

Tracing the trajectory of retail

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Abstract

Developing a better understanding of the dynamics of business model in retail is one of the primary aspects of the marketing strategy which has encouraged researchers, intellectuals and thinkers across the fields and subjects to invest their energy and resources into this particular subject. Researching retail sector in the limelight of emerging trends in the form of online retail becomes more critical as the later witnesses a huge change in the structural settings of business model from conventional to online retail. The present research makes an effort into this realm and unearths the change in business model that has taken over the period of time in the retail sector, since its evolution. This is based on the central objective as to how the new business model is an improvement over the preceding ones. Exploring from the yejmani system prevalent in Indus valley civilisation till the emergence of fixed location shops, the paper discusses evolution of online retail segment. Lastly, the new trends which emerged through the development of virtual form of retailing is discussed by taking a case study of Bigbasket, which is considered as one of the largest online grocery retailer in India.

Keywords: retail sector, business models, online marketing, online grocery retail

1. Introduction

Retailing as a process has not evolved spontaneously rather it is the outcome of the changing trade practices and business models that have emerged over several decades. The changing social, political, religious and technological developments have influenced the transformation of trading and retail practices over the period of time. The resultant of which is that more and more retail formats have taken shape and are seen as an innovation over the existing business practices. The present paper is based on the central research question as to how the process of retailing evolved over the period of time and how the change in business model

followed in different categories of retail practices is seen as an innovation over the previous one. This paper is divided into two major sections the former one tries to throw light on the conventional trade and market processes that have evolved over the period of time with respect to the Indian context and the later one discusses the financial trajectory of the organisation dealing in grocery online retailing undertaken as a case study for this research. An effort has been made to understand the changes historically that have taken place in the characteristic features of the market process. The first section would also try to study the pre-history of emergence of retail and its allied activities and would try to make a connection between the conventional retail practices and the newly emerged, online retailing.

2. Pre-history of retail practices

The subsequent section discusses the forms and practices of trade that developed prior to retailing in India. The effort is to unearth the business models and conditions prevailing which led to the development of term called retail and online retail.

2.1 *Yejmani* System

The Aryans developed the village based society during the post Indus valley civilization which was said to be based on urban concepts. As people started leading towards a settled life at least for the particular agricultural season the villages started to emerge. This transition gave rise to non- agricultural activities which were necessary for a settled life; the professions like potter, ironsmith, oil presser, weaver, barber etc. were taken up by the people which gave rise to manufacturing and skilled occupations. At this point of time village was characterised as the self-sustained unit where agriculturist produced the grains and products of animal husbandry and on the other hand craftsmen and artisans produced other goods and services for the daily requirement. There was a noticeable rise in the diversification of production activities of goods and services however there was no evidence of rise in the quantitative terms (Sharma, 1966 in Garg, 1984). Here, it is very important to understand the system of exchange developed between the different categories of workers and service providers within the village system. The order so developed was termed as *Yejmani* derived from the word *Yejman* which means the cultivator. Garg, 1984 has termed this system as sociologically enrooted where there were bonds of mutual, understanding, obligation and expectation which bound the village society in a single thread. Under this system, *yejman* would share the yield with an artisan or a craftsman to render other goods and services or vice versa. The exchange was not only limited to the participation of the cultivator, rather it would take place between artisans or craftsmen for the purpose of exchange of specific goods or services. For example, the exchange could take place between a barber and a weaver etc. (Dubey, 1955 in Garg, 1984). Similarly, the cultivator was supposed to give the share of the harvest to the workers who would assist him in agricultural as well as non-agricultural activities at his house and domestic chores such as festivals, rituals and other occasions. Over the period of time there developed a system of understanding among different sections and class of workers. As far as the terms of exchange

system were concerned Garg, 1984 further asserts that the exchange and distribution of goods and services was merely for self-consumption only. There was no middleman and accounting in the whole system and this platform could be considered as an alternative to the market. Also, it was not compulsory to exchange the goods and services at the same point of time. For example, the cultivator could pay the barber with the share of his produce at the end of the harvesting season while taking his services from time to time round the year. This kind of arrangement was characterised by Polanyi, 1971 in Garg, 1984 as “reciprocative and redistributive” (p. 20) in nature which made sure that the distribution of goods and services produced took place within the self-contained unit (village). The importance of this system is that it provided “means of living to all villagers who in one way or another participated in the production activity” (Garg, 1984, p. 20).

2.2 Barter System

As the production of goods increased quantitatively, the barter system became prominent as the model of exchange of the surplus goods produced. There is enough literature to support the fact that surplus production started to emerge in later Vedic period. During this period the cultivator developed a considerable knowledge of “fertility of land, selection and treatment of seeds, seasons of sowing and harvesting, rotation and other cultural practices of crops, manuring for increased production of crops and the like” which led to increase in the production (Randhawa, 1980 in Garg, 1984, p. 21). The author (Randhawa, 1980 in Garg, 1984, p. 21) further states that “the *Taittiriya Samhita* mentions that rice would be sown in summer and pulses in winter on the same field. The *Atharva Veda* provides us with a considerable number of spells to avoid blight and secure a good harvest”.

During the initial stages ‘Niman’ was the term used for the barter system. The exchange used to take place directly between the consumers and the producers at the same time. They approached each other as per their requirements of both agricultural as well as non-agricultural goods. Till this stage even there was no physical market place where people would gather and the exchange would take place (Garg, 1984). The emergence and rise of barter system is associated with the rise in production which created ground for the exchange of surplus to be carried out with the people living in adjacent villages also.

2.3 Banaj

The rise in the production gradually led to the emergence of trading community as it was not possible for every cultivator or craftsmen to carry out the exchange of the surplus only within the adjoining villages itself. Specific groups of people adopted this system of exchange as a profession and source of livelihood and hence trading eventually started instead of just exchange of goods and services outside the domain of self-sustained unit. There is historical evidence to support that the trading community might have emerged from the land owning section of the society (Thapar, 1968 in Garg, 1984), the *Vaishya* community within the four *varna* system so

