach

RedSeer's Integrated Research Approach™ , incorporating the following-

- Primary Interviews with 300+ shoppers
- Merchant Interviews

Note: 1. Sales/GMV related performance numbers are broad estimates
2. USD 1=INR 60 has been assumed across the deck

***Disclaimer**: The numbers and analysis quoted in the report have been developed through RedSeer research with industry experts and customer survey. The report is a fact-based study and should not be interpreted as a recommendation document.*

SOURCE: RedSeer Approach

# Agenda

1. Overall E-FMCG market
2. Customer Buying Behaviour
3. Customer Satisfaction
4. Appendix- RedSeer Offerings

# FMCG/Grocery retail in India is a USD 450 bn opportunity- but online penetration is very low (0.1%)

1 USD= 60 INR

| Categories | Overall Retail Market Size, USD Bn (2016) | Share of online sales (2016) | Key Takeaways |
|---|---|---|---|
| Mobiles | **26** | | • Historical growth propelled by exclusives<br>• Growth is slowing down as online penetration increases to >25% |
| Fashion | **100[1]** | | • Expected to be fastest growing category and account for 35+% online GMV by 2020<br>• Verticals expected to have a strong play |
| Large Appliances | **10[2]** | | • EMI schemes and exclusives along with continuously expanding supply chains are driving growth |
| Furniture and Home | **30** | | • Remains a slow growth story, especially in furniture, even with <2% online penetration<br>• Verticals expected to have a strong play |
| FMCG and Grocery | **450** | | • Still in very initial stages and has 0.1% online share, with pilot programs across cities<br>• Expected to be a focus sector in future |

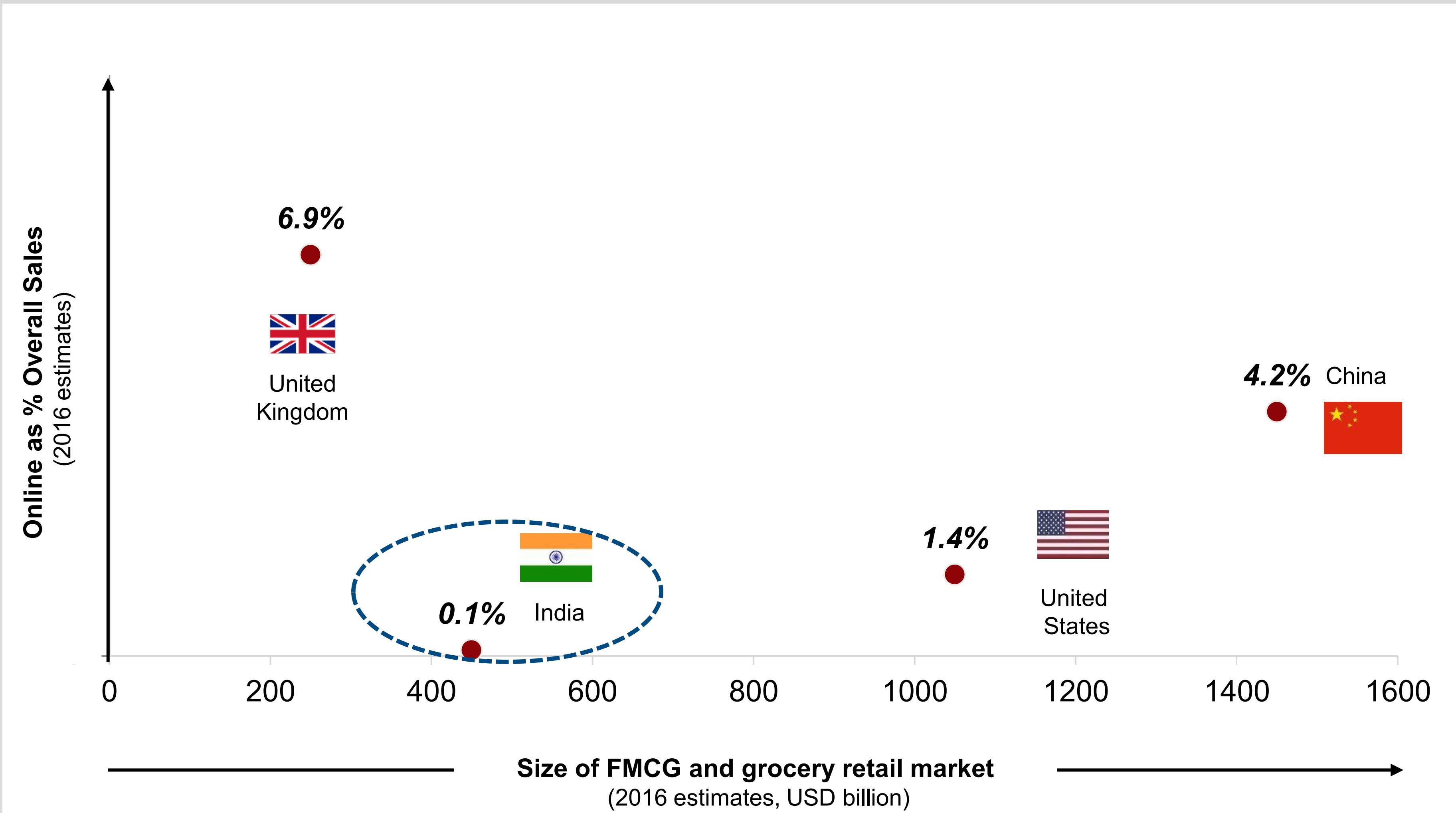
[1]Fashion includes Apparel, footwear and accessories
[2] Large appliances include TVs

