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RESEARCH ARTICLE

STORY OF BIG BASKET – PRE AND POST PANDEMIC

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ABSTRACT

Online mode of buying has already picked up as the mainstream worldwide and grocery is no exception to the same. Second most populated young country has also adopted app-based shopping in the recent past. Therefore, this article is aimed to highlights the working, key success as well critical areas; and common issues faced by online Food & Grocery providers. Further, the it highlights in the Indian context case of- bigbasket.com. Inception of the e-grocer and to the current state of the online grocers Big Basket (bb). Its working and challenges handled during COVID-19, period of lock down and post lock down. The case highlights the response of bb and adaption to the challenges posed by the dynamic environment. The case highlights how it is critical for any organisation to simultaneously meet its customer expectation and handle operational challenges. It's worth mentioning that how in the troublesome environment bb handled various issues.

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INTRODUCTION

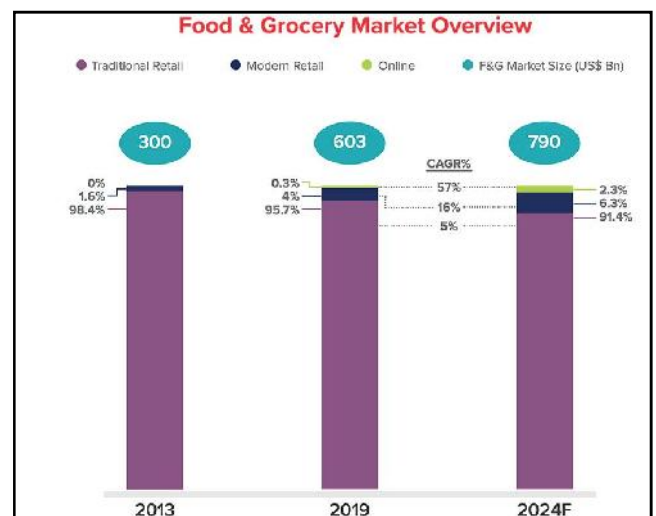
The case provides students of master's course- strategic management and general management with the following learning opportunities:

- J To appreciate the influence of environmental factors- macro level; resulting into challenges at organisational level.
- J To encourage identification of critical success factors and thinking around concept of change management.
- J To understand the importance of respond to the uncontrollable changes.
- J To evaluate the effectiveness of each step taken by and impact on the people involved.

Introduction to Online Grocery Retailing in India

Almost every day to every month there is shopping list ready of essentials. Local neighbouring Kirana stores were the life blood. Previously there existed only mom and pop stores (brick and motor), street vendors, and street hawkers, from whom the consumers have been shopping for food and grocery consumption based on their demographic profile. (termed as an unorganized sector accounting for around 97% in India). Now we use the term *grocery* commonly for these regular shopping essential items. Over a short period of time, liberalization and foreign direct investment in the retail

division tiled the way for the evolution of organized retail formats in the food and grocery retail sector. Other than visiting to the stores and placing the order to the shopkeeper, now one can order- on mobile, sms, whatsapp message, retailer app or aggregator app (Amazon/ Swiggy). Indian grocery market is very diverse as it has many distribution models for retailing. It's a direct result of FDI coming into organised retailing. Indian FMCG Grocery market is overall a \$ 540 billion (financialexpress.com). Specifically, from 2013 to 2019 the market doubled from \$300 (consultancy.in).



Source: https://www.consultancy.in/illustrations/news/detail/2020-11-06-082013198-Food_-_Grocery-Market-Overview.jpg

Consumers have already embraced online shopping. In the past e-retailer mostly competed on retailing of apparels. COVID-19 fuelled online shopping resulting into permanently changed consumer behaviour, especially in case of ordering grocery online. Online grocery market reached to \$1.9 billion GMV (Gross Merchandise Value) in 2019 and is expected to double by end of 2020 (inc42.com). As per theindianwire.com Indian online grocery market has made a sale of around \$3 billion in 2020, thanks to COVID-19 restrictions. Consultancy.in, in its report projected 57% CAGR for Indian Online Grocery market, i.e. to reach \$18.28 billion by 2024 from \$1.9 billion in 2019. This can be assigned to the online retailing reaching to the Tier-2 cities of the country. COVID-19 has given them the taste of ordering and getting more conscious and concerned about health and hygiene. KPMG Consultancy also reported that Post COVID-19 consumer is tech-savvy and cashless. RedSeer also predicted the present half percent of market share of online grocery sales to reach to two per centage by the 2024 amounting to \$800 billion.