developed, was said to have taken up the profession of traders. Vaishya is defined in *Mahabharata* as “Who earns fame from rearing of cattle, who is employed in agriculture and the means of acquiring wealth, who is pure in behaviour and attends to the study of Vedas, is called a *Vaisya*” (Ganguli, 1976 in Garg, 1984, p. 23). *Vaishyas* were involved in both agriculture and trading however during the later Vedic period a section of the community took exclusively trading as a profession. These are described by Thapar, 1968 in Garg, 1984, p.24 as section within the community “who established economic links between settlements, coming from the class of wealthier landowners who could afford economic speculation.” Eventually over the period of time, *Vaishyas* as a social group emerged more as a merchant and a trader than as a cultivator. The kind of system so developed was termed as *Banaj* and traders were called as *Banji* who were peddlers and travelled from village to village exchanging both agrarian as well as non-agrarian products. Pradhan, 2017 has termed peddlers as early retailers who had the entrepreneurship quality to travel to miles to provide the potential customers with the goods which they couldn't get in the close by places and did the exchange with a motive of profit. During the initial stages the peddlers used bullock to transport goods with them through the beat they identified to do the trading. The important characteristic transformation that took place through the introduction of this system was *Banji* became a central agency which did the task of collection of surplus and the distribution (Garg, 1984). This laid the foundation of the intermediary system of trading mostly carried out through the *Vaishya* community members. Both categories of producers cultivators as well as craftsmen could have the advantage of diverting their resources to the production activity solely which could have helped to increase both quality and quantity of the products they produced. This catered to the “specialisation of production and concentration of skilled craftsmen to specific locations which in course of time became noted for a particular craft.” (Garg, 1984, p. 27) The specialisation led commercialisation of the trading activity paved way for the expansion of the business from a limited area to the length and breadth of the country covering long distances. *Sarth* (merchant caravans) came into existence which soon became a systematic and organised system of transporting the goods through long distances for the purpose of trading. The traces of merchant caravans could be found in the *Mahabharata*, Maurya and Gupta periods and is also discussed in the times of Buddha (Garg, 1984). The traders around this period could well identify the demand and supply pattern and would undertake the trading of the articles which were in demand at particular places which were produced at a different cluster. Each *Sarth* was led by a *Sarthvaha* known as the leader of the caravan who travelled through a particular chosen route at a particular season with huge assembly of goods meant for distribution at various places. Soon this class of merchants who actually travelled to long distances without the purpose of settling came to be termed as *Banjaras*, some of the scholars have used the word *Nayaks* for them but through the time period *Banjaras* became a popular term in the history of trade and business within the Indian context (Garg, 1984). The *Banjaras* extended the trade to the commodities of luxury goods, bullocks, cattle, horses, consumer goods etc. The *Banjaras* also hired guards into their caravans for the route guidance and security, they also developed relations with the people in the

villages scattered along their route who could help them at the time of and emergency to extend the local support (Basham, 1959 in Garg, 1984). The *Banjaras* themselves got equipped with the skills of fighting and would resist the dacoits and robbers. They also developed wells, *sarais* (rest houses) and planted trees which were also used by other group of travelers using the same routes. The order so developed promoted the marketing skills, risk taking abilities and delivery mechanism with a sense that despite of political turmoil, insecurities, uncertainties, lack of sound transport system the trading community could do the transaction and exchange of the goods at the identifies places.

2.4 Emergence of stationary centers for trade

Up to the Maurya period the trading continued through mobile modes where the traders were responsible for the collection, assimilation and distribution of the goods (Garg, 1984). However, the post Maurya period witnessed slow and gradual transformation in the order of exchange into some kind of stationary arrangement. The rise of stationary modes of doing exchange and business is associated with the celebrations around religious and cultural occasions and the assembly of masses to grace the occasions such as solar and lunar eclipses, *Kumbhas* and *Ardh Kumbhas*, *Kartik Poornima* etc. The fairs or *Melas* provided an excellent platform to the trading community to use the entrepreneurship skills to exploit the enormous business and trading potential which the huge gathering of people assembled around fairs carried. Adding to this fairs also provided opportunities for craftsmen and artisans to transact directly with the consumer (Garg, 1984). Traditionally, fairs catered to the rural areas, however there are several examples in the current period where fairs have become a popular affair in urban or peri-urban centers. The fairs could be seen as the foundation of the emergence of shops which would be discussed in the later section of this paper. Fairs were planned keeping in mind not only the religious occasions but the convenience of peasants as to when they had a comparatively free time to invest i.e. just after the sowing or harvesting was done. Garg, 1984 argues that around 40,000 to 50,000 thousand fairs were taking place annually throughout the nation on religious and cultural ceremonies. The prominent months in northern India where majority of the fairs takes place are September to November (Ashwin and Kartik of the Hindu calendar). Similarly, in Gujarat the fairs season is from July to September, in Tamil Nadu March to May and in Maharashtra January to April (Garg, 1984). Based on the characteristic features of fairs, the concept of periodic markets also started emerging. Known by different names in different parts of the country viz. *haat* in Bihar, Rajasthan, eastern Uttar Pradesh and other parts of eastern India, *penth* in western Uttar Pradesh, *shandy* in South India and *Athwara* in Maharashtra these period markets were different from traditional fairs because of the frequency of its occurrence (Garg, 1984). For example, the weekly Tuesday market around *Hanuman* temple, another example of the same could be the Sunday book market near *Daryaganj*, Delhi or *chor bazaar* near *Jama Masjid*, Delhi. Generally, the periodic markets were based on the idea of exchange of a particular set of commodity, however it didn't remained confined only to that. Garg, 1984 has majorly classified *haats* into three categories; first one is which has been the meeting ground of

the communities historically and was later used for the purpose of trade; the second which deals with the particular set of commodity taking place near the cluster of production of goods and the last one based on the sale of goods in towns and cities. The emergence of periodic markets in the form of fairs and *haats* got embedded with the rural economy and the development of trade and business in rural as well as peri-urban centers of India. As per the Report of National Commission on Agriculture in Garg, 1984 there are about 22,000 *haats* being organised in various parts of the country. These set of periodic markets are seen as the backbone of the rural trade centers which could cater to the need of rural population which is located in small scattered clusters over a huge landscape (Sinha and Uniyal, 2012). These periodic markets dealt in huge variety of goods in different segments which could satisfy the needs of people living in many villages with different choices and requirements altogether. Garg, 1984 uses the data from 1971 Census which reflects that 55 percent of 5.76 lakh villages had a population of less than 500; hence it would have not been possible for the entrepreneurs engaged in periodic markets to setup business at a single point and sustain their business economically. In these circumstances *haats* and fairs proved to be a viable technique for the distribution of goods for the consumption of masses. The probability of recovering establishment cost and the return on it was considerably higher for the periodic markets as compared to fixed location shops, as they had a huge customer base. This was the prime reason that the order of periodic markets was successful throughout the centuries. Even today also we can find many *haats* which work on the weekly (periodic) basis supplying goods for the requirement of a large chunk of population. Historically, these periodic markets have provided a space not only for the distribution of goods which is convenient both for the buyer and seller but also sociologically a space to share experience, knowledge, culture etc. outside the domain of one's physical and social boundaries (Garg, 1984).

