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Strategy Consultants



THE AOV TRAP

Why India's mass grocery still leans on *Kiranas*

January 2026

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Executive Summary

India's grocery landscape comprises *kiranas*, big box retail, and online commerce, each growing but serving different roles.

Kirana stores retain their central position in India's grocery economy by remaining closely attuned to the consumption patterns of the country's largest consumer segment. Grocery is India's largest and most essential retail category, and *kiranas* continue to anchor it by serving the high-frequency, low-AOV baskets that define everyday spending for low to mid-income households. Their model, built on owned or low-rent stores, family-managed operations, and rapid inventory cycles, is structurally suited to a low-price environment where average order values of ₹100–200 make scale-heavy formats economically unviable. This close alignment between *kirana* economics and India's prevailing consumption behaviour ensures their continued leadership even as modern formats expand.

Within big box retail, hypermarkets remain resilient, with value-led bulk packs and predictable pricing keeping them largely unaffected by quick commerce, unlike the supermarkets.

Online commerce, comprising of slotted e-commerce and quick commerce, continues to strengthen with broader catalogues and reliable service. However, it is driven largely by quick commerce which is taking share from both slotted e-commerce and supermarkets as it captures convenience-based purchases of affluent consumers with faster delivery and better availability.

Even as big box and online formats expand, *kiranas* will remain the primary touchpoint for most households. Their economic model and alignment with India's prevailing consumption patterns ensure that they continue to anchor the country's grocery ecosystem.

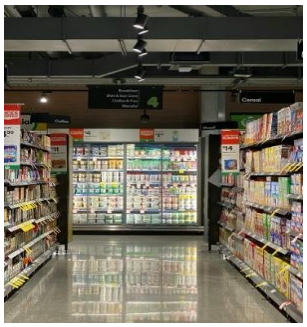




India's grocery market is served by three distinct archetypes, of which kiranas continue to drive over 90% despite rapid growth of quick commerce

As organised and digital formats expand rapidly, questions around the enduring relevance and evolving role of each retail model are reshaping the conversation.

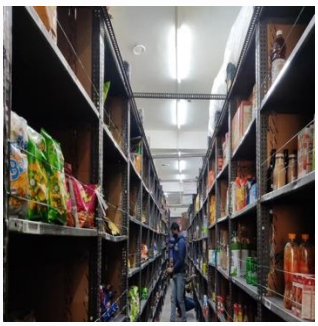
The Great Indian Grocery Triangle

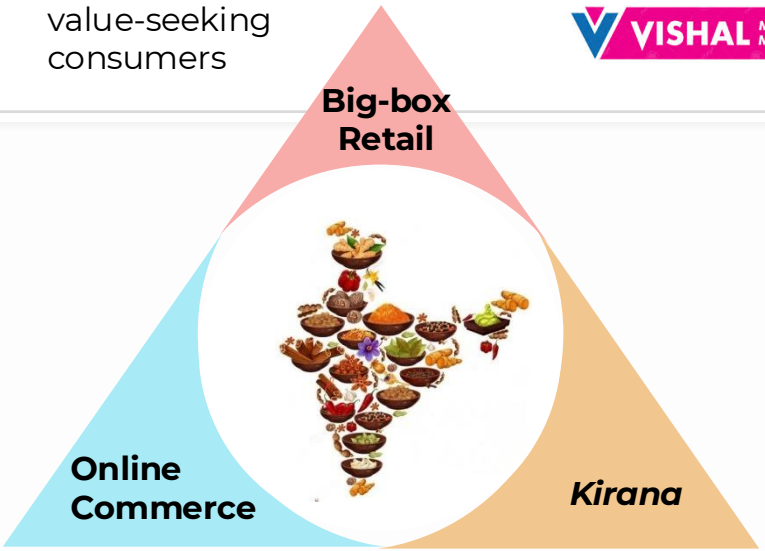


- ~US$40 Bn market in CY25
- ~US$74 Bn by CY30, projected to grow at ~13% CAGR over CY25-30
- Target segment: largely urban, upper middle, value-seeking consumers

Representative platforms and operators serving the space

DMart, more, VISHAL MEGA MART, Reliancefresh







- Currently a ~US$19 Bn market in CY25
- Projected to reach ~US$69 Bn by CY30, estimated to grow at ~29% (QC ~38%) CAGR
- Target segment: Urban, affluent, upper-middle class consumers where convenience is the driving factor for purchase

Representative platforms and operators serving the space

blinkit, zepto, Swiggy Instamart, Flipkart MINUTES, JioMart

- ~US$598 Bn market in CY25, accounting for ~91% of the grocery market in India
- Growing at 7% CAGR, projected to become ~US$849 Bn in GMV by CY30
- Target segment: "Mass grocery" - middle, lower-middle, low income groups, representing 80% of India's demographic

Representative platforms and operators serving the space

udaan, Flipkart Wholesale, METRO

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India's grocery ecosystem is shaped by formats that coexist, each distinguished by its value, convenience, and reach

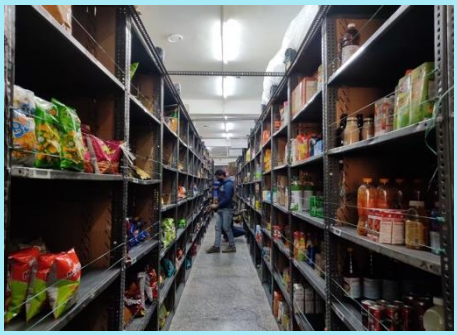
India's retail ecosystem spans big-box stores, online commerce, and *kiranas* – each serving distinct needs. Online commerce offers convenience, and big-box retail provides value and assortment. Yet *kiranas* remain the backbone of daily grocery consumption with their neighbourhood reach, personalised service, and trusted credit.

Key characteristics of India's grocery models

Convenience: ★★ Low ★★★★★ High

Price Point: ₹ Low ₹₹₹ High







	Big-box Retail		Online Commerce		*Kiranas* / General Trade
	Hypermarkets	Supermarkets	E-commerce	Quick Comm.	
USP	Value packs, low prices	Neighbour-hood convenience	Wide assortment, planned buys	Fast delivery for top ups	Relevance to the majority of households, neighbourhood presence
Geo Presence	Metro, T1	Metro, T1, limited T2	Metro, T1 (~75%)	Metro, T1 (~75%)	Pan India, deepest reach
Assortment	**10-12K SKUs,** large packs	**6-8K SKUs,** daily needs	**~5-10K SKUs**	**~3-6K SKUs**	**500-1500 SKU**, dominated by small packs
Purchase Behaviour	Monthly stock-up	Frequent top-ups	Planned and stock-ups	Immediate top-ups	High frequency small baskets
AOV	**₹ 1500-2500**	**₹ 800-1200**	**₹ 450-700**	**₹ 350-500**	**₹ 100-200**
Convenience	★★☆☆☆	★★★☆☆	★★★★☆	★★★★★	★★★★☆
Price Point	₹	₹₹	₹₹	₹₹₹	₹

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Each format caters to specific consumer demographics; kiranas remain the most relevant for India's largest segment defined by high-frequency, low-AOV shopping patterns