Still, there is stiff competition in the e-retailing market in India. Major Players in the Indian Online Grocery Retailing are following-

1. Big Basket
2. Grofers
3. Amazon Fresh/ Prime Pantry
4. Snapdeal Grocery
5. Paytm Mall
6. Jio Mart
7. Reliance fresh
8. Nature’s Basket
9. Zopnow
10. Easyday
11. D-Mart Online
12. Spencer’s

Others- Paytm Mall,

Government initiatives

Since 2014, the Government of India has announced various initiatives, namely Digital India, Make in India, Start-up India, Skill India, and Innovation Fund. The timely and effective implementation of such programs will likely support the growth of E-commerce in the country. Some of the major initiatives taken by the Government to promote E-commerce in India are as follows:

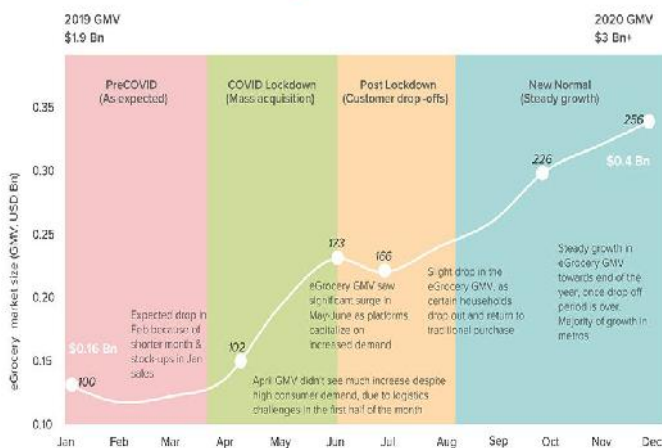
-) Government e-Marketplace (GeM) signed a Memorandum of Understanding (MoU) with Union Bank of India to facilitate a cashless, paperless, and transparent payment system for an array of services in October 2019.
-) In February 2019, the Government of India released the Draft National e-Commerce Policy which encourages FDI in the marketplace model of E-commerce
-) In order to increase the participation of foreign players in E-commerce, the Indian Government hiked the limit of FDI in the E-commerce marketplace model to up to 100% (in B2B models).
-) The heavy investment made by the Government in rolling out a fiber network for 5G will help boost E-commerce in India.
-) In the Union Budget of 2018–19, the Government allocated Rs 8,000 crore (US\$ 1.24 billion) to BharatNet Project to provide broadband services to 150,000-gram panchayats
-) As of August 2018, the Government has been working on the second draft of the E-commerce policy, incorporating inputs from various industry stakeholders.

2020: Scenario

Some of the major developments in the Indian e-commerce sector are as follows:

-) In August 2020, Reliance Industries (RIL) acquired a 60% stake in Netmeds, an online pharmacy, for Rs 620 crore (US\$ 84.61 million). This acquisition gives RIL’s retail unit, Reliance Retail, entry into the vertical e-commerce space.
-) In January 2020, Divine Solitaires launched its E-commerce platform.

eGrocery market trend – 2020



<https://www.consultancy.in/illustrations/news/detail/2020-11-06-082558088-eGrocery-market-trend---2020.jpg>

Online grocery retailing in India is not easy one even with the presence of fertile ground- improved internet connectivity, young population using smart phones, digital payment option. Success of online grocery retailing is subject to managing-efficient Inventory management, containing cost of procurement, technology-integration, availability of variety and customer servicing.

Challenges and Essential activities for the Success of Online Grocery Retailing	
Challenges	<ol style="list-style-type: none"> 1. Grocery shopping is routine buying therefore its low involvement buying. 2. Price sensitivity results into low gross margins 3. Shipping grocery items, particularly perishable, is an expensive affair. 4. Supermarket stores are efficient competitors.
Essential activities	<ol style="list-style-type: none"> 1. Focus- handling growth of daily orders of fresh/ perishables and other products requires handling both supplies and deliveries. 2. Efficiency- procuring, sorting and waste reduction. Means better backend operations of warehousing, trans-shipment hubs and dark storage. AI and SaaS tools are already utilised for the last-mile route optimisation. 3. SCM- integration of supply chain, especially backward integration of truly becoming ‘farm-to-fork’; without compromising on quality and best prices. 4. Branding- brand creation through brand partnership to handle the growth channel in the online mode.