2.4.1 Fixed location shops

The emergence of urban centers in the form of towns and cities after the collapse of Harappan civilization were experienced in the times of Buddha. The period from 600 to 322 B.C. witnessed sixty well established towns from Champa in eastern India to Bhrigukachha in the western part and from Kaveripattanam in Southern India to Kapilavastu in the North (Sharma, 1966 in Garg, 1984). Furthermore, texts in the later Vedic period talks about the six important towns of India viz. Varanasi, Saket or Ayodhya, Champa, Rajagraha, Shravasti and Kaushambi. The categorisation of emerging towns and cities could be found in the form of “temple cities or *thirthas*, political capitals, *durg* or fort towns, University towns or *Vihars*, *nigams* or market towns and *pattans* or seaports” (Bose, 1961 in Garg, 1984, p. 54). However, irrespective of the categorisation of emerging cities one thing was found common in many of them that they emerged on the banks of the rivers or along the major trade routes and hence proved to be having huge potential for becoming renowned trade centers. The trading community grabbed the opportunity and settled in towns and cities and started retail distribution of goods to satisfy the demands of pilgrims, travelers, kings and his subordinates and of other people. Even the producers of non-agricultural goods started settling in clusters majorly in the outskirts of the

emerging urban centers. This retail business was carried out through fixed location shops which not only served as a distribution and exchange point but also as point of procurement of goods from artisans and craftsmen which they also transported to other towns and cities through caravans led by *banjaras* and *nayaks* for the purpose of trade. Through these same caravans these shopkeepers used to buy the goods produced in the rural areas for the distribution and consumption by the people inhabited in urban centers. Hence, a huge urban market developed for non-agricultural goods which kept on expanding. The upcoming fixed ventures for retail distribution provided the opportunity for artisans and craftsmen to supply and sell their finished goods through these fixed shops, instead of investing resources into selling their own goods directly to consumers. The shops proved as a ready outlet for the producers who could now divert their energy and other resources towards production and had the opportunity to work on both the quality and quantity of the goods they produced or could diversify their line of production. This also helped the craftsmen and artisans to turn their business commercially with a broad access to market for their goods and transforming their skills to cater to a larger chunk of population with a motive of commodification and earning profit as compared to doing exchange under the *yejmani* system in a closed economy of a 'self-sufficient village' (Garg, 1984). This development led to the segregation of tasks and duties followed in the production and distribution network. The producer had now the option to focus and specialize only in the production, while selling and distribution was undertaken could solely be taken up by fixed location shopkeepers. Also, with this a new class of entrepreneurs later came to be known as 'retailers' developed, the main task of whom was distribution through retail selling and exchange. Gradually, the shopkeepers started building their establishments in close vicinity to each other, with a purpose of convenience of operations, convenience to customers and to sustain the competition amongst each other. These clusters of shops started dealing in one set of commodity and its similar product like variety of spices, ornaments and jewellery, clothes, dry fruits etc. and as the people in town and cities started settling, specific locations at specific streets were given for these clusters where the shops were developed on both the sides of a street. "This congregation of shops came to be called as *bazar*" (Garg, 1984, p. 55). The concept of allocating separate space in terms of streets was taken care of, in town planning while developing some of the towns, for example in Pink City, Jaipur separate streets were assigned to shopkeepers dealing in specific sets of products like *Johri Bazar* for jewellers, *Khajane walon ka Rasta* for marble workers etc. (Garg, 1984). Even the cities like Old Delhi and Ahmedabad have same sort of arrangements which exists even today.

2.4.2 Mandi (Ganj)

The growth of *Mandis* which served particularly for the exchange of agricultural produce facilitated as a center for sale of goods from the country side to the towns. These places emerged as the separate shopping establishments, more or less motivated on the lines of fixed location shops. Garg, 1984 classifies this separate market place and shopping establishment meant for assembly and distribution of agricultural produce as *Mandi* or *Ganj*. The emergence of

these *Mandi* can be traced back during the twelfth century particularly in the north and western part of the country. Historically there are two factors associated with the emergence of *Ganj* or *Mandi*, one is the flourishing of urban centers and economy with the improved conditions under the Sultanate which created a huge demand of goods from the countryside and second is the development of robust land tenure system and increased land revenue. The fixed settlement gave rise to huge increase in production and hence to satisfy the high rate of revenue the peasant was able to sell it for cash and pay the revenue in cash to state, even in the cases where the revenue of was collected in kind (grains), the state had the priority to sell it, which in any case lead to shifting of all surplus products (agrarian) from countryside to the towns (Habib & Raychaudhuri, 1982 in Garg, 1984). These circumstances paved the way for building a well organised market for agrarian products for solely commercial purposes. As the money (cash) got embedded with the system it facilitated the peasants to somehow shift to cash crops and specialisation, leading to higher surpluses also. The large quantities of grains to manage and timely requirement to shift them to market for sale and consumption diminished the role of *pedlar or itinerant trader* and encouraged the peasants to find and manage the market for their produce which in turn also facilitated them with better agricultural inputs and other goods from town areas (Garg, 1984).

Eventually with these developments already existing fixed location shops (*Bazaar*) proved to be insufficient and inefficient to deal with inflow of huge quantities of produce from rural areas. The facility to store, manage and transport the grains to other location for trade and consumption was of prime concern which the already existing infrastructure couldn't facilitate. Hence, the market mechanisms lead to the establishment of separate and specialized shops for dealing in agrarian products in separate specific locations of the towns, known to be termed as *Mandi* or *Ganj*. The accurate timeline of establishing of these separate *Mandis* for agricultural produce is uncertain however a link can be developed with the reign of *Ala-ed-din Khilji* which denotes the presence of some kind of specialized arrangement for trading of grains. Hence, it can be concluded that the segregation of *Mandis* and *Bazaars* existed in the Moughal period (Garg, 1984).