Source: RedSeer analysis

>25% | 5-25% | 1-5% | <1%

# Compared to other economies as well, online FMCG in India is very nascent- *pointing to a vast growth potential*

1 USD= 60 INR




Source: Online Reports; RedSeer analysis

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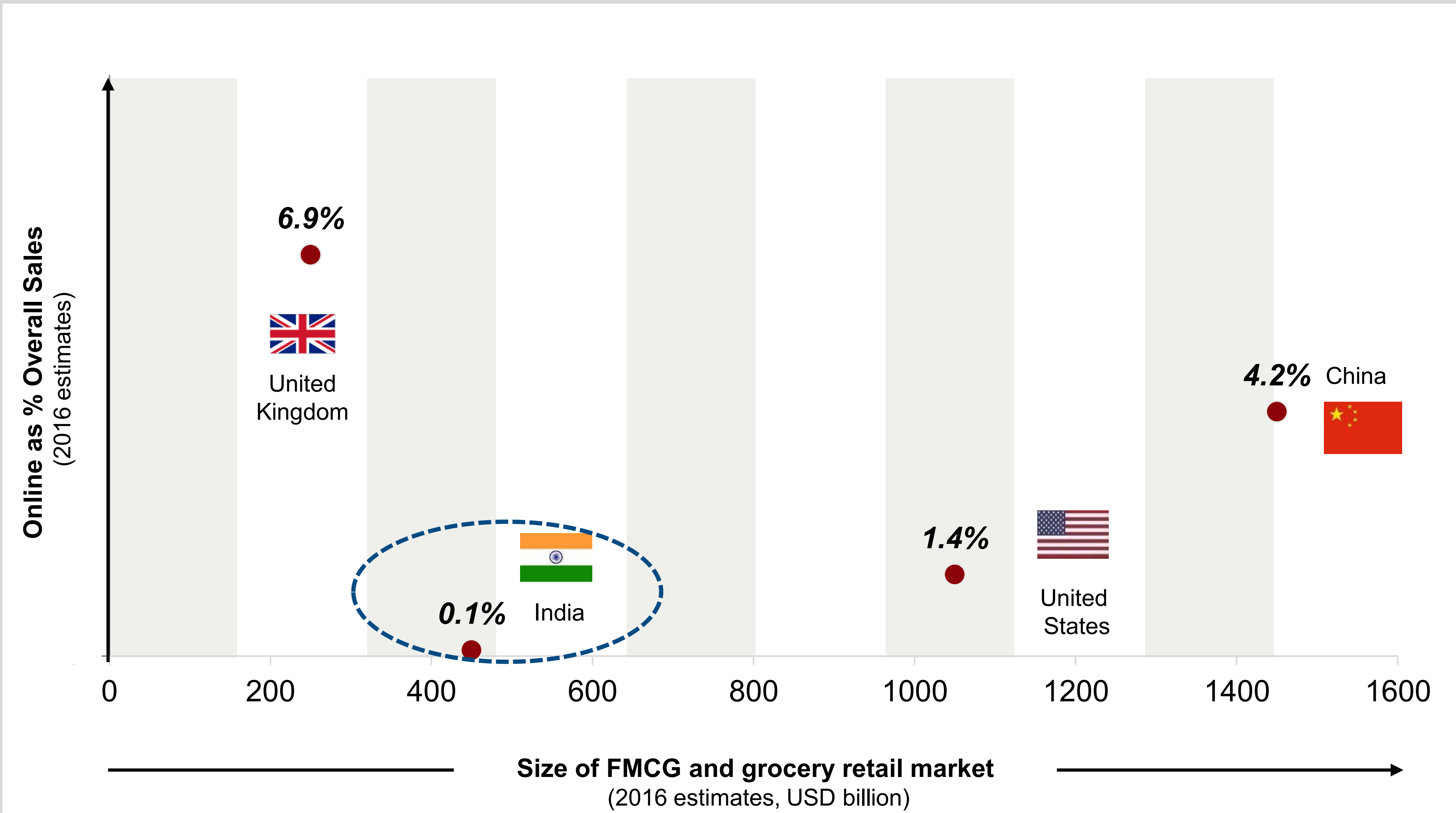
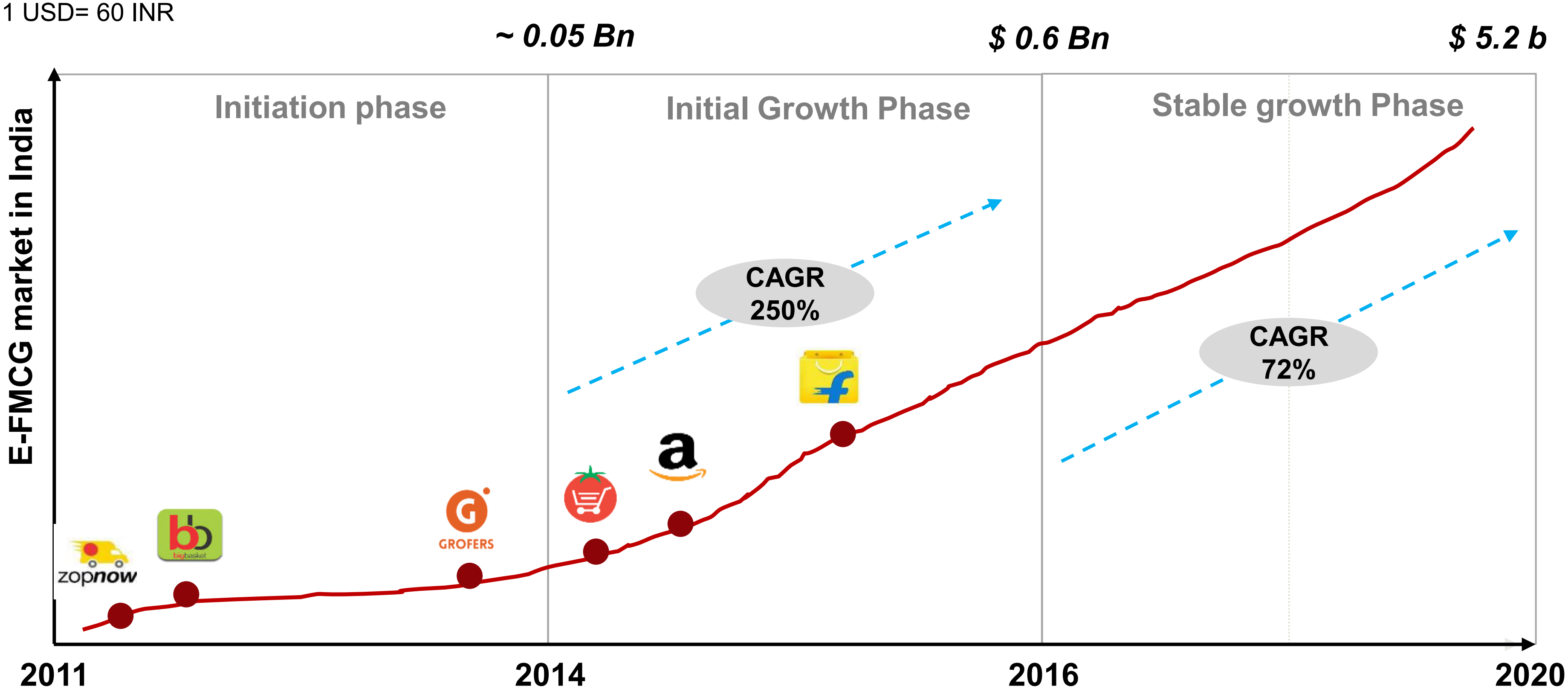