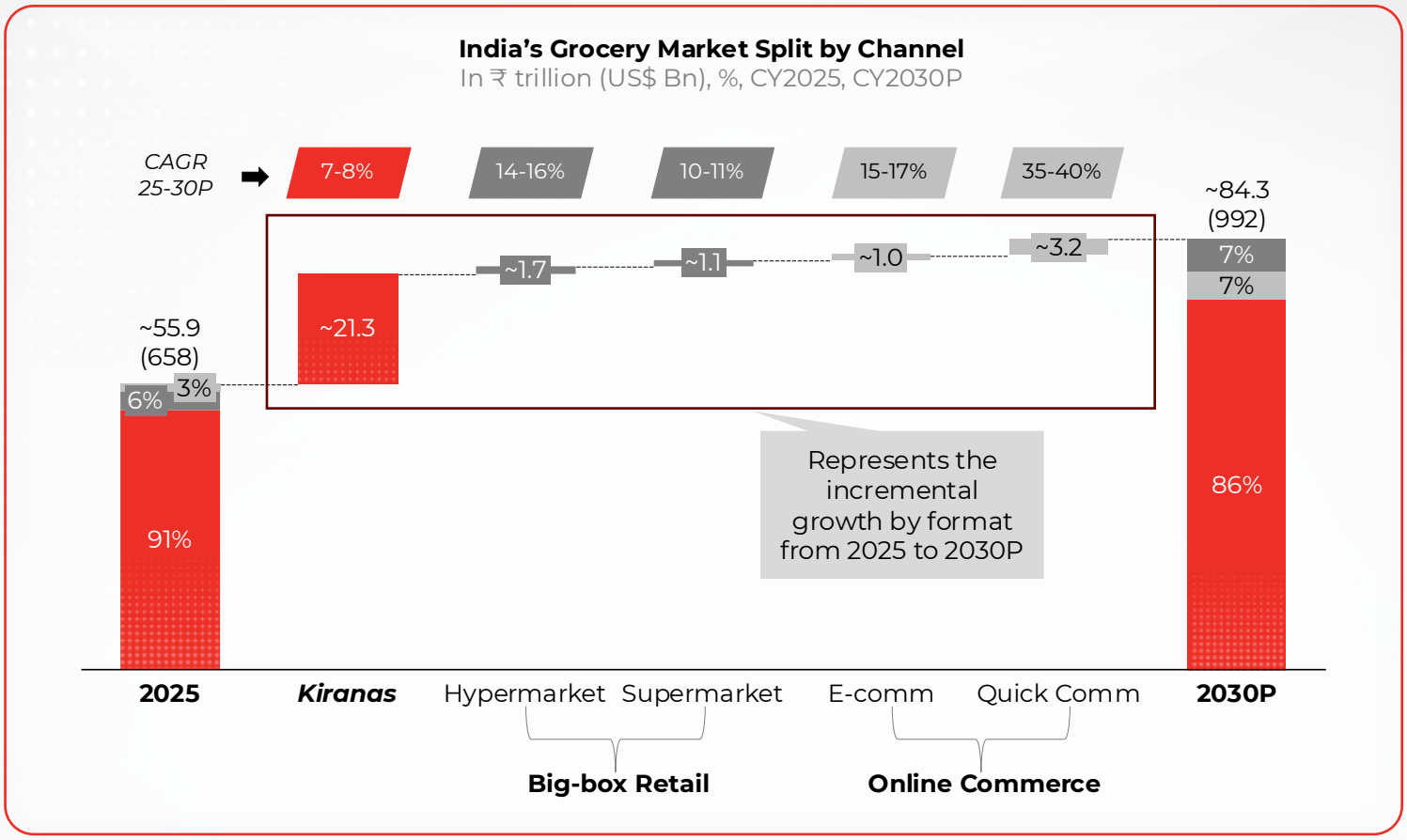
Low *High*

	 Low-Mid Income	 Mid-High Income	 High Income
Demographic Behaviour			
Description	Frequent, value-led shoppers relying on *kiranas* for small, essential packs	Balanced shoppers splitting missions across *kiranas*, supermarkets, and QC	Convenience-first shoppers with larger baskets fulfilled mostly by online and modern trade
Total no. of Households (in Million)	~233	~69	~42
Household Size	4-6	3-5	3-3.5
Household Income (in INR)	<8 lakhs	8-11 lakhs	11 lakhs+
Grocery Purchase Behaviour			
Monthly grocery expenditure	3000-5000	6000-10,000	12,000-20,000
Purchase Frequency	10-20 purchases/month	6-10 purchases/month	15-18 purchases /month
AOV	150-250	350-500	800-1500
Channel Split	Primarily ***kiranas***	Dominated by ***kiranas* and hypermarkets**	Primarily a mix of **online commerce and supermarkets**, ***Moving towards quick commerce***
Typical grocery segments bought	Essential staples and fresh produce, value-driven and often unbranded / loose	Broader mix of essentials and discretionary categories	Premium and convenience-oriented baskets

India's grocery market is anchored by its largest cohort: low-to-mid income households, whose low-AOV, high-frequency baskets are served most efficiently by kiranas. Higher-income segments diversify into supermarkets, quick commerce, and online channels as purchasing power rises. This income gradient creates a multi-format landscape, with **big-box retail** and **online commerce** serving niche, higher-spending segments while ***kiranas*** remain the most relevant for the vast majority of households.

Together, **the 3 formats** add up to India's grocery market valued **at ~₹55.9 trillion (US$658 bn)** in CY2025, which is projected to grow at a **CAGR of ~9%,** reaching **~₹84.3 trillion (US$992 bn)** by CY2030P.

Kiranas are expected to remain the key needle-movers of India's grocery market despite other rapidly growing formats



Source(s): Redseer Research and Analysis

Kiranas form the largest part of India's grocery market, holding **~91%** share in CY2025 and expected to retain a dominant ~86% by CY2030. Even with a moderate 7-8% CAGR, they will add the largest absolute value given their alignment with low-ticket consumption basket of the largest demographic cohort in India. Within big box retail, hypermarkets are projected to grow faster than supermarkets at 13-15% CAGR, supported by India's strong value-seeking behaviour. Supermarkets, which overlap more with convenience-led baskets are at the risk of losing their customers to faster fulfilment models.

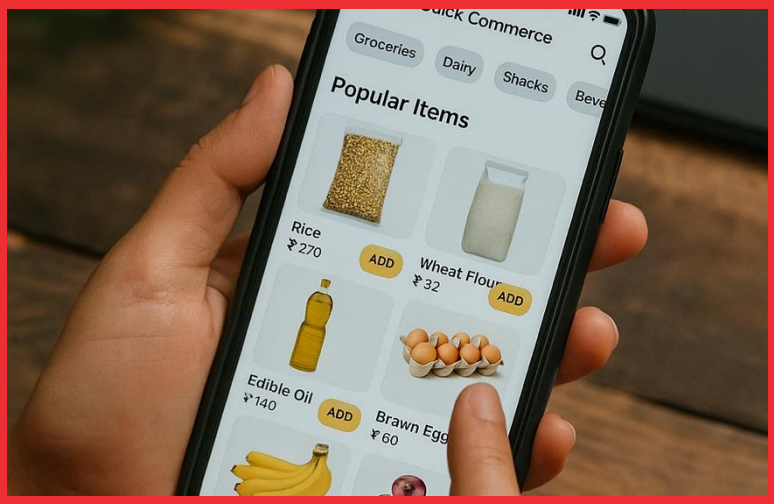
Quick commerce is the fastest-growing online channel, expanding at 37-39% CAGR and projected to reach ~7% share by 2030, with its rapid fulfilment steadily influencing shopper behaviour.