2.4.3 Market (market place)

The rise in clusters of fixed location shops for both agricultural as well as non-agricultural goods in the name of *Mandis* and *Bazaars* can be recognised as a development of a market place for the trading and retail of goods. A market place can be understood as an “authorized public gathering of buyers and sellers of commodities meeting at an approved place at regular intervals” (Hodder 1965a in Wanmali 1981, p.1). The category of people participating in the market places can be classified into four; consumers, traders, administrators and bystanders. This classification is based on the role they play in the functioning of the market (Hodder 1961, 1965a, 1965b, 1971, Smith 1971a, 1971b, 1972, Hill 1966, 1967, Hill and Smith 1972, Carol A. Smith 1972a, 1972b, 1974a, 1974b, Sinha 1968, Sacchidanada 1968 in Wanmali, 1981). The extent of these markets just not only got limited to economic exchange or contact but

rather served as a platform for social and cultural exchange also (Sinha 1968, Sacchidanda 1968, Ministry of Home Affairs 1975, CNSPADA and Department of Planning 1973 in Wanmali, 1981). These trading and development activities provided opportunities for growth of economic activities, expansion of social as well as cultural beliefs of the participants or stakeholders of the market. As the transactions and volume of business grows in these *Bazaars* and *Mandis* it provides pocket full opportunities for the growth also. Garg, 1984 provides some empirical evidence into this argument as to how the growth of *mandis* facilitated the development of various towns throughout the nation. The huge inflow of peasants with their cattle increased the traffic in and around the market space which created potential opportunities for secondary and tertiary employment opportunities in *dhabas*, shops, canteens, rest houses, transport agencies etc. The growth of old town *Muzaffarnagar* from a small township into one of the hub of trade of western Uttar Pradesh has been associated with the evolution of market (*mandi*). Prior to 1924 the area had a small *ganj (mandi)* constructed by a landlord, however in the year 1924 a new site was acquired and a ‘new *mandi*’ was carved out of that plot of land. Over the period of time as the business grew and expanded this ‘new *mandi*’ became the epicenter of the expansion of town as lot of *bazaars* with different trade shops, godowns and warehouses came up. “In the bylanes, retailers established their shops and these function as regular *bazaars*. The merchants constructed residences on the first floor of their shops and in the course of time a new township developed around the new *mandi* resulting in substantial expansion of the town (Garg, 1984, p. 64)”. Similar development is witnessed in the case of town called *Dankaur*, in *Bulandshahr* district in Uttar Pradesh where more than 200 years back merchants and traders developed a *mandi* which injected the growth of transactions in and around the piece of land. “Later, bazars, post office, banks and other organisations connected with trade moved in and the place became an important market town” (Garg, 1984, p.63). Therefore, the growth of both *mandis* and *bazaars* facilitated each other in the urban spaces and the cluster of shops in both the formats served as the foremost physical recognisable space for retail activities.

2.5 Traditional retail formats

One of the first formats which developed as the activity of retailing adopted stationary means, could be recognised as *Kirana* stores. These stores are small locally based outlets, majorly owner operated with a very limited scope of operations and outreach. These small stores are majorly community based and have occupied a perennial space in the retail value chain through which consumers purchase the goods for their own consumption. India is said to have 15 million retail outlets having the highest density in the world out of which only 4 percent of these are bigger than 500 square feet out of which almost all are family owned shops and establishments (Mukherjee & Patel, 2005 in Kalhan, 2007 and Manikyam, 2012).

Post-independence era witnessed the rise of cooperatives and government – controlled retail institutions like *Khadi Gram Udyog*, Central Cottage Industries Emporium, Public Distribution System (ration shops), Super Bazaar, Apna bazaar, *Kendriya bhandars*,

Mother dairy, Safal, Verka, Amul etc. These ventures been evolved as a process of collectivisation through state sponsored, supported or promoted means and can be situated under the broad umbrella of organised retail unlike *kirana stores*.

2.6 Modern Retail Outlets

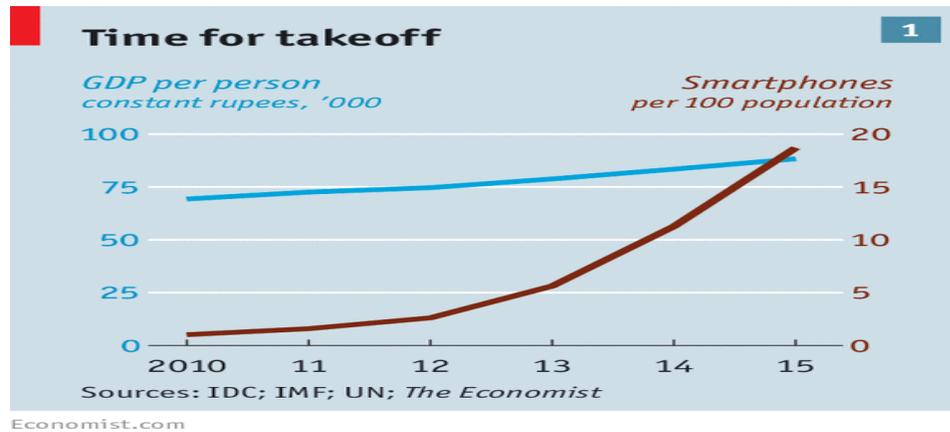
The era of liberalization and privatization proved as a major force in the state led policy towards opening up of domestic market for retail business. The period witnessed the entry of the private players in the market with the rise of super markets, departmental stores especially in the apparel category, discount stores, speciality stores, franchised outlets and company owned stores. These ‘modern’ retail outlets witnessed a steep rise in terms of numbers, product categorisation, outreach and scale of operations (Bajaj et al., 2016). Specifically, in the grocery retail trading these new ventures came up with huge investments and made the structural changes in the approach towards business; they increased the physical floor size in terms of store size, operational area, warehouses, storage capacity etc.

2.7 Online Retailing

Online retailing appears to be a recent and emerging concept with respect to India, which is experiencing a massive increase in the number of internet users (The Economist, 5 March 2016). Internet with its embedded features provides a great scope to boost the idea of online retailing. In fact internet usage is a pre requisite for online shopping. The rise in the number of internet users is directly proportional to the potential customers. The virtual interface provides ample scope to reach the masses through a ‘cost effective’ means. This is most important transformation which has taken place from offline to online retail journey which gives the liberty of non-compliance of developing and maintaining huge floor area (display and dealing area), storing goods etc.

Similarly, “The Internet’s capacity to provide information, facilitate two-way communication with customers, collect market research data, promote goods and services and ultimately to support the online ordering of merchandise, provides retailers with an extremely rich and flexible new channel” (Basu & Muylle, 2003 in Doherty and Ellis-Chadwick, 2010, p.944). The idea of using internet as a medium of retailing is said to get a boost in the era of 1990’s (Doherty and Ellis-Chadwick, 2010). However, the potential of internet as a medium to carry out retailing was predicted way before 1990’s by Doddy and Davidson , 1967 in Doherty and Ellis-Chadwick, 2010. In the coming fifteen years the number of internet users would be the largest in India as compared to any other country (The Economist, 5 March 2016). The following figure 1 shows that there has been a sharp increase in the number of smartphone users from 2010 to 2015.