Source: Online Reports; RedSeer analysis

# We expect this USD ~0.6 Bn market (2016) to steadily realize its potential and grow to USD 5+ Bn by 2020

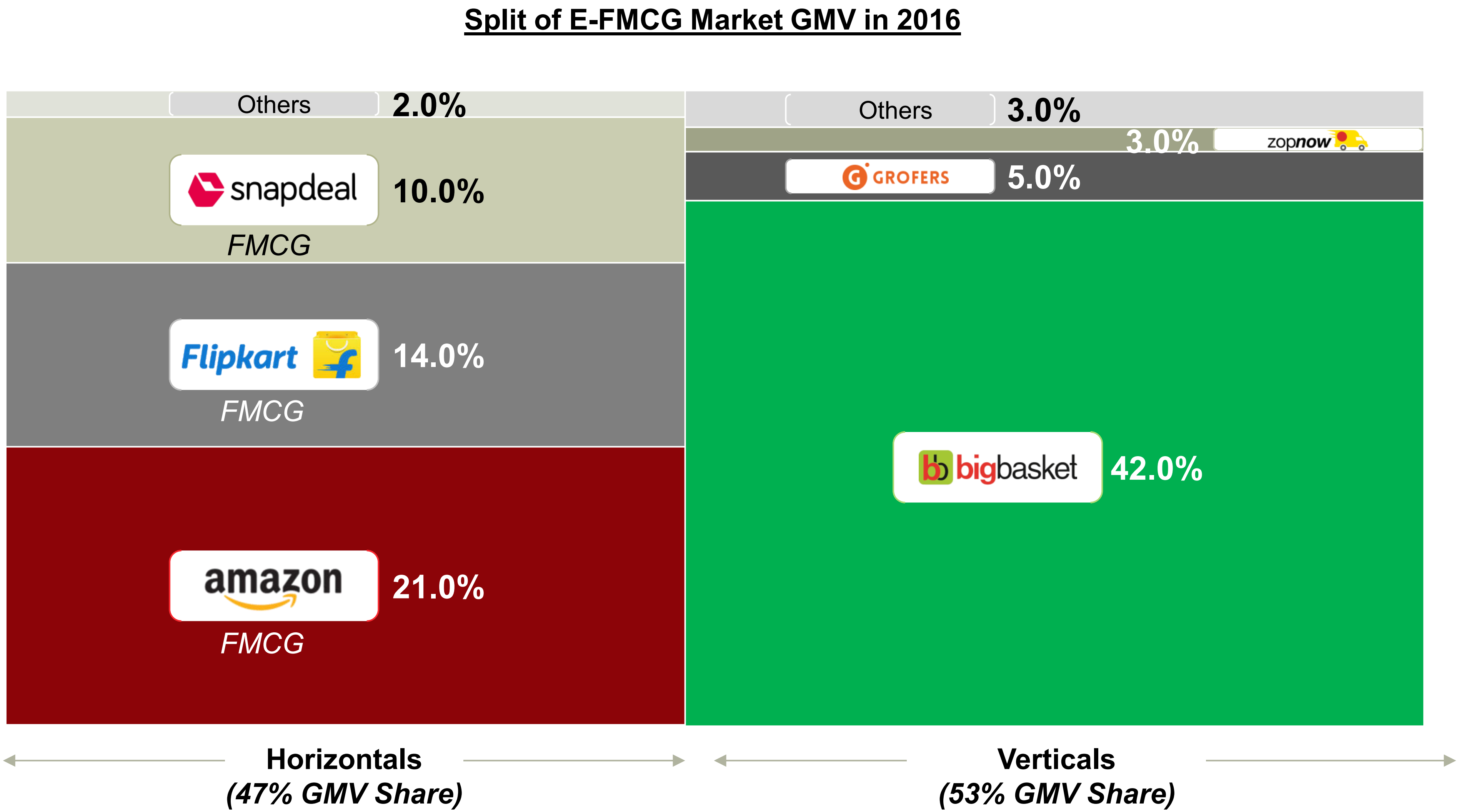
1 USD= 60 INR




| Initiation phase | Initial Growth Phase | Stable growth Phase |
|---|---|---|
| ▪ Entry of vertical players at small scale in chosen metro cities<br>▪ Low consumer adoption and limited selection | ▪ Breakout years for sector- receives majority of $ 500 million funding<br>▪ Entry of horizontals and expansion to non-metros for verticals<br>▪ Tweaking of business models | ▪ Stabilization of business models<br>▪ Strong take-up in both metros and smaller cities driven by growing selection, offers and innovative business models |

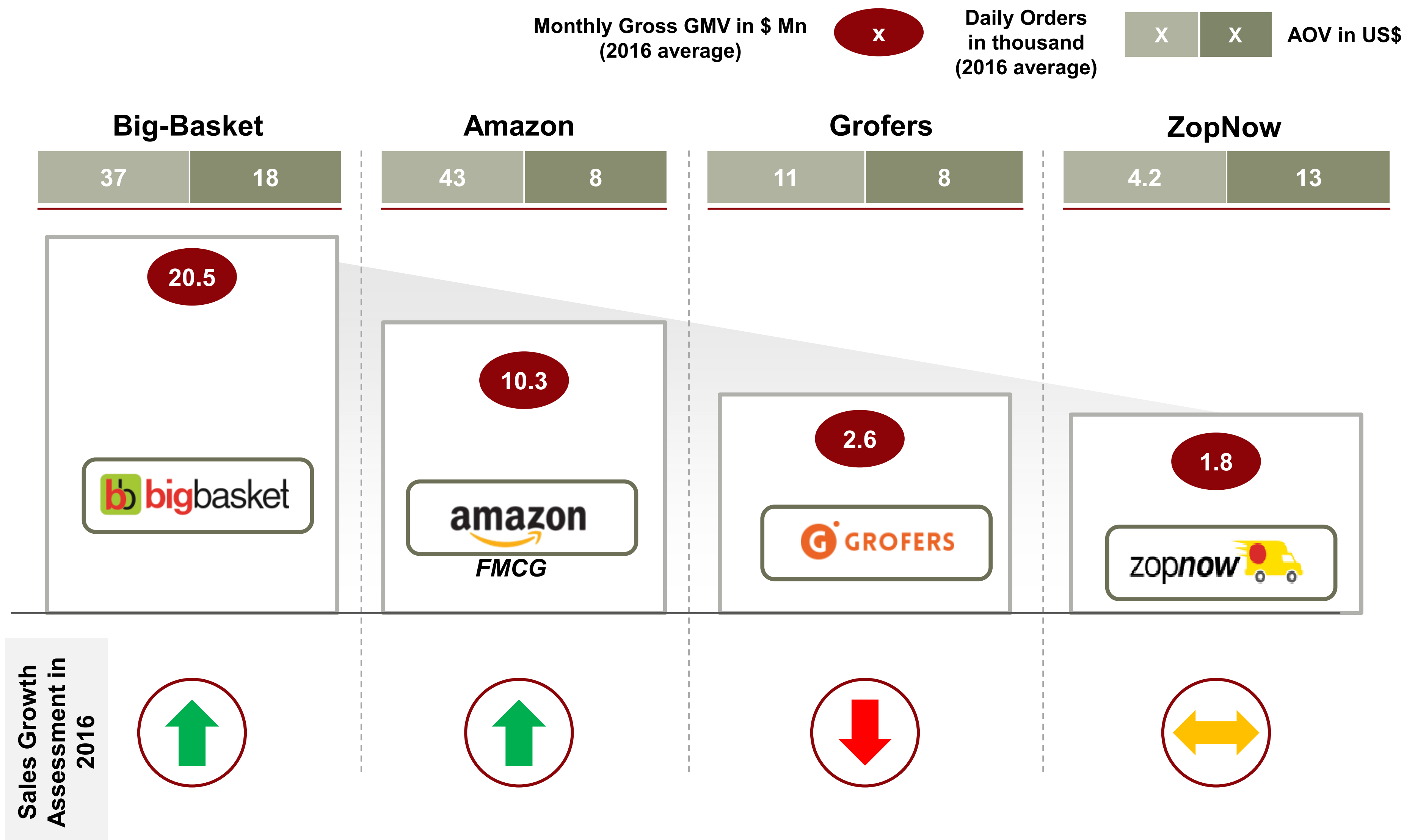
SOURCE: Primary Research; Online Reports; RedSeer Analysis

# In the current market, *BigBasket* is clear overall leader with *Amazon FMCG* close behind




Source: RedSeer analysis

# *BigBasket* had highest volumes and AOV in 2016; along with *Amazon FMCG*, it was the only player to record strong sales growth in 2016




Source: RedSeer analysis

Bullish Bearish Neutral

# *BigBasket* and *Amazon FMCG* drove sales growth in 2016 through new initiatives i.e. Express Delivery, Amazon Now and Amazon Pantry

| Player | Key developments in 2016 |
|---|---|
| A Big-Basket | ▪ Launched its **Express** delivery service in 8 cities in 2016, through which it delivers orders in 90 minutes. As of December 2016, 25% of the orders are express delivery<br>▪ Share of private labels has to grown to nearly 35-40% |
| B Grofers | ▪ Shut down its operations in **9** cities in the beginning of the year 2016<br>▪ Changed model to **Inventory model** towards the mid of 2016 |
| C Zopnow | ▪ ZopNow started offering e-grocery as a Service (SaaS) solution to large brick-and -mortar retailers towards the end of 2016<br>▪ It launched online retail stores for More and Hypercity along with their branded apps in mid 2016 |
| D Amazon FMCG<br>Amazon | ▪ **Amazon Now,** which offers express delivery, launched its operations in 3 more cities (Delhi, Hyderabad and Mumbai) besides Bangalore towards the end of 2016<br>▪ **Amazon Pantry,** which offers next day delivery, was launched in Bangalore in September 2016 after a successful pilot in Hyderabad. Later it was launched in 6 more cities<br>▪ As of Dec' 2016, 10-12% (and growing) of Amazon's FMCG sales were driven by **Now** and **Pantry** |