E-commerce continues to grow at 16-18% CAGR, but its role is narrowing. Slotted grocery baskets are now losing share even within online missions as quick commerce expands assortment and offers reliable, near-instant fulfilment. E-commerce is increasingly concentrating on higher-value, less time-sensitive purchases, while quick commerce captures everyday online grocery needs.

Overall, the market will grow from ~₹55.9 trillion in 2025 to ~₹84.3 trillion by 2030, with *kiranas* remaining the largest contributor, hypermarkets driving the value layer, and quick commerce reshaping the convenience layer within online and big-box retail formats.

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Key trends playing out in India's grocery market



01

Quick commerce is scaling rapidly, shifting shopping behaviour among consumers who historically preferred e-commerce and supermarkets



02

Hypermarkets rooted in value and bulk savings remain resilient and largely unaffected by online disruption



03

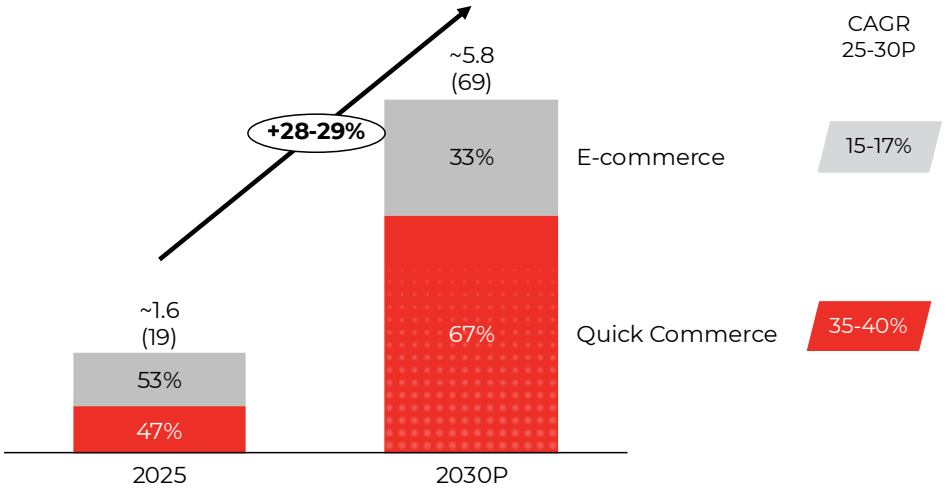
Kiranas anchor mass grocery, aligned with the spending patterns of India's largest demographic

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01 Quick Commerce is scaling rapidly, shifting shopping behaviour among consumers who historically preferred e-commerce and supermarkets

Online Commerce Split by Business Model

In ₹ trillion (US$ Bn), CY2025, CY2030P



Quick commerce is expected to gain share from ecommerce's slotted delivery model, driven by pricing parity, greater convenience, and city expansion.

Source(s): Redseer Research and Analysis

Quick commerce is expanding quickly, reshaping convenience-led shopping once dominated by supermarkets and e-commerce. The growth of quick commerce is being driven by its ability to fulfil immediate needs and top-up baskets faster, more predictably, and at pricing broadly comparable to slotted delivery. As reliability and assortment improve, affluent households in metros and large tier-one cities are increasingly shifting their purchase baskets to quick commerce, reducing the need for planned consumption.

This shift is most visible in online grocery, where quick commerce already accounts for ~47% of the market and is projected to reach ~67% by 2030, outpacing e-commerce with a 35-40% CAGR. Its rise as the go-to for convenience-driven missions is fuelling online commerce growth among affluent households, who are increasing both frequency and value of digital purchases.

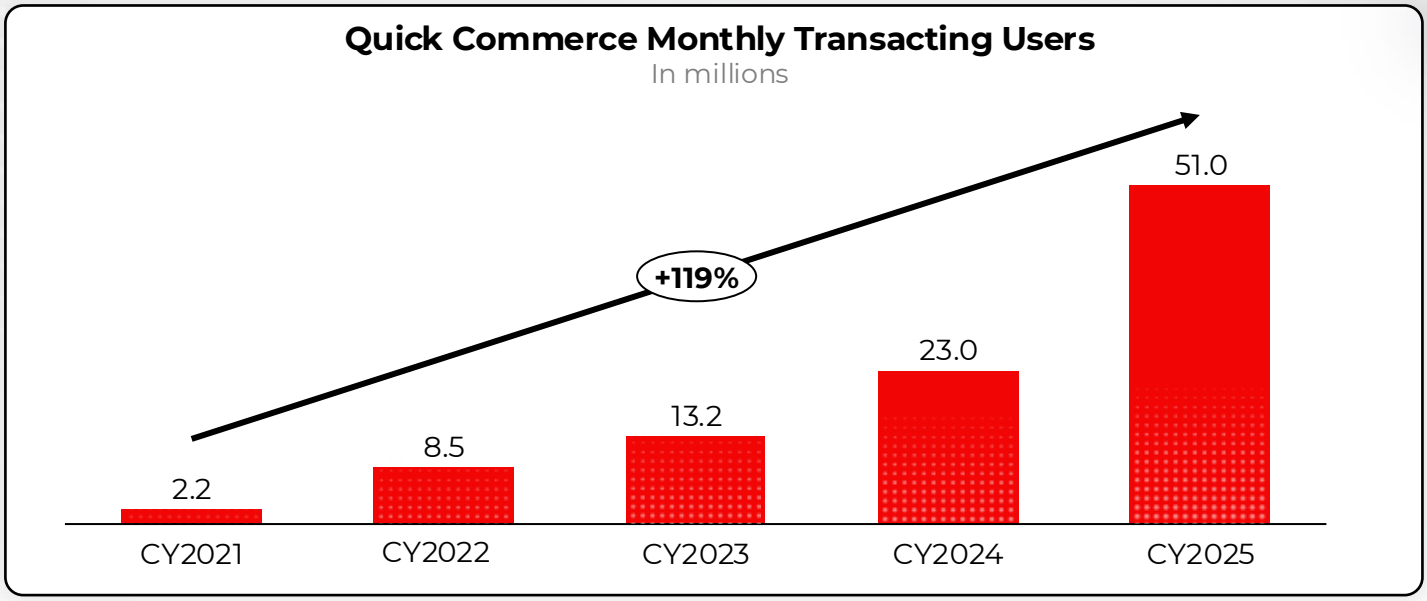


Nikhil Vora
Founder & CEO,
Sixth Sense Ventures

"Quick commerce is inherently a convenience-led model, and by design it serves a specific, albeit fast-growing, segment of urban, time-constrained consumers who are willing to pay a premium for speed and reliability. Its current growth is best understood as a share shift from supermarkets and scheduled e-commerce, which cater to a similar convenience-oriented shopper, rather than a wholesale disruption of India's grocery market. The structural reality is that the bulk of Indian grocery consumption remains deeply value-driven, characterized by very small, frequent, low-ticket purchases shaped by affordability and cash-flow constraints. This mass-market demand is not optimized for quick commerce economics and continues to be better served by neighbourhood kirana stores, which will remain the backbone of everyday grocery shopping in India."