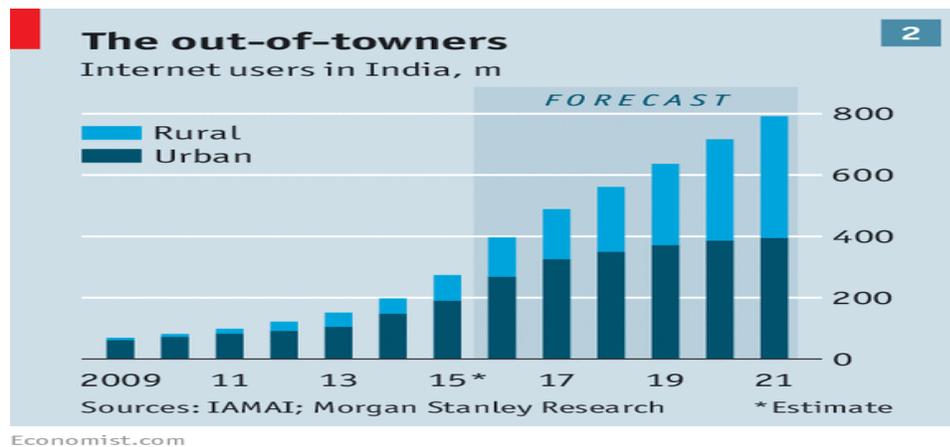
Figure 1: Growth of smartphones in India



(Source: The Economist, 2016)

Similarly, figure 2 projects a manifold increase in the number of internet users till 2021 which will also balance out the urban and rural divide among the internet equipped population. Hence, there is a great scope of covering the rural sections of the county through online retail channel.

Figure 2 : Growth of internet users in India: An urban-rural analysis



(Source: The Economist, 2016)

2.8 Distinct features of grocery online retailing: Why grocery online retailing?

Grocery buying is embedded within the social systems of the individuals and gets reflected in their buying behaviour. There is a huge difference in the structural operational mechanism required for dealing with grocery retailing as compared to

other goods and services which becomes the prime motivation to pursue this research with a case study of *Bigbasket*, India's one of the largest online grocery store, considered as one of the successful initiative which could sustain its operations and business unlike several other organisation in the same business (Sen, 2016).

2.8.1 Perishable nature of the goods

Buyers are very particular about the goods they consume (eat and apply on their body) and it is vested in their nature to touch, feel, smell, physically check and then buy a product coming under the category of perishable items. For example, while buying apples from a hawker who is visiting a customer's neighbourhood and locality regularly, the customer might feel certain affinity towards the seller but however, while buying the apples from that vendor also there is a high possibility that customers would choose, pick and then prepare his/her cart accordingly. Here comes the question of trust, which gets embedded within the consumer's buying behavior and actions. The concern here is that if a customer who is buying regularly from a possibly known hawker or a vendor but still opting to pick, shortlist, check and buy does it reflects that there is a lack of trust among the customer specifically about the quality of the product to be sold? This happens so when there is a physical interface between the consumer and the buyer, however what happens in the online sector when there is not virtual interface between the consumer and the seller is still not known. In that scenario online grocery retail firms face a tough challenge to develop trust among their potential buyers certifying the quality and freshness of the goods they are selling. A lot of resources including financial investment, manpower, technological, strategical etc. need to be put in to build and keep it maintained further among the buyers.

2.8.2 Delivery

There is a huge difference between the delivery mechanism adopted in the business model of firm dealing in grocery and other non-perishable consumer goods like electronics or apparels. Grocery online retailing units needs to work in such a planned way to get the goods delivered within a specific timeframe as the shelf life of those perishable goods is short and customers must receive these goods as good and fresh as compared to be purchased from a locally located shop or a hawker. For developing and managing the robust logistical mechanism to cater to a just in time delivery while keeping proper care of the goods as required on the way, it requires huge amount of investment, trusted partners and honest monitoring system. This particular requirement makes the grocery e-retailing distinct and certainly increases the cost and expenditures of running business. This has been the primary reason discussed by Sen, 2016, also that more than 50 e-grocers started business in India but very few could sustain after a short period of time however, *Big Basket* has been seen as one of the upcoming ventures that could sustain their business in the grocery online industry (Sen, 2016).

2.8.3 Price perception

There is a general perception that price of the goods being sold online is comparatively cheaper compared to same set of goods being sold through the conventional channel. This is also one of the motivations for the customers to go for online shopping. However, Berkhout, 2016 states that this argument cannot always be the case specifically with respect to groceries because of delivery charges. For example, if a customer wanted to buy 250 gms. of tomatoes which are available @Rs. 15/- kg. in local neighbourhood vegetable store but are available @Rs. 12/- from *bigbasket*, it would still be cheaper to buy it locally as the customer would need to pay Rs. 40/- as delivery charges (as applicable for an order of less than Rs. 1000/-). Hence, the total amount spent by the customer for 250 gms of tomatoes would be Rs. 43/- which is much higher as compared to prices in the conventional market. However, does this price perception actually creates a new entry barrier for customers is still needs to be explored due to the fact that *Bigbasket* works on the basic principle (as advertised by them) which guarantees lowest price offered with a * mark certifying that terms and conditions applied. The present research banks upon the price perception feature to study the trust building process in the following papers of this research.

2.8.4 Routine

It requires lots of inputs to go for a change in the shopping habits and to experience shift in the consumer behavior. As stated in A.T. Kearney (2012) report also states that consumers are happy with the way things are going and the channels which they use to buy grocery unless they experience a major event in their lifecycle which affects their socio-economic status. As explained by Berkhouth, 2016 it could be a new job, certain incline or decline in income, shifting house, change in the number of family members etc. These kinds of circumstances affect one's personal choice and shopping habits towards the grocery purchase. Specifically within the Indian scenario, grocery purchase is historically embedded within family values which get carried over to generations. For example, in many of the families there is a particular grocery store which is the prime source of providing grocery on monthly basis and the family members have developed a trust on the services of that particular store and the decision makers would need a strong reason to discontinue from this 'old reliable' store to some online un-verified seller.

3. Financial trajectory of *Bigbasket*

The ensuing section of the paper provides an analysis of the financial indicators of the organisation using the secondary data. This section is an extension to the first one which discusses the background and motivation to pursue this research and to undertake *Bigbasket* as a case study. The discussion around the financial trajectory of the organisation prepares a base to

study the development of trust towards online retailing and inter firm trust in the subsequent papers of this study.