Source: Industry reports, Company annual report, RedSeer analysis

# Agenda

# Majority of shoppers spend less than $ 17 ( INR 1000) per transaction when shopping for FMCG/grocery online

Q. How much do you spend on online grocery for your last purchase?

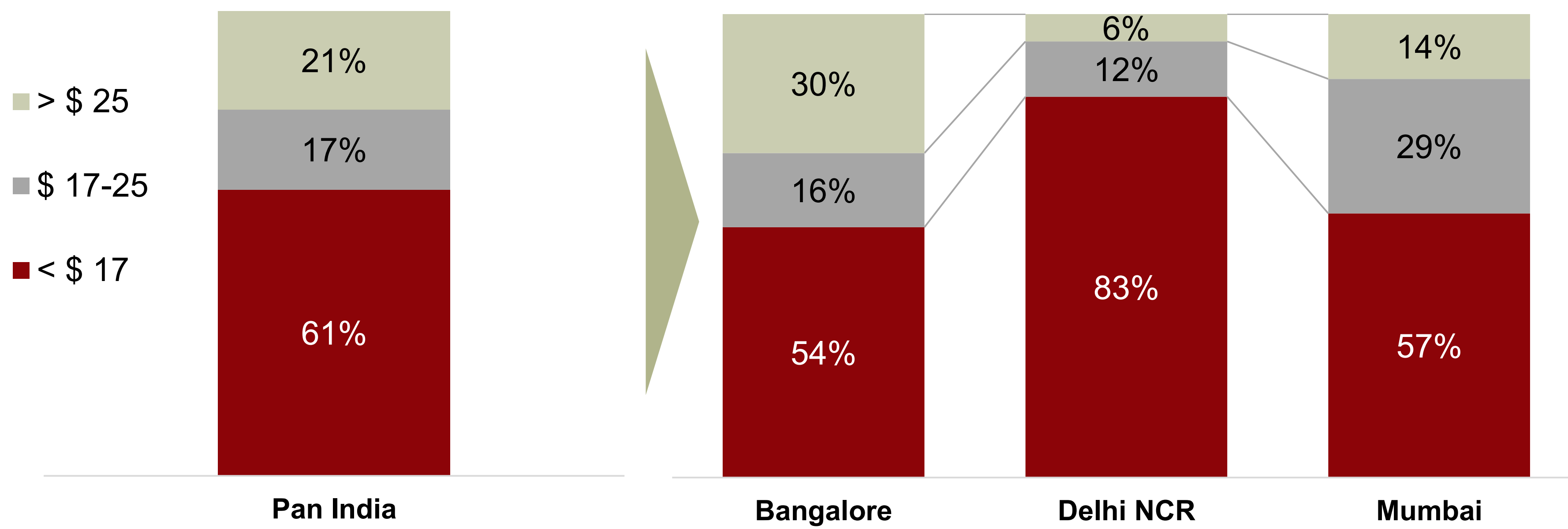
**80% of all online FMCG/grocery transactions are in <USD 25 (INR 1500) bracket**

**Bangalore has the highest share of high spending online customers, followed by Mumbai**

**Online FMCG Spending Trend- *Pan India***

**Online FMCG Spending Trend- *City-Wise***

Customer average spend per transaction, in %



# Most popular categories purchased online are grocery/staples and fruits and vegetables

■ Grocery & Staples ■ Fruits and Vegetables ■ Others

Q. Which category did you shop?

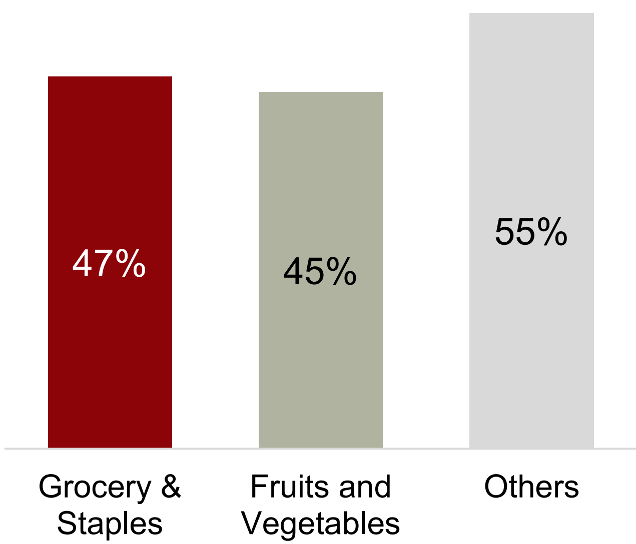
**Within *Others* bucket, most shopped product categories are personal care and household**

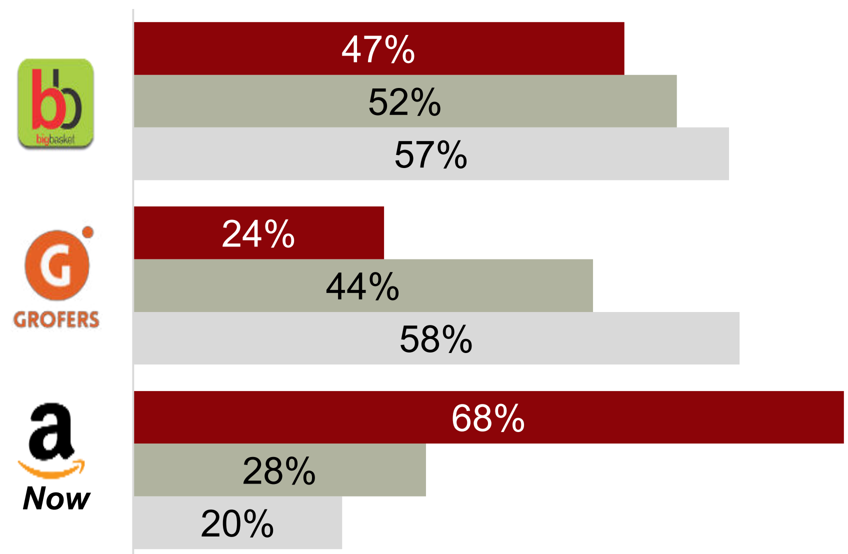
**Category mix for BigBasket is most evenly distributed- *indicating its nature as a one-stop solution for online FMCG shoppers***