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01 Quick Commerce is scaling rapidly, shifting shopping behaviour among consumers who historically preferred e-commerce and supermarkets



Source(s): Redseer Research and Analysis

Monthly transacting users (MTUs) on quick commerce have grown sharply – up ~126% YoY (till Oct'25), reflecting the rapid shift towards convenience-led replenishment.

Faster and easier accessibility: Dense dark-store networks, predictable delivery, and habit-led usage are pulling routine top-up and immediate needs away from supermarkets and slotted e-commerce.

Expanding category breadth: While **quick commerce still remains predominantly grocery-led (~71% of GMV till Oct'25)**, platforms are steadily widening into adjacent categories, broadening overall household relevance.

Quick commerce is becoming the preferred option for rapid, everyday top-ups, even as it continues to broaden its reach beyond metros and fine-tune its pricing to strengthen competitiveness.



"For daily or top-up stuff, I don't even think about going to the supermarket anymore. Quick commerce is just faster and more predictable. I only do big grocery trips once in a while now.

Female, 45, New Delhi



01 Quick Commerce is scaling rapidly, shifting shopping behaviour among consumers who historically preferred e-commerce and supermarkets

Quick commerce shoppers are becoming habitual, moving from impulse-driven daily fixes to planned routine top-ups

Quick commerce key consumer profile

Affluent Convenience-first Household



₹12L+ urban, high digital adoption

Large staples + frequent top-ups, with higher premium / convenience spend across categories

Grocery Purchase Channels

Historical

Supermarkets (Primary)

- Weekly replenishment
- Large/small baskets

Slotted E-comm (Secondary)

- Weekend / weekday planned delivery

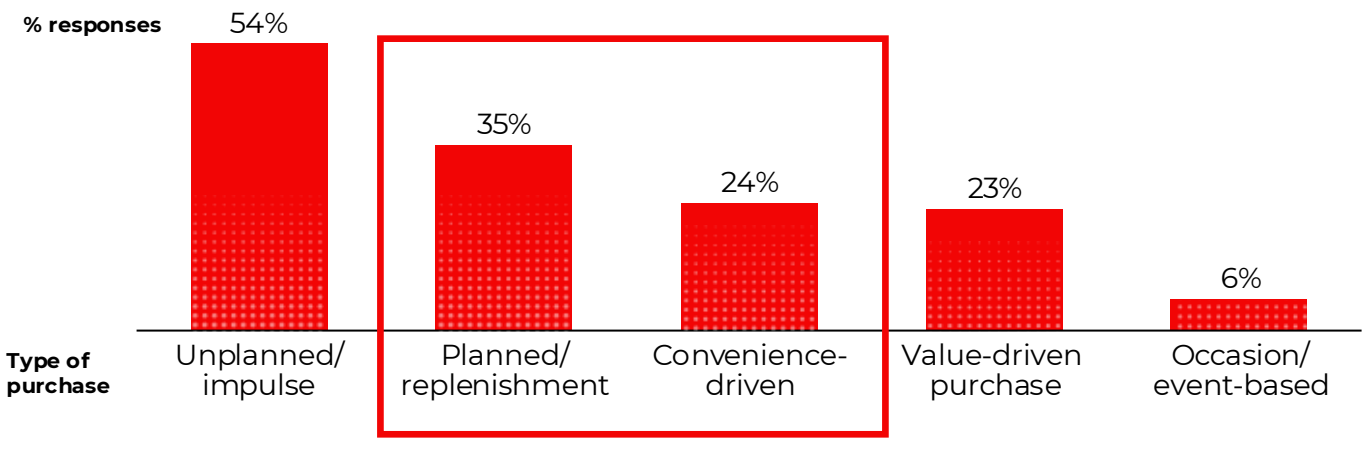
Current

Quick Commerce

- Replaces weekly supermarket runs
- Absorbs all weekday top-ups
- Delivers near full supermarket assortment, expanding beyond only grocery

While quick commerce began as an immediate-fulfilment channel, it is now absorbing planned grocery missions as well. High-income households that historically relied on supermarkets or slotted e-commerce for weekly replenishment are increasingly moving these baskets to quick commerce as reliability, assortment, and delivery predictability have improved. As a result, quick commerce now fulfils both top-up and planned purchases for this segment, replacing the supermarket-led convenience missions of affluent and mid-urban working families.

Q: When do you usually use quick commerce platforms to shop for grocery products?