3.1 Assets of the organisation

The following section is based on the in depth analysis of the trajectory of the assets of the organisation. Table 1 represents the categorisation of assets of company for the relevant period i.e. from the financial year 2013-14 to 2022-23 with the relevant data. The data represented from the financial year 2013-14 till 2016-17 is audited while from the year 2017-18 till 2022-23 is projected and provisional, extracted from financial reports of the company. The break-up of total assets of the company has been done under three categories i.e. current assets, tangible assets and intangible assets. The current assets here majorly includes inventories, trade receivables, cash and bank balances, long term loans and advances, investments, short term loans and advances etc. These are the heads which are expected to have a potential to be converted into cash or equivalent of that within the same financial year. On the other hand the tangible assets represent the ones which have physical existence like buildings and property of the firm, machinery, equipments, cash etc. while intangible assets includes things like copyrights, brand values, permits etc.

Table 1: Details of Assets

Details of Assets (Rs. Crore)				
Year	Current Assets	Tangible Assets	Intangible Assets	Total Assets
Audited				
2013-14	40.23	3.24	0.25	43.72
2014-15	268.90	10.01	0.15	279.07
2015-16	878.09	39.01	0.84	917.93
2016-17	700.15	60.22	2.35	762.72
Provisional				
2017-18	2048.26	77.48	8.61	2134.35
2018-19	2024.81	90.78	10.09	2125.68
2019-20	2191.30	101.42	11.27	2303.99
2020-21	2759.62	109.94	12.22	2881.78
2021-22	3733.03	116.75	12.97	3862.75
2022-23	5211.89	122.20	13.58	5347.66

Source: <https://www.zaubacorp.com>

Table-2: % Share of Current and Other Assets in Total Assets

% Share of Current and Other Assets in Total Assets		
Year	Share of Current Assets	Share of Other Assets
Audited Years		
2013-14	92.03	7.97
2014-15	96.36	3.64
2015-16	95.66	4.34
2016-17	91.80	8.20
Provisional Years		
2017-18	95.97	4.03
2018-19	95.25	4.75
2019-20	95.11	4.89
2020-21	95.76	4.24
2021-22	96.64	3.36
2022-23	97.46	2.54

Source: Author's Calculation using table-1

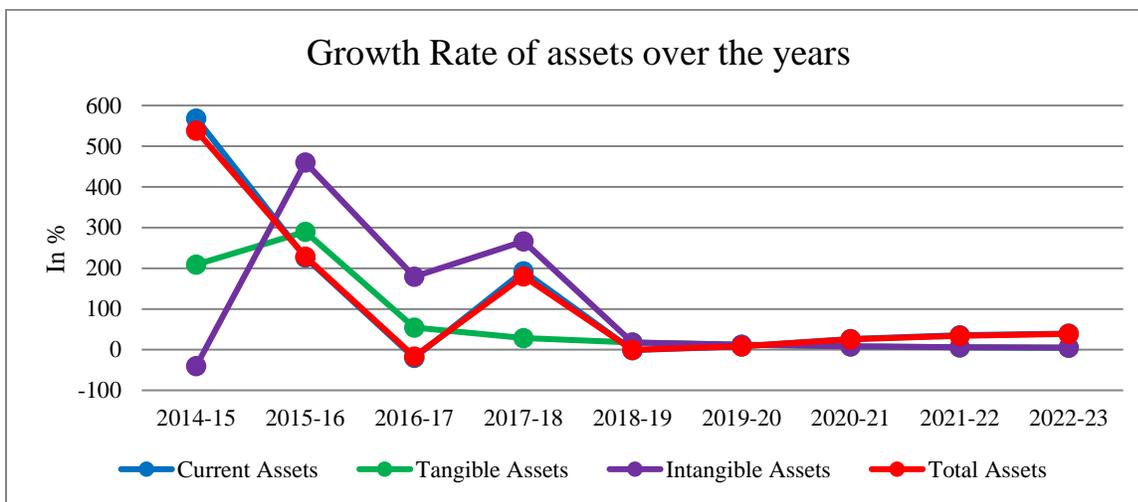
Note: Other assets includes the tangible and intangible assets

The share of current assets is found dominating in the total assets of the organisation. As highlighted in the table 2 the share of current assets has been about 92 percent in the year 2013-14 and is expected to reach about 97 percent in the year 2022-23. In some of the years there like 2015-16, 2016-17 the percentage share of current assets has fallen slightly but has not gone below 91 percent in the audited years neither it is expected to go below that level even in the upcoming years as projected by the provisional data.

The following figures 3, 4 and 5 throws light upon the growth rate of assets over the period of time using the data represented in Table 1. The following figure 3 illustrates the growth rate of the total assets, current assets, tangible assets and intangible assets from the year 2014-15 till 2022-23 depicting both audited as well as provisional data over the period of time. Similarly, figure 4 re-presents the growth rate of assets recorded during the audited period i.e. 2014-15 till 2016-17. The figure 5 depicts the growth rate of assets for the provisional periods viz. from 2018-19 to 2022-23. The numbers here clearly signifies that the total assets have been growing ever since the organisation came into existence and started its operations. Total assets were recorded to about Rs. 44 crores in the year 2013-14 which grew up to about Rs. 763 crores in the year 2016-17. Further, the total assets were projected to grow up to Rs. 2134 crores (approx.) in the year 2017-18 to about Rs. 5348 crores in the year 2022-23. It is interesting here to note that only in two years the amount of total assets has (or projected) decreased as

compared to the preceding year i.e. 2016-17 and 2018-19. The fall in the figures of the assets for both these financial years have been due to the decrease in the value of currents assets which decreased from about Rs.878 crores to about Rs.700 crores in the year 2016-17 and from about Rs. 2048 crores to Rs. 2024 crores in the year 2018-19. The trajectory of growth rate of total assets and current assets almost overlaps each other (refer to following figure 3) as current assets are the maximum contributors to the total count of assets. Even the years in which total assets and current assets have decreased from the preceding year, the negative growth rate of both categories lies near each other. The rate of growth of current assets in the year 2016-17 and 2018-19 was negative 20 percent and negative 1 percent respectively and similarly for the same period for total assets was negative 17 percent and negative 0.4 percent.