**Categories purchased- For all players**

**Categories purchased- For each player**

Category purchased, as % of shoppers surveyed



# App is the preferred shopping medium for most online FMCG/grocery shoppers

Q. How medium do you use for your latest shopping?

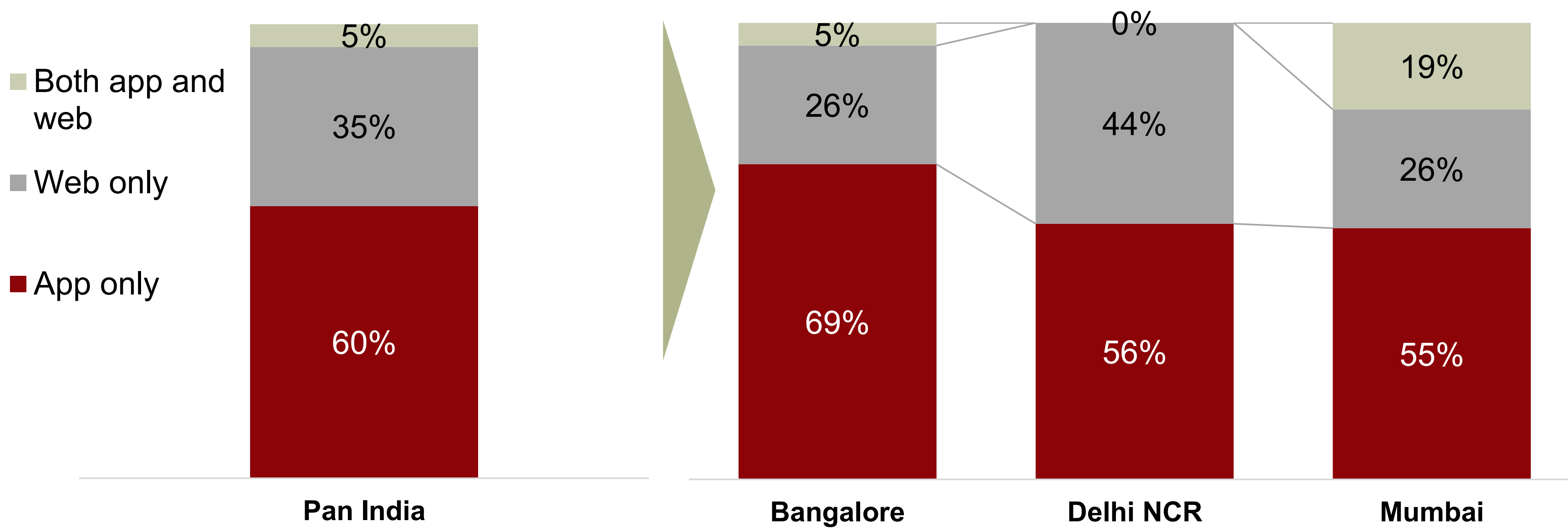
**Nearly two thirds of shoppers report using apps to do their last online FMCG/grocery transaction**

**Bangalore has the highest share of app users- possibly due to the market being more mature compared to other cities**

**App/Web preference when shopping- *Pan India***

**App/Web preference when shopping- *City-Wise***

App vs web preference when shopping- as % of surveyed shoppers




Source : Consumer Excellence Study (300+ surveys) conducted in Q1-CY17 ; RedSeer Analysis

# Prepaid orders continue to dominate the E-FMCG- a possible fallout of demonetization in Nov'16

Q. Which medium did you use for paying for your last online FMCG/grocery transaction ?

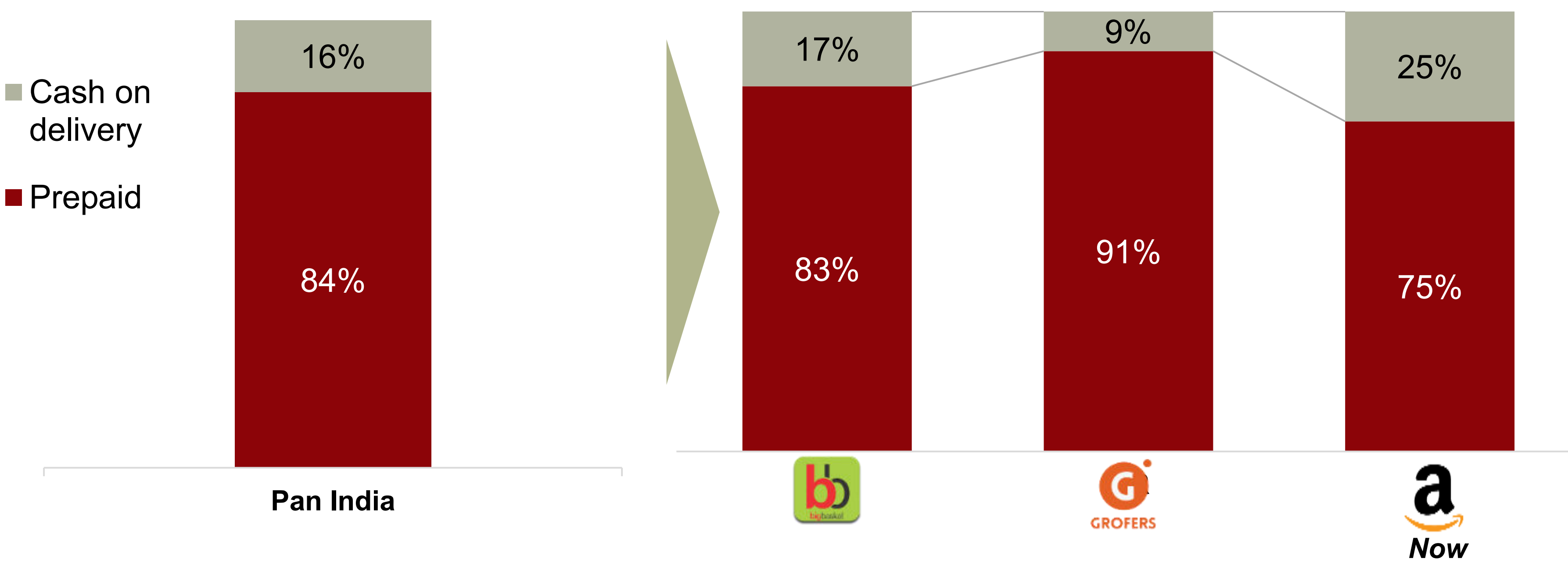
**Most customers report paying via prepaid modes- *a possible side effect of demonetization***

**Grofers has the highest prepaid share of prepaid orders**

**Prepaid vs. COD Mix- Pan India**

**Prepaid vs. COD Mix- Player-wise**

% Surveyed shoppers reporting paying using each mode



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# RedSeer Consumer Excellence Study tracks satisfaction of online FMCG/grocery shoppers on 19 key metrics

| SN | Satisfaction Metric | Sub KPIs |
|---|---|---|
| 1 | Desktop/Web Shopping Experience | 1. Design and Look<br>2. Speed of Loading Page<br>3. Ease of Navigation<br>4. Product Details<br>5. Checkout Process<br>6. Payment Gateway |
| 2 | App Shopping Experience | 7. Design and Look<br>8. Speed of Loading Page<br>9. Ease of Navigation<br>10. Product Details<br>11. Checkout Process<br>12. Payment Gateway |
| 3 | Value Proposition | 13. Attractive Price and Discounts<br>14. Product Quality<br>15. Product Variety<br>16. Product Availability |
| 4 | Delivery Experience | 17. Delivery Time<br>18. Packaging Quality<br>19. Courtesy of Delivery Executive |
| **5** | **Overall Satisfaction** | |

Source : Consumer Excellence Study (300+ surveys) conducted in Q1-CY17 ; RedSeer Analysis

# Big Basket emerges as the clear overall favourite amongst online shoppers

Rank 1 (dark green) | Rank 2 (light green) | Rank 3 (yellow)

Q – How likely are you to recommend the players to a friend or a colleague on a scale of 0-10? [0-Very Dissatisfied, 10-Very Satisfied]