- J In February 2020, Flipkart set up a 'Furniture Experience Center' in Kolkata, its first offline presence in eastern India.
- J In April 2020, Reliance Industries (RIL) started home delivery of essentials in partnership with local Kirana stores in Navi Mumbai, Thane, and Kalyan.
- J In April 2020, Swiggy received an additional US\$ 43 million funding as part of its ongoing Series I round.
- J In May 2020, PepsiCo India partnered with Dunzo for its snack food brands that include Lay's, Kurkure, Doritos, and Quaker.
- J In May 2020, chocolate maker Hershey India partnered with Swiggy and Dunzo to launch their flagship online store in order to increase reach.
- J In Union Budget 2020–21, Government has allocated Rs 8,000 crore (US\$ 1.24 billion) to BharatNet Project to provide broadband services to 150,000-gram panchayats.
- J In August 2019, Amazon acquired a 49% stake in a unit of Future Group.
- J Reliance will invest Rs 20,000 crore (US\$ 2.86 billion) in its telecom business to expand its broadband and E-commerce presence and to offer 5G services.
- J In September 2019, PhonePe launched the super-app platform 'Switch' to provide a one-stop solution for customers integrating several other merchant's apps.
- J In November 2019, Nykaa opened its 55th offline store marking success in tier II and tier III cities.

Big Basket (bb) Journey

bigbasket.com (bb) is one of the major players in the food and grocery market in India. By the year 2019 bb reached to the status of 'unicorn' business. Unicorn, coined in 2013 by venture-capitalist Aileen Lee, indicates a privately-owned start-up whose valuation exceeds \$1billion. Big Basket is backed by investors like- Mirae Asset Global Investments, CDC group, Alibaba, Sands Capital, Abraaj Group and International Finance Corporation. It was in 1999 when Hari Menon, the current CEO of Big Basket, along with his four other friends - Abhinay Choudhari, Vipul Parekh, V S Sudhakar and V S Ramesh, started off with an online retail website known as *Fabmart*. However, the venture failed to attract the right number of customers and had to be discontinued. Now the group thought of *Fabmall*, a chain of physical grocery stores. Later, after merging in another grocery chain, it was named Trinethra, with 200 stores, functioning in the states- Andhra Pradesh, Karella, Tamil Nadu and Karnataka. But ultimately, they sold the chain to Aditya Birla Group. All five ultimately decided in December 2011, to enter online grocery suppling with the name bigbasket.com- with more than ten thousand brands of food grains, packed food, beverages and fresh vegetables.

bb Customer Servicing Business Model

"It's important to setup a learning organisation and the first thing we did at BigBasket was set up a training and innovation function. It is very important to keep your eyes open and learn...We had a whole bunch of senior people, who had worked in the physical stores business. It took us 6 to 8 months realise and take off our blinkers, we had to lose our past baggage to understand the online business," Menon, CEO bb.

Clearly highlights that the business was setup by the entrepreneurs with practical experience of the market. The leaders build an learning organisation given the nature of e-retailing.

Major Features bb delivery service-

- J On-time Guarantee by bb is an assurance to refund 10% of the bill value if the delivery is delayed.
- J Free delivery for orders values above INR 1000.
- J A 'no-questions-asked' refund for the item returned or in case of any item missing from the order delivered, which needs to be reported within 48 hours. No question return & refund policy. Money is refunded into the account within 7 to 10 working days.
- J A wide range of imported and gourmet products in the slotted and express delivery service.
- J Delivery charges- Mostly for order INR 200 and above no delivery charges but for less than that it varies from INR 30 to INR 50. But for bb star customers no charges on order above INR 600.
- J Active and dedicated Customer Servicing through Email and Calling 7am to 10pm during all seven days of the week.