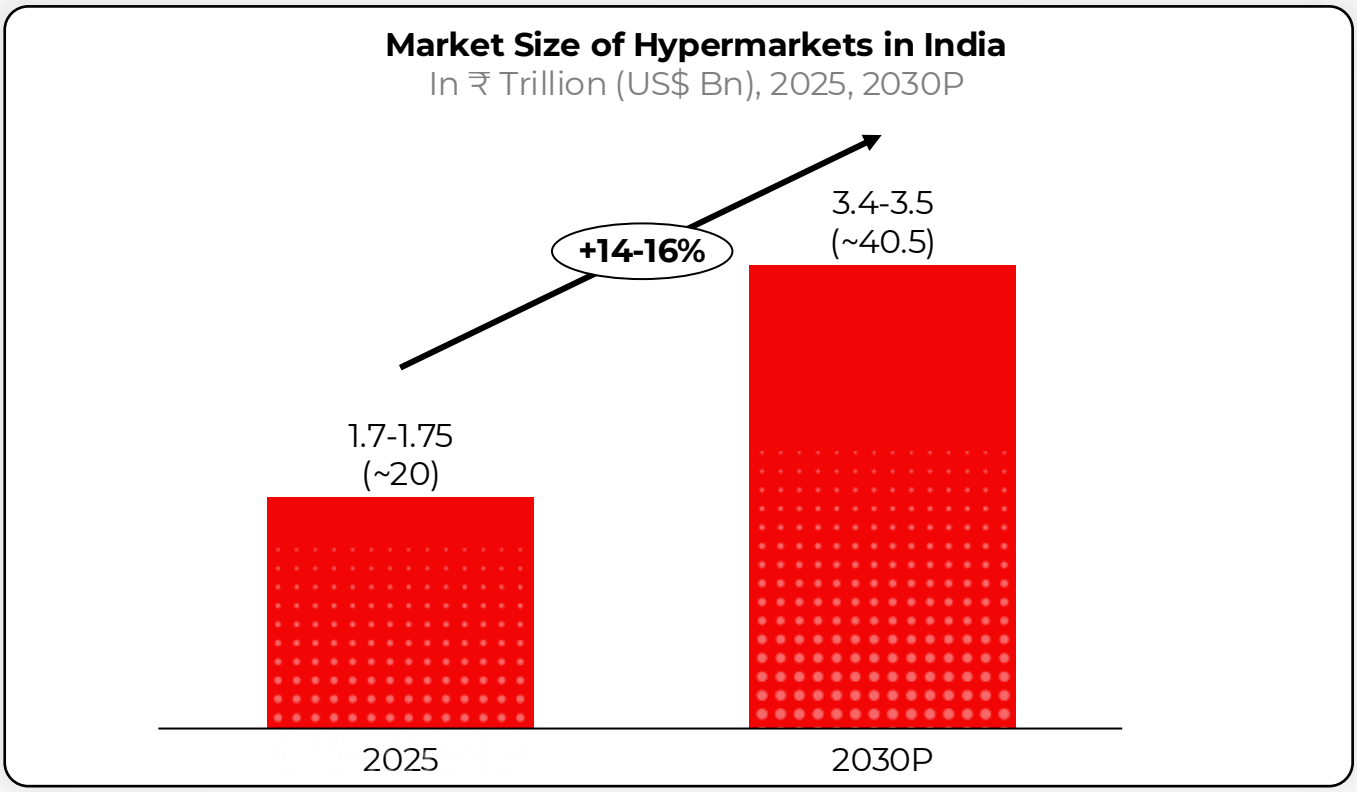


Source(s): Surveys of quick commerce users conducted in May 2025

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02 Hypermarkets rooted in value and bulk savings remain resilient and unaffected by online disruption

Hypermarkets remain resilient and are projected to grow at a robust 14-16% CAGR, supported by their strong economic relevance for households



Source(s): Redseer Research and Analysis

Hypermarkets primarily caters to dense urban clusters, with around **80,000-85,000** modern retail stores across India in 2025. Their growth is being driven by a broad-based shift toward organised channels, supported by rising quality expectations, wider assortments, and competitive CPG pricing.

Within the hypermarket retail landscape, two distinct consumer patterns are playing out.

Price Advantage

- ✓ Lowest everyday prices across essentials
- ✓ Year-long price predictability
- ✓ Strong savings on staples, home-care
- ✓ Strong value private labels in grocery & general merchandise

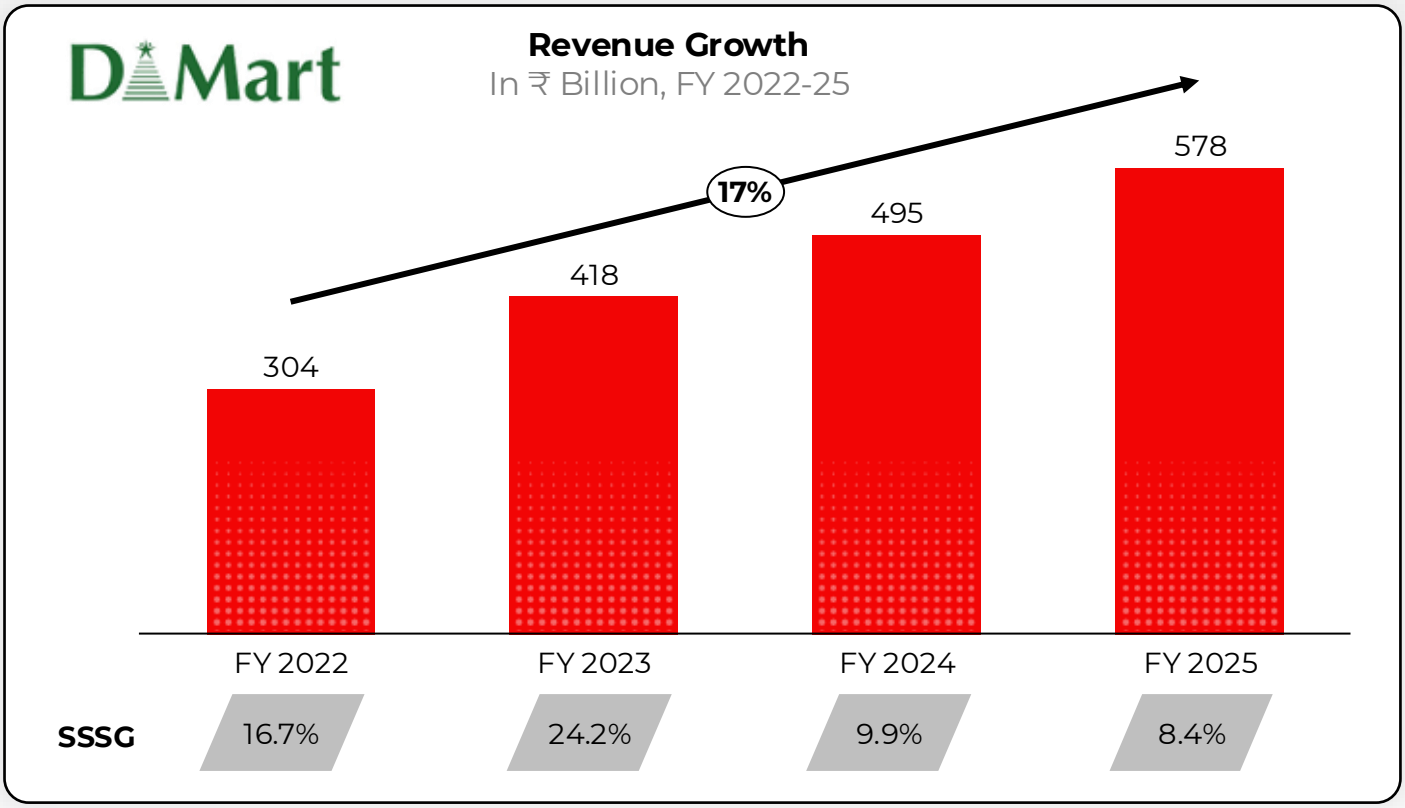
Basket Economics

- ✓ Best suited for monthly or fortnightly stock-up
- ✓ Larger packs + bulk formats reduce per-unit cost
- ✓ Layouts optimised for fast, efficient large-basket trips

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02 Hypermarkets rooted in value and bulk savings remain resilient and unaffected by online disruption

D-Mart, India's premier hypermarket franchise, demonstrates the relevance of value and bulk savings in Indian grocery



Source(s): Annual Reports

D-Mart's trajectory underscores why value-led hypermarkets continue to hold firm in India's grocery landscape. The chain grew revenue to ~₹49,300 crore in FY 2025, posting a strong 15-16% YoY increase, driven largely by grocery and essentials which account for ~58% of total sales. This mix aligns with the predictable monthly stock-up behaviour of value-conscious households, a segment that remains stable even as convenience-led online formats scale.

D-Mart's expanding footprint demonstrates the strength of its cost-efficient, scale-driven model. The retailer added 50 new stores in FY 2025, taking its network to ~415 stores and ~17.2 million sq. ft of retail space. Same-store performance remains healthy, with older stores (10+ years) continuing to deliver robust productivity, reflected in consistent SSSG (same-store sales growth) in the mid-single digits despite a high base. Strong supplier partnerships, disciplined operating costs, and a healthy mix of staples and FMCG categories drive steady unit economics that reinforce the hypermarket moat.