**Player wise customer satisfaction**

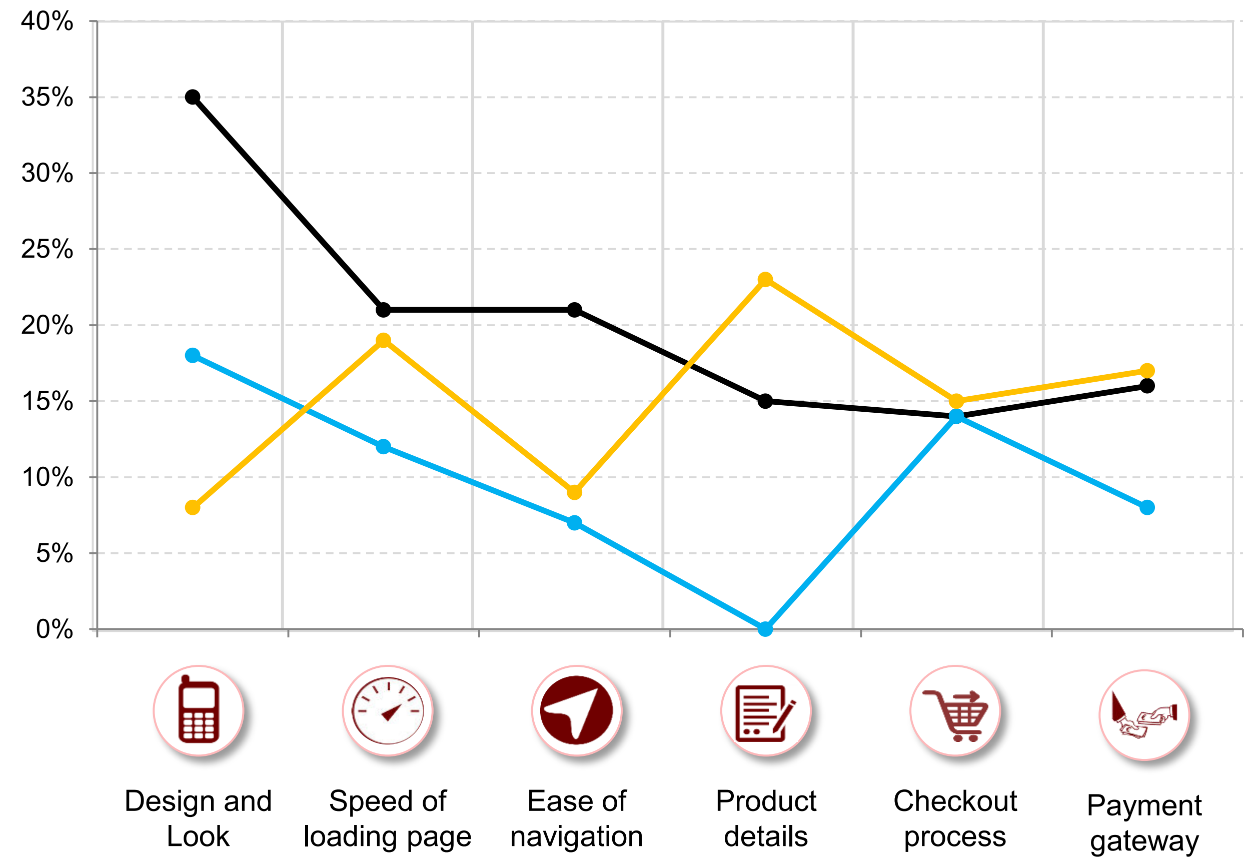
| SN | Satisfaction Metric | Sub KPIs | Big Basket | Grofers | Amazon Now |
|---|---|---|---|---|---|
| 1 | Desktop/Web Shopping Experience | ▪ Design and Look<br>▪ Speed of Loading Page<br>▪ Ease of Navigation<br>▪ Product Details<br>▪ Checkout Process<br>▪ Payment Gateway | Rank 1 | Rank 3 | Rank 2 |
| 2 | App Shopping Experience | | Rank 3 | Rank 1 | Rank 2 |
| 3 | Value Proposition | ▪ Attractive Price and Discounts<br>▪ Product Quality<br>▪ Product Variety<br>▪ Product Availability | Rank 2 | Rank 2 | Rank 1 |
| 4 | Delivery Experience | ▪ Delivery Time<br>▪ Packaging Quality<br>▪ Courtesy of Delivery Executive | Rank 1 | Rank 2 | Rank 3 |
| 5 | ***Overall Satisfaction*** | | Rank 1 | Rank 2 | Rank 2 |

Source : Consumer Excellence Study (300+ surveys) conducted in Q1-CY17 ; RedSeer Analysis

# *1. Desktop/web shopping experience*- Players were rated closely but BigBasket comes out to be the leader

Q - Please rate your experience on shopping through website on the following parameters on a scale of 0-10 [0-Very Dissatisfied, 10-Very Satisfied]

**Parameter wise NPS score- Desktop shopping experience**

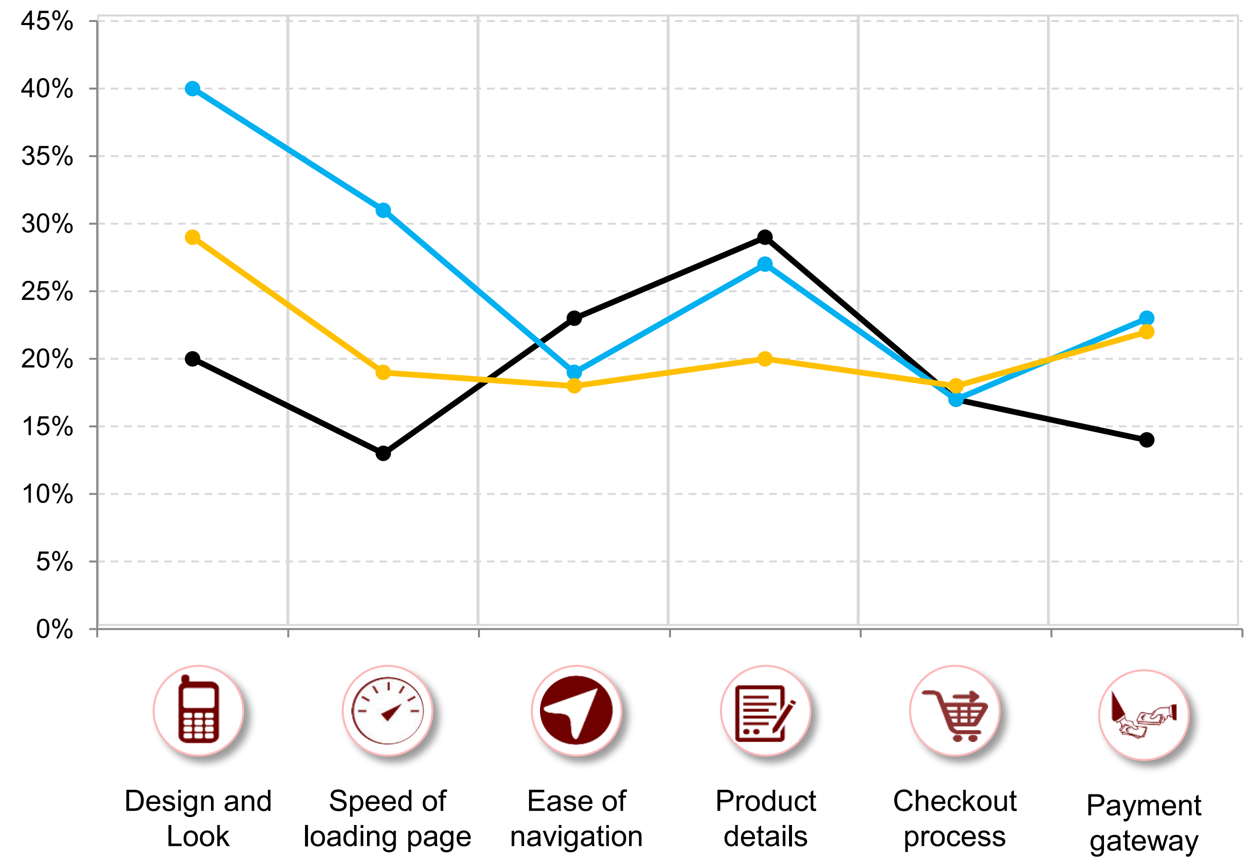



**Overall ranking - Desktop experience**

# *2. App experience-* Grofers emerges as a clear favorite, owing to a superior app design/look and fast loading speeds

Q - Please rate your experience on shopping through App on the following parameters on a scale of 0-10 [0-Very Dissatisfied, 10-Very Satisfied