Figure-3: Growth Rate of Assets in the overall periods

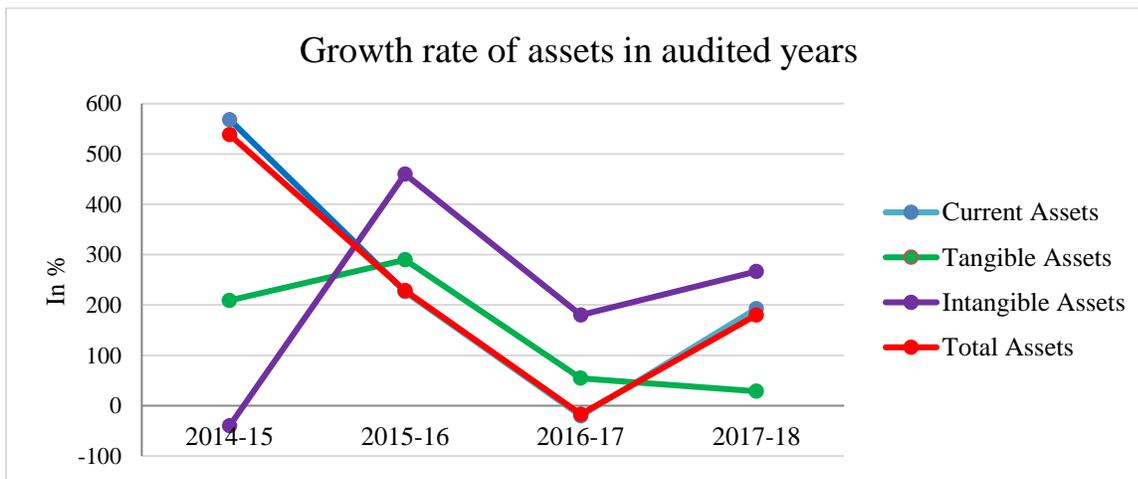


Source: Author’s Calculation using table-1

The two patterns denoting the growth rates of assets in the defined categories observed from the following figure 4 are V-curve and A-curve. The V-Curve line represents the category of current assets and total assets while the A- curve (from the year 2014-15 to 2016-17) is observed for the other two categories i.e. tangible assets and intangible assets. The tangible assets of the organisation increased from Rs. 3.24 crores to about Rs. 60 crores from the year 2013-14 to 2016-17, the growth rate recorded for the current period is 209 percent in the year 2014-15, 289 percent in the year 2015-16 and 54 percent in the year 2016-17. The growth of intangible assets whose share is minimum in the total assets of the organisation also witnessed a similar trajectory, accounting to Rs. 25 lakhs in the year 2013-14 it went further to Rs. 2.35 crores in the year 2016-17. In the year as the value of the intangible assets went down from Rs. 25 lakhs to Rs. 15 lakhs it witnessed a negative growth rate of minus 37 percent. However, in the succeeding years the value of the intangible assets increased and the growth rate recorded was about 439 percent and 182 percent in the year 2015-16 and 2016-17 respectively.

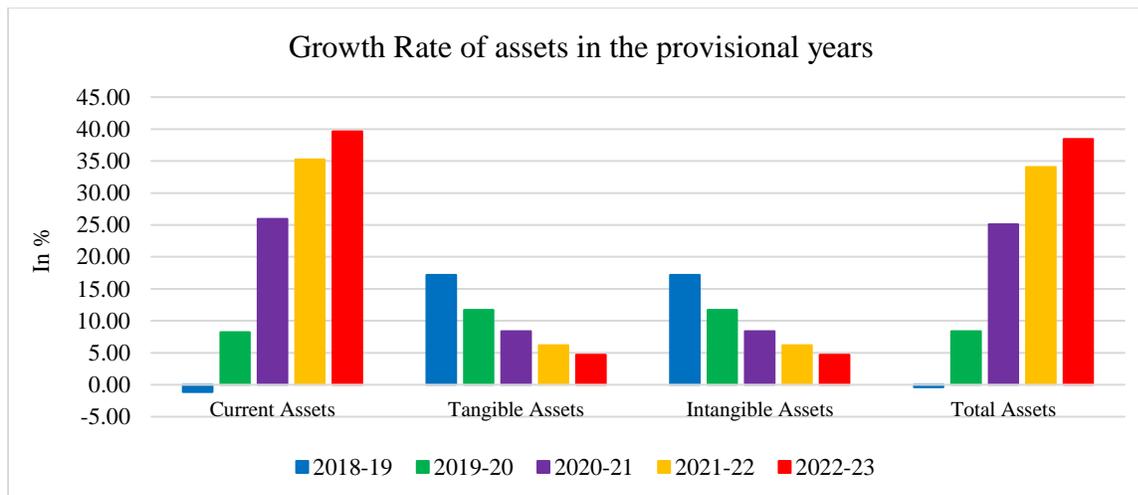
The growth rate of current assets was 568 percent in the year 2014-15 which went down to 226 percent in the following year and which dipped further in the succeeding year to minus 20 percent. As the data signifies the current assets of the organisation have been growing from the year 2013-14 to 2015-16 from about Rs. 40 crores to about Rs. 878 but at a diminishing rate which went further into negative figures in the year 2016-17 resulting in the decrease of total value to about Rs. 700 crores. A similar trend can be noted in the growth rate of total assets as the major chunk of the total assets of the organisation comprises of current assets itself. In the year 2014-15 the total assets grew at the rate of 538 percent as compared to the previous year, which went down to 229 percent in the year 2015-16 and diminishing further into negative growth rate of minus 17 percent in the year 2016-17. The falling growth rate of current, intangible and total assets experienced till 2016-17 is found to increase in the succeeding year 2017-18.

Figure-4: Growth Rate of Assets in the audited period



Source: Author’s Calculation using table-1

The below figure 5 exhibits the growth rate of assets projected for the provisional period i.e. from 2017-18 to 2022-23. The projected trends predicts a somewhat different trajectory as compared to the figures for the year 2013-14 to 2016-17, here referred to as data from the audited period. As the trends reflects, both the tangible and intangible assets are projected to grow but at a descending rate while on the other hand current assets and total assets are projected to grow at an ascending rate.

Figure-5: Growth Rate of Assets in the provisional periods

Source: Author's Calculation using table-1

3.2 Income, expenses and profit of the organisation

This particular section unveils the data related to the income and expenses of the organisation for the relevant period i.e. from 2013-14 to 2022-23. The income here comprises of two heads including margins (from operations) and other income. The income recorded in the year 2013-14 is Rs. 3.62 crores which is projected to increase to about Rs. 5383 crores in the year 2022-23 (refer to table 3). Similarly, the details of expenses incurred by the organisation are recorded and presented in table 4 below, the expenses are also divided under three heads viz. direct costs, indirect costs and depreciation. The total costs recorded in the year 2013-14 is Rs. 25.23 crores which is expected to rise further to about Rs. 4203 crores in the year 2022-23. The following figures 6, 7 and 8 used in this section are carved out of the data from the table 3. Figure 6 and 7 represents the share of margins and other income in total income in the audited years and provisional years respectively, while figure 8 throws light upon the growth rate of income over for the overall period under consideration.