02 Hypermarkets rooted in value and bulk savings remain resilient and unaffected by online disruption

Hypermarkets, thus, continue to hold their ground as India's value engine, supported by bulk-pack economics, disciplined costs, and predictable monthly shopping patterns

Hypermarkets hold a structurally strong position in India's grocery market because their value proposition – bulk packs, predictable pricing, and disciplined cost structures – closely matches the behaviour of value-seeking households.



"Quick commerce has hit hypermarkets inside malls much more than standalone formats. The mall customer is already convenience-oriented and can easily shift to quick commerce. The D-Mart customer is value-first - they're willing to travel and plan their purchases to save money. That's why D-Mart hasn't seen the same kind of impact."



Arvind Mediratta
CEO & MD, Hippo Homes | Former CEO & MD, METRO Cash & Carry India

03 Kiranas anchor mass grocery, aligned with the spending patterns of India's largest demographic

Mass grocery remains the cornerstone of grocery consumption in India - propelled by essential spending patterns of the most dominant income group

At its core, India's grocery market is defined by mass consumption, which today accounts for nearly 83% of total grocery spending.

Amounting to **~₹464 trillion (~US$546 Bn)** in CY 2025, it is a reflection of the country's socioeconomic structure and the everyday economics of its households. This balance is expected to hold steady over the next five years, with mass grocery projected to continue contributing around **82%** of the market by 2030 reaching **~₹694 trillion (~US$816 Bn),** reaffirming its structural dominance. The segment thrives on affordability, accessibility and frequent small purchases. **Representing India's broadest base of demand, it is driven by low-to-mid-income households whose spending on essentials forms the foundation of the nation's consumption story.**

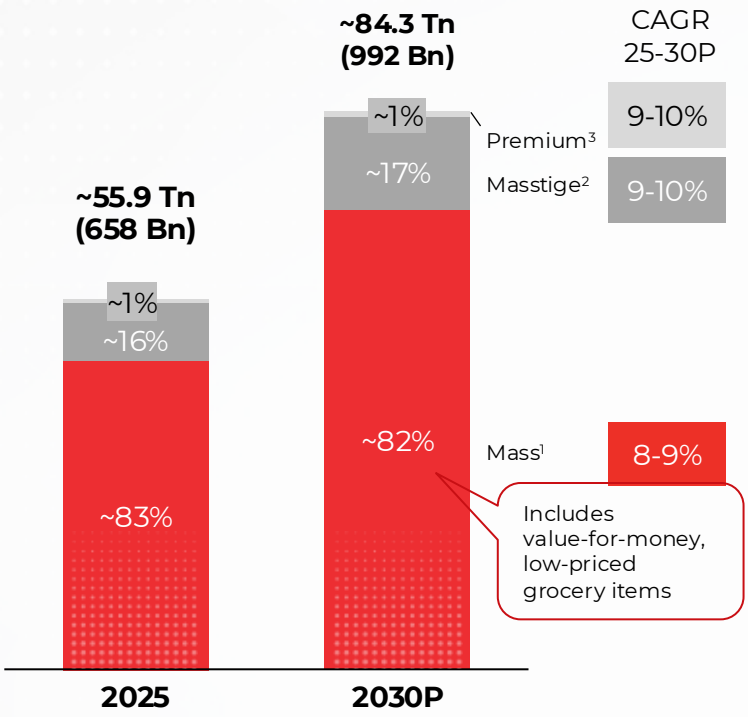
The defining principle of this market in India is straightforward – scale is built on affordability. The dominance of small packs illustrates this logic perfectly. Across categories such as pulses, detergents, soaps, and shampoos, smaller SKUs at lower price points serve as the default unit of purchase, ensuring affordability while enabling high-frequency replenishment.



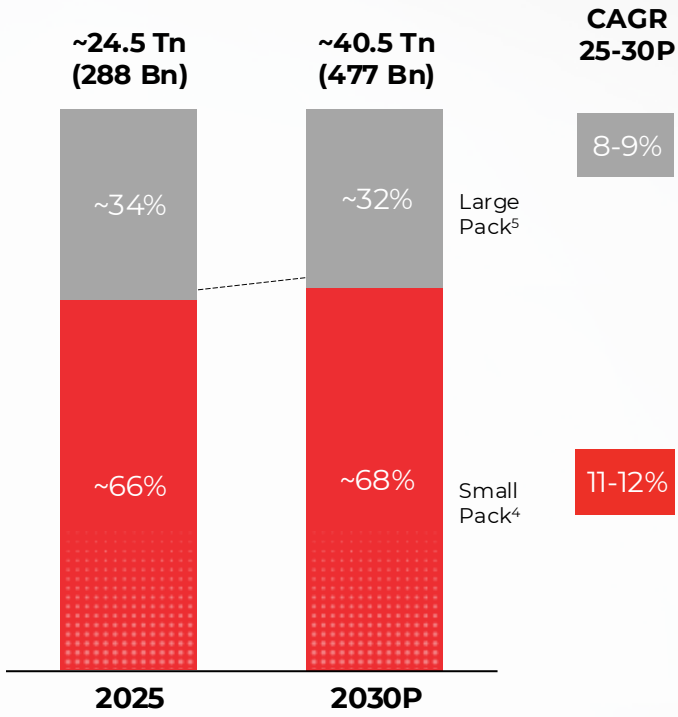
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03 Kiranas anchor mass grocery, aligned with the spending patterns of India's largest demographic

Grocery Market Size: Split by Segments
In ₹ trillion (US$ Bn), CY2025, CY2030P



Packaged Grocery Market Size: Split by Type
In ₹ trillion (US$ Bn), CY2025, CY2030P



Note(s): *1. Mass refers to products perceived as true value-for-money, balancing price and quantity. 2. Masstige represents products positioned between mass and premium, offering affordable aspiration. 3. Premium denotes products driven by strong brand perception and differentiation rather than value-for-money. 4. Small Packs: The definition varies by category - typically below 250-500g in staples, 100g in soaps. 5..Large Packs include all pack sizes not classified as small depending on the category.*

Source(s): Redseer Research and Analysis

The preference for small packs is not just about affordability but also liquidity management. Many low- and middle-income households operate on daily or weekly cash flows, making frequent small purchases more practical. While bulk buying offers better value, smaller packs let consumers access branded goods without straining cash flow and allow quick replenishment as income fluctuates. This price-sensitive, value-conscious behaviour underpins the scale of India's mass grocery market.

Mass grocery, therefore, remains the most defining and enduring pillar of India's consumption economy.



03 Kiranas anchor mass grocery, aligned with the spending patterns of India's largest demographic

Kirana cost structures are built for India's low-priced, low-AOV grocery market, where big-box and online formats struggle to break even

The underlying economics of India's mass grocery market – small-ticket, low price point, and high-frequency purchases – continue to favour the *kirana* model. It becomes challenging for other retail formats to viably or efficiently serve this large, fragmented, value-driven segment with hyperlocal assortment and regional customisation.