With multiple payment options and all branded foods available bb ensures each order reaches in time through giving option for retailing and corporate orders. bb categorised different types of options for the consumers

- J Slotted Delivery: Customers can select the most convenient delivery slot from 7am to 10pm for grocery delivery.
- J Express Delivery: Super useful service of deliver in 90 Minutes offered in cities like Bangalore, Mumbai, Pune, Chennai, Kolkata, Hyderabad and Delhi-NCR.
- J BB Specialty stores: a special arrangement with popular neighbourhood stores e.g. bakery, sweetshop and perishable- meat, flowers and chocolates, to deliver in 90 minutes.
- J Bulk supply: for the schools, restaurants and corporates at special prices.

There are three options for placing the order- Green Basket, BBDaily, BB Instant and BB Beauty Stores

- J Green Basket- BB ensures low energy consumption while refrigerating and transporting the green vegetables. BB directly procure products from manufacturer/ producers. Recyclable trays are used to reduce use of paper and plastic bags.
- J BB Instant- for placing order for daily essentials through app

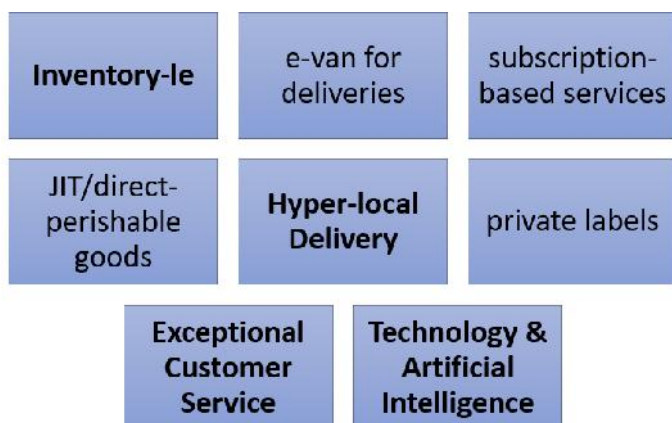
bb Back Office Operations: There are basic three business models of e-retailing- Inventory-less, inventory-led and aggregator based. e-comm has already transited to Omni-channel or eComm 2.0 in case of Online grocery retailing. Initially bb employed zero-inventory model with JIT (just-in -time) approach. In this arrangement bb delivery executives used to pick up from the local retailers against each order received by bb. Later JIT model was not followed by bb.

Bigbasket reached to the status of an online shopping app for ordering grocery in India, with more than 6 million customers. App dedicated for placing the orders, enables BB customers to place order. BB invested heavily on AI and ML for finding the buying pattern. Hyper-personalisation is used. Smart-Basket feature uses AI to find out customers preference to a specific product out of over 1800 merchandise. In the present Inventory-led model the items are directly procured from the manufacturer or the farmers or local mandis. In order to ensure fast delivery of 20 thousand through 2000 employees, BB adopted hyper-local strategy resulting into partnership with more than 1800 local grocery stores across country. Even delivery partner- ‘Delyver’ also acquired to expand the delivery network and capabilities of BB. Organic fresh fruits and vegetables directly procured from farmers means fresh and best prices to the farmers and customers. bb partnered with ‘Cropin’ for improving organic yield and monitoring farmers activities through following measures-

-) digitalisation of farm data,
-) monitoring farm activities and maintaining the database of the activities; and
-) keeping a track of the harvest projection.

All this help to have get accurate projections for harvest to bb collection centre to meet the demand and supply balance and manage delivery well by bb.

EXIHIBIT-I Big Basket- Value preposition



“prowess is the right strategy; market knowhow; customer centricity and yet another significant facet, “the right technology” points out Rakshit Daga, Vice President & CTO, Big Basket. “We have to understand that the market is absolutely massive and the overall Indian grocery market is US\$ 500 billion, of which a couple of billion dollars are online right now.

Major Competitor Amazone- it is the most successful online aggregator worldwide. Started in 1994 as a book seller the name has entered various online services internationally-retailing of grocery to software to jewellery, video streaming. Its subscription-based model has proved to be sustainable. In 2020 it launched Amazone Fresh with 25 centres in four cities- Ahmedabad, Chennai, Kolkata and Pune. Its offering more than 5000 products.