## Parameter wise NPS score- App shopping experience

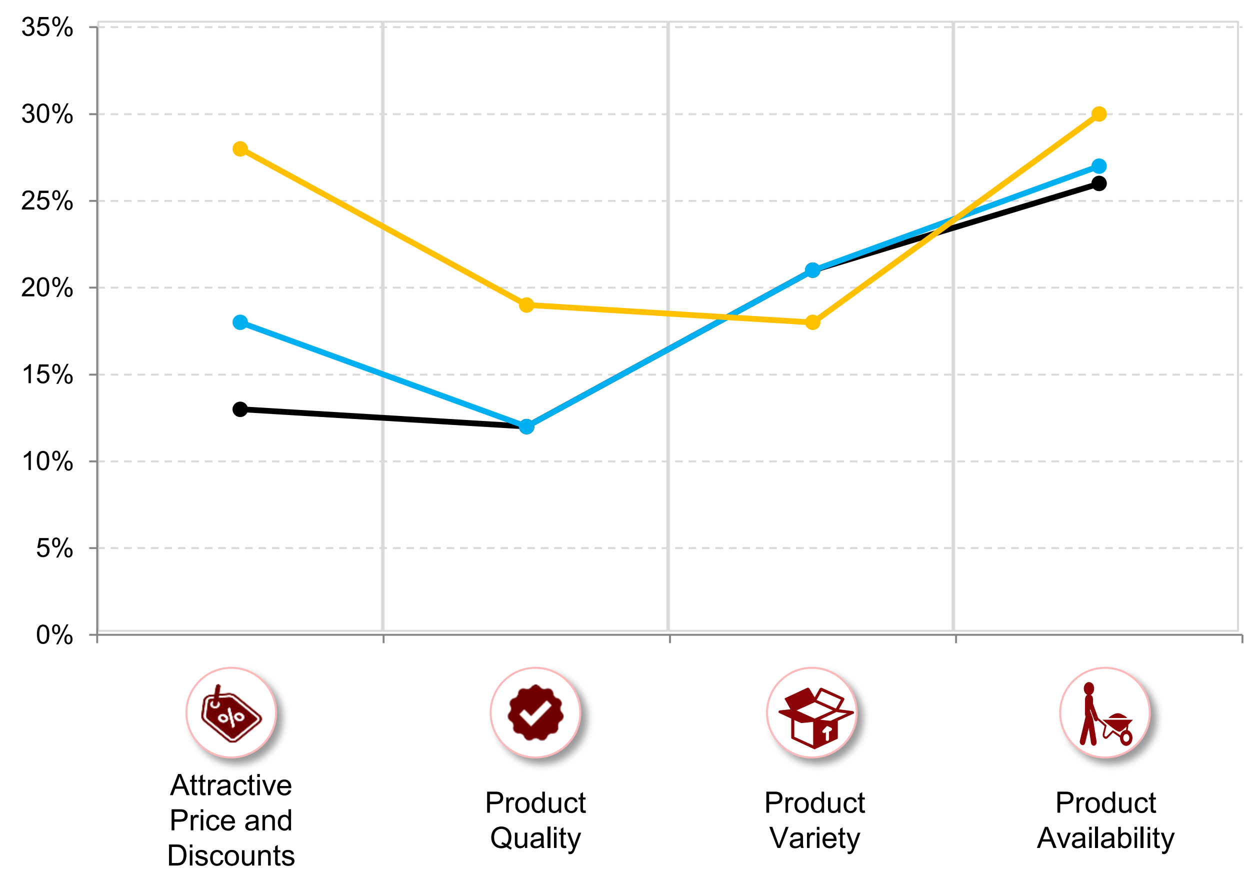



## Overall ranking - App experience

# 3. *Value Proposition-* Amazon Now emerged as a customer favorite owing to most attractive perceived prices/offers

Q - Rate the on-line portals on following parameters on a scale of 0-10? [0-Very Dissatisfied, 10-Very Satisfied]

## Parameter wise NPS score- Value proposition



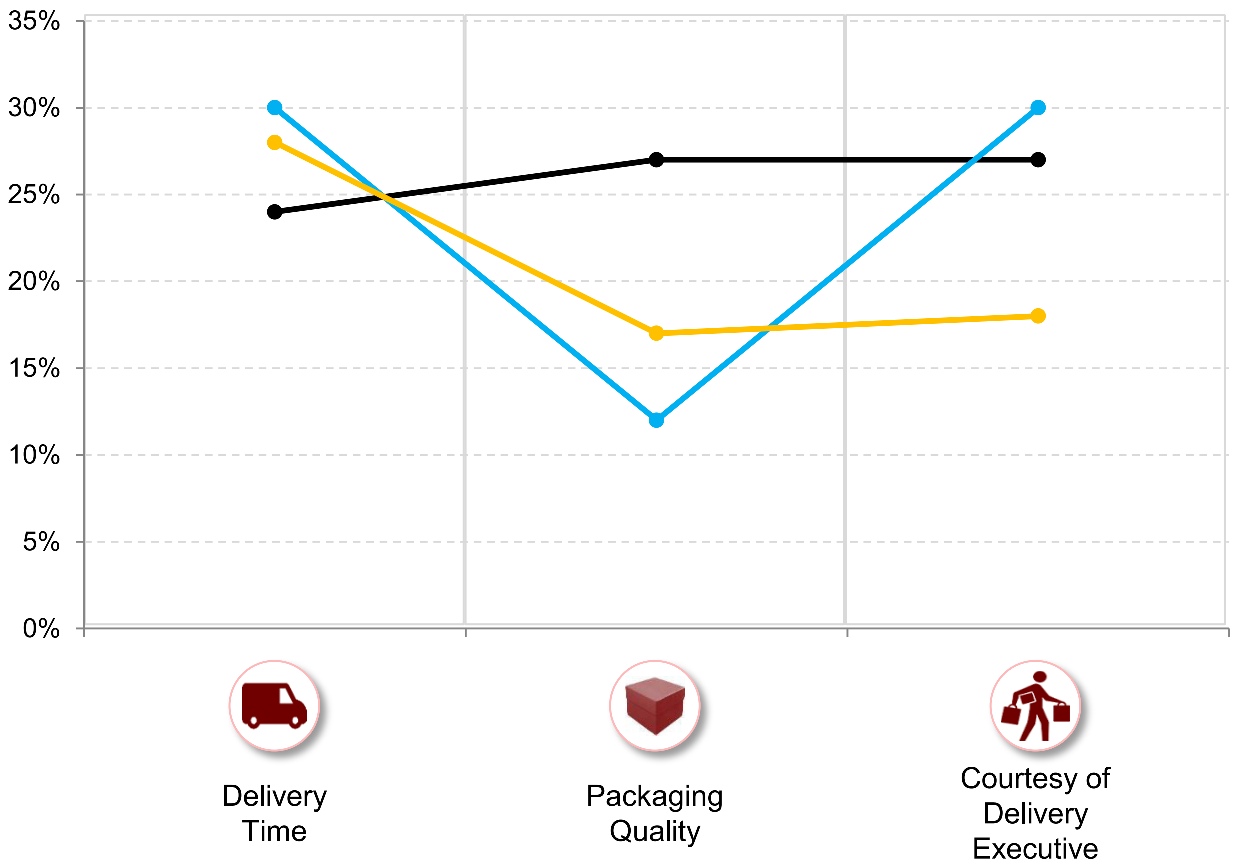

## Overall ranking – Value Proposition


Source : Consumer Excellence Study (300+ surveys) conducted in Q1-CY17 ; RedSeer Analysis