Kiranas will remain at the core of India's grocery retail, sustaining local economies, even as a modern digital formats expand rapidly, the future is one of coexistence, where *kiranas* continue to uphold broad-based, inclusive, and community-driven consumption

Why *Kiranas* remain India's most powerful retail engine

What makes *kiranas* resilient is a combination of structural efficiency, local intelligence, and human trust. Their low-cost operations are perfectly suited to India's low-ASP, high-frequency grocery market, while their deep understanding of local demand enables precise assortment and flexible service.

Combined with credit-based relationships and proximity-driven convenience, kiranas form a retail infrastructure that even the largest brands and digital platforms rely on.

This unique blend of scale, adaptability, and intimacy ensures that *kiranas* remain indispensable to India's grocery economy, even as newer formats continue to evolve around them.

The largest demographic of Indians tend to transact in small ticket sizes of ₹100-200, making such transactions unviable for big box retail and online commerce formats

The country's grocery basket is largely small-ticket and high-frequency, with average order values of **₹100-200** driven by low-income households and small-pack consumption. For capital and technology-intensive formats, this price point sits below the threshold of profitability. Modern trade depends on large monthly baskets of **₹1,500-2,500** to recover fixed costs of rent, manpower, and utilities, while online commerce faces high fulfilment and acquisition costs that outweigh margins on small orders. Both formats work best in dense, affluent urban clusters where higher transaction values make economics viable. *Kiranas,* however, are built for this reality, operating from low-cost premises with family-managed stores, fast inventory cycles, and minimal delivery costs, allowing them to stay profitable even on **₹100-200** baskets.

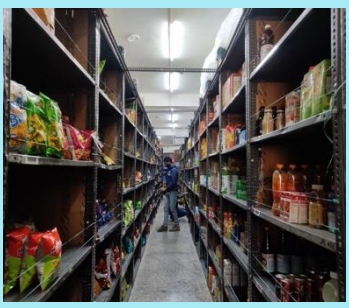
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03 Kiranas anchor mass grocery, aligned with the spending patterns of India's largest demographic

Favorability

Low — High







	Big Box Retail	Online Commerce	Kirana Stores
Average Order Value (AOV)	**₹ 1,500-2,500**	**₹ 450-700**	**₹ 100-200**
Gross Margins	13-15% (incl. supplier rebates and in-store brand activations)	18-24% (incl. ads, delivery, handling and other fees)	10-13%
Logistics and Fulfillment Cost	(1-1.5%)	(18-22%) (incl. dark store rent, replenishment, last mile and other variable cost)	(<0.5%) (Local Sourcing)
Contribution Margin	**11-13%**	**0-3%**	**10-13%**
Operating Cost	(3-4%) (incl. rent, utilities, store staff cost)	(1-2%) (Tech, platform cost)	(1.5-2%) (incl. rent, utilities, store staff, credit)
Marketing Cost	(1-2%)	(6-8%)	Nil
Net Margins	**6-8%**	**(4-7%)**	**8-10%**

Source(s): Redseer Research and Analysis

The operating model of *kiranas* is defined by frugality as strategy, owned or low-rent premises, family-managed operations, and inventory cycles that turn over every 9-10 days. With negligible delivery and acquisition costs, they operate on the leanest cost base in Indian retail. Even with gross margins of 10-13%, total operating expenses rarely exceed 2-3%, translating into net margins that rival or exceed organised retail.

Many *kiranas* gain pricing flexibility from the mix of categories they sell. Loose staples – which are largely exempt from GST – allow retailers to adjust effective prices or offer small discounts on overall bills, particularly to regular customers. The mix of taxable and GST exempt items enables kiranas to manage margins more flexibly without violating compliance norms.

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03 Kiranas anchor mass grocery, aligned with the spending patterns of India's largest demographic

Kiranas are deeply attuned to the realities of India's mass grocery market, designed to serve its scale, frequency, and value-driven consumption

Kiranas combine low operating costs with fast inventory turns, making them structurally efficient and resilient. Their steady flow of small, frequent transactions keeps cash circulating and holding costs low, allowing them to stay agile even in thin-margin categories.

Unlike modern trade, which depends on scale, or online commerce which trades margin for convenience, *kiranas* sustain profitability through lean operations and stable, everyday demand.



> ***This is our family shop – we live right upstairs, so we don't have rent or extra staff costs. The store runs with all of us helping whenever needed, which keeps expenses low and lets us serve customers any time.***
>
> **Kirana Owner, Hyderabad**



> ***Most of our stock comes from regular distributors, but on days a delivery is delayed, we just call a nearby wholesaler or another kirana we know. Someone always helps out — that's how the network works here.***
>
> **Kirana Owner, Bengaluru**



Frugal operations

Low-rent, family-run stores with minimal overhead

Lean cost structures

Negligible delivery expenses and fast 9–10-day inventory turns

Flexible pricing

Mix of GST-exempt staples allows margin control

Localised sourcing

Close supplier ties enable quick restocking and agility

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03 Kiranas anchor mass grocery, aligned with the spending patterns of India's largest demographic

Kiranas thrive by staying hyperlocal, mirroring neighbourhood needs through tailored assortments, trust, and cultural alignment in ways modern formats cannot replicate

If cost efficiency explains why *kiranas* work, localisation and trust explain why they endure. Each *kirana* is more than a retail outlet, it is a microcosm of its neighbourhood, shaped by the preferences and purchasing power of the community it serves. Within a few hundred metres, these stores capture the diversity of Indian consumption, turning familiarity into a sustained competitive advantage.

Localised Assortment

Kiranas **curate products** from lived experience, stocking exactly what their neighbourhood buys - **right sizes, right variants, and right price points for the catchment.**

Agility in Shelf Stocking

They respond to shifting demand almost overnight, **restocking new brands or pack sizes in real time** without centralized approvals or long lead times.

Community Trust

Every transaction rests on personal relationships – **extending credit to regular customers** and building loyalty through years of reliability and care.



Near my house, there's a kirana and a small chain store. While the chain looks more polished, it often misses local needs. Ours is a predominantly Telugu neighbourhood, and the kirana stocks the right masalas and essentials because the owner understands local preferences.

Female, 38, Bengaluru



Our college kirana guy knew all of us by name. He'd let us buy things on credit through the month and we'd pay him back when our parents sent pocket money. It wasn't formal at all — just mutual understanding.

Male, 22, Kolkata

Together, localisation, agility, and trust make *kiranas* a highly adaptive and context-aware retail format. Even as modern retail formats evolve, their strength continues to lie in proximity, familiarity, and trust.





Kiranas are strengthening everyday operations as retail patterns and demand cycles evolve

Daily operations are becoming sharper as kiranas streamline sourcing, improve replenishment cycles, and adopt more digital behaviours.

Sourcing

Kirana sourcing is becoming more planned. Store owners now coordinate across **5-10 distributors** with clearer scheduling to manage **2-5% margin leakages**. Many are also starting to place selective **online orders through eB2B platforms**, using them for quicker replenishment.

Logistics

Many *kiranas* now supplement their traditional wholesale runs with supplier deliveries and online B2B ordering platforms. This shift reduces the frequency of **3-5-hour** market trips, improves stock availability, and allows owners to spend more time serving customers and managing the store.