Big Basket Sustainability Strategy

Back in 2016 BB was the first one to use electric vehicle for delivery operations. This is in the best interest of controlling

pollution. One of the costs saving head in terms of delivery cost- the electric vehicles used for delivery. Bb planned to increase the electric delivery vehicles from 200 to 3000 by 2020, in 2019 by including one thousand vans and two thousand bikes. BB was serving almost 15 million customers in 26 Indian cities, aiming to double its operation by March 2020. In March 2020, BB tried to take over Milkbasket of Unilever and DailyNinja. Started with Delhi NCR Milkbasket expanded to Bengaluru and Hyderabad. The brand also attracted- Amazone, Flipkart and Reliance

bb and COVID-19

March 25, 2020 to April 14 was the long duration when the first 21-days long, Nationwide lockdown was announced in India. BB announced suspension of its 25000 employees travelling and return. Ironically, 80 percent of the bb employees left within first two days of the lockdown. bb was not functional in Chandigarh, Chennai, Delhi, Ludhiana, Pune and Vizag, but was operating in Ahmedabad, Bengaluru, Bhopal, Coimbatore, Indore, Mumbai, Mysore, Noida, Surat and Vadodara. Though Indian government announced permission of delivery of essentials. Home Ministry defined clearly- “all essential goods include- food, pharmaceuticals, medical equipment through e-commerce”. Still panic buying across cities resulted into almost doubling of the orders. On the other side, supply chain, due to state-border stopping and checking of trucks, was posing troubles. For some days, the supplies were stopped due to restrictions on the field, resulting into backlog of orders. bb needed ten thousand new employees for its warehouse and delivery for its operations in the 26 cities. bb hired 12,300 new employees within next 16 days. High demand and low stock were common.

“We are operational across all our cities with limited slot capacities except Kochi and Indore... We were operating at 10 percent of our capacity on 25 March and as of yesterday (2 April), we are operating at 40 percent of capacity planned,” as bb tweeted on its social media handle. At the same time bb partnered with Uber to deliver household essentials.

In November 2020, bb came into limelight due to data breach in the form of- personal information of 20 million bb customers put on sale. bb publicly accepted the breach but assured secrecy of the financial data of the customers.

EXIHIBIT-II Big Basket Responses	
)	Contactless- delivery executive drops the order on the door (in the basket) rings and maintain distance until customer collects the items.
)	No-Cash- delivery executive do not accept cash or cards, as payment is required during placing the order. Payment options- Credit/Debit Card, Net banking, UPI, Mobile wallets.
)	Heightened safety protocols at warehouses, offices and delivery hubs. It includes- frequent sanitization with disinfectants.
)	Employees check up- thermal scanning before entering the premises, mandatory usage of gloves and face-masks. All delivery executives are checked against any symptoms before leaving for delivery. Their disposable gloves are changed after each delivery.

Source: <https://www.bigbasket.com/precautionary-measures-43934/>

Future of Big Basket

In the mid of 2018 Walmart’s acquisition of Flipkart, Indian online retailer, US \$16 billion was a historical event. Consolidating the e-market with two major leaders- Amazon

and Flipkart. Tata Group wants to buy 80% stake in BB, valuing it to US \$1.6 billion. As per a recent report from CNBC (November 24th 2020) shared that the Tata Group and the Big e grocery chain Big basket was in the last lap of closure of deal where Tata Group would acquire a 29.1 stake from the major AliBaba Stake in Big basket. It has also been seen having competition from Jiomart, Amazon, Flipkart etc but more importantly this deal which comprises of other investors Abraaj Group (16.3%), Ascent Capital (8.6%), Helion Ventures (7%) and Bessemer Venture (6.2%) are looking out to exit. Through sources they could be exits from some of these investors as Tata's play is to boost the TATA digital arm that was launched last year which talked about creating an APP which would give it a strong digital presence over several verticals with its strong presence clocking 3,00,000 orders per day as per a research undertaken by Forrester Research. With more than 70 warehouses and operation in 23 cities with round of clock operations the Supply chain system is robust. The software resources are dealing with huge data bases and the configuration of the process helps in zero error operation. Data is collected for every region – the whole supply chain operation looks for inefficiency and with technology they resolve the problem, thereby minimising errors that exist with the customer. Delivery resources is monitored and every time the customer places the order it is checked. The goal is to become one of the largest e grocers in India crossing a billion mark sale and working on a solid supply chain – working closely with farmer units. Big basket strongly believes that they will continue to grow in the staples market and are looking at differentiating their products wisely.

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