# *4. Delivery Experience-* BigBasket was reported as the best

Q - Rate the on-line portals on following parameters on a scale of 0-10? [0-Very Dissatisfied, 10-Very Satisfied]

**Parameter wise NPS score- Delivery Experience**

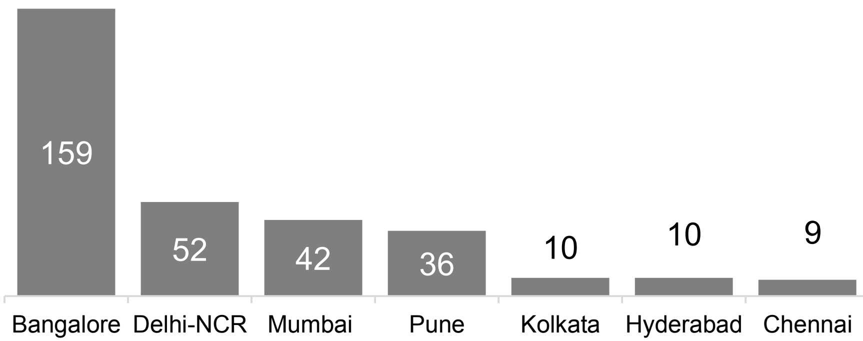



**Overall ranking – Delivery Experience**

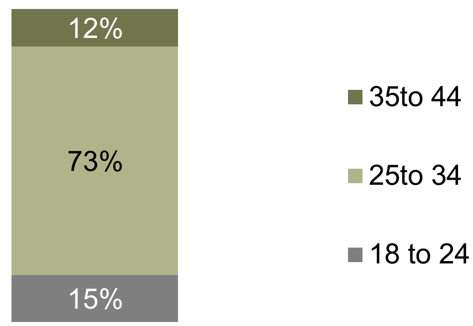

Source : Consumer Excellence Study (300+ surveys) conducted in Q1-CY17 ; RedSeer Analysis

# RedSeer Consumer Excellence Study Q1 CY17- Survey Mix

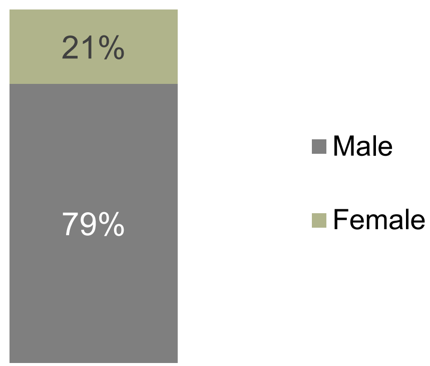
## Customer mix – City



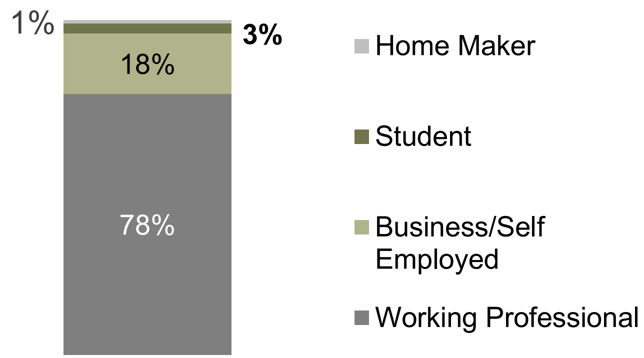

## Customer mix – Age




## Customer mix – Gender




## Customer mix – City wise



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# Sector health checks through 30+ essential KPIs

**KPI Type**: Market Sizing and Share | Demand Size Analysis | Supply Side Analysis | Market Economics

| Coverage Areas | Description |
|---|---|
| Overall Market Size<br>% Online Penetration<br>Online Market Size and Growth Rate<br>Average Transaction Value<br>Online Market Segmentation by Category<br>Online Market Segmentation by Company | **Comprehensive understanding of market opportunity, mapped through-**<br>▪ Trends in market size (GMV/sales/GTV) and historical growth<br>▪ Mapping online share of sales and growth in the same<br>▪ Split of the online market by category and player- including historical trends |
| Monthly Transacting Users<br>Transaction Preference (App vs Web)<br>Payment Mode Used (Cash vs Prepaid)<br>NPS (Online vs. Offline) | **Analysis of customer transacting behavior and satisfaction, across metrics like-**<br>▪ Size of customer base for the sector and growth in same<br>▪ Customer shopping behavior across app/web preference and prepaid/cash preference<br>▪ Customer satisfaction with online vs offline transactions |
| Industry Reach (in pin codes/number of cities served)<br>Number of Suppliers (Sellers/ Cab Drivers/ Doctors/ Restaurants/ Teachers etc. in Online Market) | **Tracking key trends in the extend and reach of supply through-**<br>▪ Pin-code and city wise reach of services<br>▪ Total registered/active partners on platform (drivers, sellers, doctors, stores etc.) |
| Funding Received<br>Customer Acquisition Cost (Online vs. Offline)<br>Unit Economics (Online vs. Offline) | **Economic fundamentals of the sector are analyzed across following metrics-**<br>▪ Cost of acquiring customers and comparison with offline channels<br>▪ Contribution margins analysis for offline and online channels<br>▪ ... |

# Sector deep-dive through a comprehensive set of reports

## Library of 200+ reports (and growing…) across 20+ sectors

| Report category | Description |
|---|---|
| 1 Sector Reports | a. **Industry Reports:** Quarterly overview of all aspects of industry and specific players |
| 2 Thematic Reports | a. **Business Performance:** Comprehensive analysis of state of industry across key business performance metrics<br>b. **Category Deep Dives:** In-depth analysis of state of a particular vertical or category<br>c. **Consumer Scan:** Review of customer behaviour and mapping of satisfaction levels<br>d. **Partner Landscape:** Review of the partner (seller, driver etc.) behaviour and mapping their satisfaction levels<br>e. **Operational Excellence:** Analysis of supply chain and network capabilities of players |
| 3 Miscellaneous Reports | a. Organizational Structure Benchmarking<br>b. Employee Satisfaction Review<br>c. Annual Festive Sales Review<br>d. Customer Support Benchmarking<br>e. Pricing and Portfolio Analysis |

### Key highlights

- Extensive time trend data
- Analyst commentary
- On Demand reports
- Source of data- *RedSeer Primary Research (in-house)*

# Research support and hypotheses testing through custom studies

## Flexible working models for on-demand analyst support and quick turnaround research

| Custom Studies | Description |
|---|---|
| **Bespoke Study** | ▪ Comprises a three member team for 2 weeks<br>▪ Short CDD for sub USD 5 MM investments<br>▪ Bespoke study with sector/Portfolio focus |
| **Hypothesis Testing / Analysts Support** | ▪ Team of **two** analysts working with client on custom hypotheses testing<br>▪ Industry data analysis, modeling and presentation |
| **Primary Research Support** | ▪ Access to our primary research team<br>▪ Plug and play model at discounted billing |

**RedSeer is the leader in the internet advisory space**

***90%***
*Indian GMV as clientele*

***>USD 5 Bn***
*Investments Diligence Completed*

***400+***
*Engagements in internet space*

***50+***
*Leading global funds as clientele*

# Thank You !

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