Credit

Credit practices are evolving as *kiranas* better balance **one month of distributor credit** with structured cash-flow planning. Even when informal loans at **1-2% monthly interest** are used, purchases are increasingly synced with real-time sales to maintain liquidity more predictably.

Data and Tech

Digital adoption is rising steadily. While many *kiranas* still rely on intuition for reordering, more stores are using UPI and simple sales-tracking tools to avoid **frequent stock gaps** and gain better visibility into fast-moving SKUs as digital habits mature.

The *kirana* ecosystem is steadily modernising, building on long-standing practices rooted in local trust, manual processes, and neighbourhood sourcing. These routines continue to serve stores well, while the next phase of evolution is focused on sharper planning, quicker replenishment, and better visibility into fast-moving items.

Smaller *kiranas* in semi-urban or rural areas still lean on frequent mandi or cash-and-carry visits, but many are now adopting digital payments and simple record-keeping tools to manage cash flows and reorder more efficiently.

In dense urban markets, larger *kiranas,* traditionally connected to distributor networks, are beginning to refine delivery scheduling, credit planning, and assortment choices to better match local demand.

Across formats, *kiranas* are gradually shifting toward more structured, data-aware workflows, reflecting how India's neighbourhood retail is evolving while staying anchored in its core strengths.

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Traditional sourcing channels have shaped how *kiranas* operate, blending distributor visits, mandi trips, and occasional cash-and-carry purchases. These routines have built a dependable model rooted in local knowledge, trust, and quick decision making.

As digital adoption increases, *kiranas* are gradually refining how they plan and replenish, evolving from experience-led operations to more informed and flexible store management, strengthening the resilience of a model that continues to serve India's everyday consumption.

This highlights the kirana ecosystem's ability to adapt its operations in step with India's broader economic shifts



Stock Availability



Earlier, I often struggled to keep key items in stock, but now availability is improving as suppliers and platforms are becoming more consistent. It's getting easier to plan inventory.

- Kirana Owner, New Delhi

Logistics Costs



Logistics are becoming easier to manage as platforms expand their delivery networks. With flexible delivery options, replenishment is quicker and overall costs feel more controlled.

- Kirana Owner, Lucknow

Grounded in local relationships and fast decision making, *kiranas* are steadily modernising how they plan, procure, and manage cash flows. As digital behaviours grow and replenishment cycles tighten, stores are operating with greater clarity and flexibility. The result is a more agile neighbourhood retail system that remains core to India's mass-market grocery demand.

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Conclusion

India's grocery market is evolving, but its centre of gravity remains unchanged. Mass grocery – driven by low-ticket, frequent purchases – continues to shape how the majority of the country consumes. This segment depends on affordability and the ability to buy in small, need-based quantities, making *kiranas* uniquely positioned to serve it.

Kiranas remain indispensable because they are structurally aligned with how most Indians can and do buy. Their ability to operate profitably at low AOVs, hold tightly curated local assortments, and run lean, community-embedded operations allows them to serve the broadest income groups with unmatched efficiency. No other format replicates this combination of agility, relevance, and economic fit in meeting everyday essential consumption.

As modern formats scale, whether through value-led monthly stock-ups or the rapid fulfilment offered by online channels, the core of India's grocery demand will continue to flow through *kiranas*. The next phase of retail growth will build around this foundation, not replace it. Multiple formats will coexist, but *kiranas* will remain the steady, irreplaceable backbone of mass grocery consumption, aligned with the purchasing realities of the country's largest demographic.



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Glossary

Conversion Rate	US$1 = ₹85
Fresh and Dairy	Fresh and Dairy include fruits, vegetables, meat, seafood, dairy, and other perishable product
Staples and FMCG	Staples & FMCG includes grains, pulses, packaged foods, beverages, toiletries, cleaning supplies etc. excluding personal care & baby care consumables
Regional Brands	Primarily dominant in one or two states, catering to local preferences and maintaining a strong regional footprint
Mass	It refers to products perceived as true value-for-money, balancing price and quantity
Masstige	It represents products positioned between mass and premium, offering affordable aspiration.
Premium	It denotes products driven by strong brand perception and differentiation rather than value-for-money.
Kiranas	Comprises of small local vendors, independent outlets with minimal standardisation and regulatory oversight.
Big-box Retail	Includes the purchase of goods with large-scale, standardised operations, professional management, and regulatory adherence. It includes departmental stores, supermarkets, and hypermarkets.
Online Commerce	It includes quick commerce, slotted and scheduled delivery.
Gross Merchandise Value (GMV)	Gross Merchandise Value (GMV) at Selling Price refers to the total value of goods sold at their selling price (i.e., after any MRP discounts) for all the orders excluding coupon and checkout discounts, delivery charges, and other platform fees. It includes cancelled and returned orders.
Cash Conversion Cycle (CCC)	It represents the time (measured in days) taken to convert investment in inventory and other resources into cash flows from sales. It is calculated as inventory days + receivable days - payable days
Cash-and-Carry (C&C)	It represents the wholesale model where retailers self-purchase goods in bulk from physical stores like Metro or Best Price
Embedded Credit	Short-term loans (7-15 days) offered by eB2B platforms via NBFC partnerships
Inventory Financing	Credit facility allowing small brands to use stock or invoices as collateral to access short-term liquidity
Private Labels (PL)	Products sold under a platform or retailer's own brand
Value Added Services	Platform services beyond procurement (credit, data insights, in-app merchandising, advertisements etc.)

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Methodology

This report has been developed through a combination of primary research, proprietary intelligence, and secondary data to assess the structure, economics.

Insights were gathered from extensive stakeholder discussions across the grocery value chain, including participants FMCG manufacturers, *kirana* owners, and organised retail players. These conversations provided on-ground perspectives on sourcing practices, credit structures, delivery timelines, and digital adoption, along with directional inputs on key operating metrics such as gross margins, cost-to-serve, and working-capital cycles.

The analysis further draws on proprietary Redseer intelligence and validated secondary research, including benchmark data from previous engagements and publicly available sources such as company filings and trade publications. A structured, comparative framework was applied to evaluate each retail model on four dimensions - cost efficiency, working-capital dynamics, profitability levers, and value-chain impact - with all figures representing directional estimates derived through data triangulation.



About Redseer Strategy Consultants

We solve the strategy behind scale, by guiding critical decisions in disruptive markets. For over 15 years, we have been at the forefront of shaping India's new-age business landscape, helping consumer-focused brands, digital platforms, and investors solve their most pressing growth and transformation challenges.

Our advantage lies in combining deep consumer understanding, innovation-first thinking, and an entrepreneurial mindset to deliver strategies that go beyond ideas into scalable, sustainable impact. This has made Redseer the trusted advisor to founders and boards as they build enduring businesses, the #1 partner for IPO strategy among new-age firms, and a leading advisory firm for private equity investors navigating high-stakes decisions.

Together with our global partner, OC&C, and a network of over 1,000 consultants across 22 countries and 5 continents, we bring a global perspective with local relevance, creating lasting value for clients as they transition from bold vision to scalable reality.

For more, visit redseer.com



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