Table-3: Income Details

Income Details (Rs. Crore)			
Year	Margins	Other Income	Total Income
Audited Years			
2013-14	2.43	1.20	3.62
2014-15	16.14	7.27	23.41
2015-16	16.87	16.43	33.30
2016-17	83.46	20.64	104.10
Provisional Years			
2017-18	360.00	30.00	390.00
2018-19	844.80	45.00	889.80
2019-20	1533.31	62.50	1595.81
2020-21	2538.68	80.00	2618.68
2021-22	3759.40	100.00	3859.40
2022-23	5263.16	120.00	5383.16

Source: <https://www.zaubacorp.com>

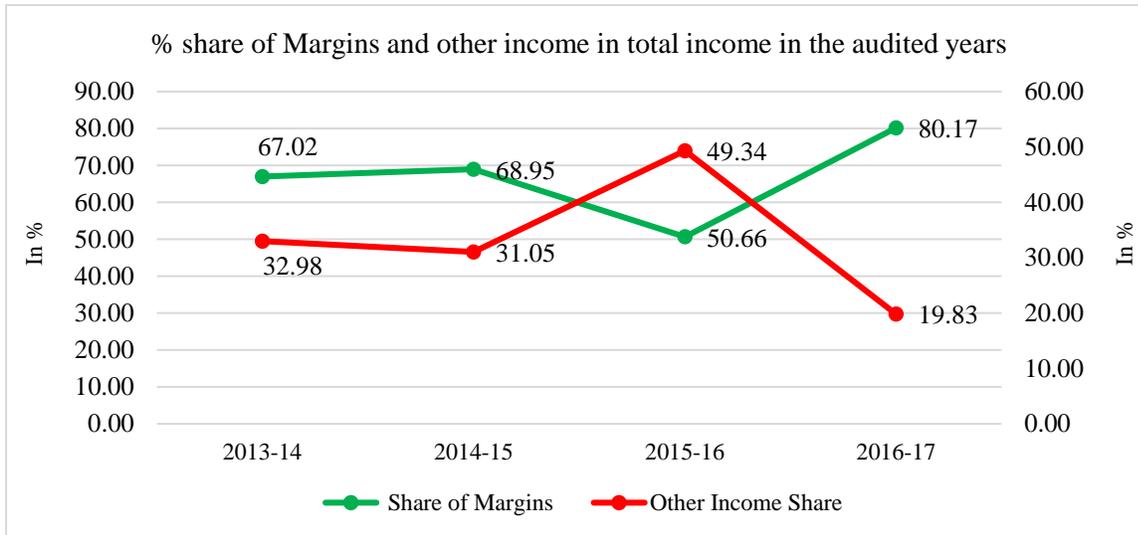
From the below figure 6 it can be derived that the share of other income in total income has been comparatively higher for the reference period as compared to the following financial years. In the years 2013-14 and 2014-15 the share of other income is somewhat one third (33 and 31 percent respectively) in the total income whereas it grew to almost fifty percent in the succeeding year, which is experienced as the optimum level in the complete financial trajectory.

Table-4: Expenses Details

Expenses (Rs. Crore)				
Year	Direct Costs	Indirect Costs	Depreciation	Total
Audited Years				
2013-14	13.94	8.89	2.39	25.23
2014-15	32.53	27.24	6.12	65.90
2015-16	140.81	135.02	19.08	310.89
2016-17	258.87	120.85	29.76	417.06
Provisional Years				
2017-18	420.00	210.00	21.52	656.52
2018-19	654.72	315.00	25.22	999.94
2019-20	1045.44	472.50	28.17	1551.11
2020-21	1512.40	661.50	30.54	2209.44
2021-22	2114.66	926.10	32.43	3078.19
2022-23	2960.53	1203.93	33.94	4203.40

Source: <https://www.zaubacorp.com>

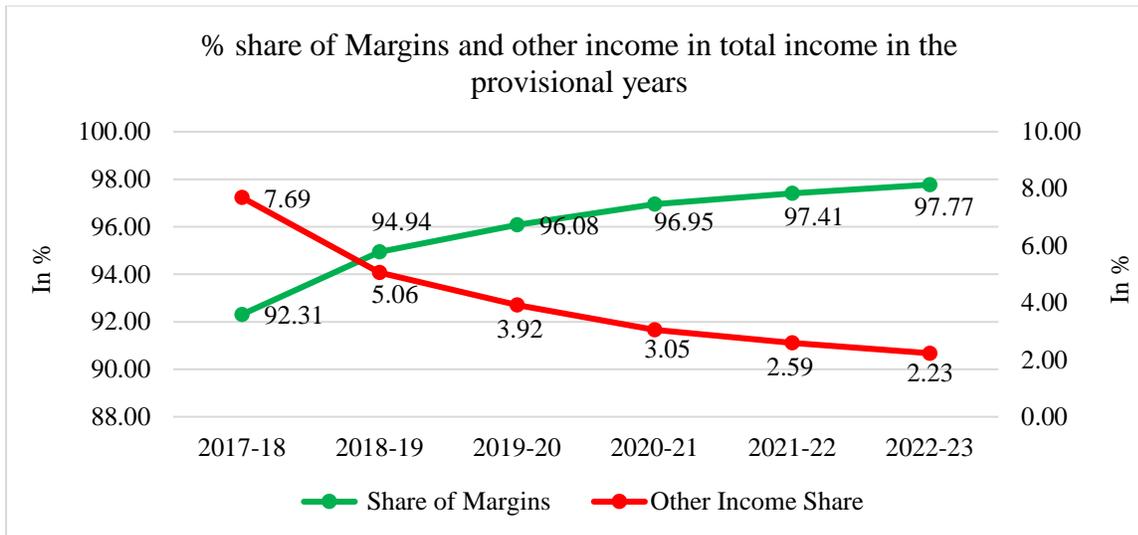
Figure-6: Share of Margins and other income in total income in the audited years



Source: Author’s Calculation using table-3

The share of other income tends to decline from the year 2016-17 where it fell to almost one fifth of the total income share from one 50 percent in the preceding year. Since then, as the extracted from figure 7 there is a persistent decrease in the share of other income from total income. In the year 2017-18 income from margins is expected to rise up to the level of 92 percent while share of other income is projected to fall around 8 percent. Similarly, this trend continues further and the projected share of other income is expected to fall around 5 percent, 4 percent, and 3 percent respectively in the years 2018-19, 2019-20, 2020-21. It is further projected to decrease from 2.59 percent in the year 2021-22 to 2.23 percent in the year 2022-23. While on the other hand, the income from margins (operations) of the firm is expected to capture the maximum share of the pie, while jumping to 92 percent in the year 2017-18 it is projected to rise to about 98 percent in the year 2022-23. The data here signifies that as the company grows and expands its operations, it becomes its major source of generating income.

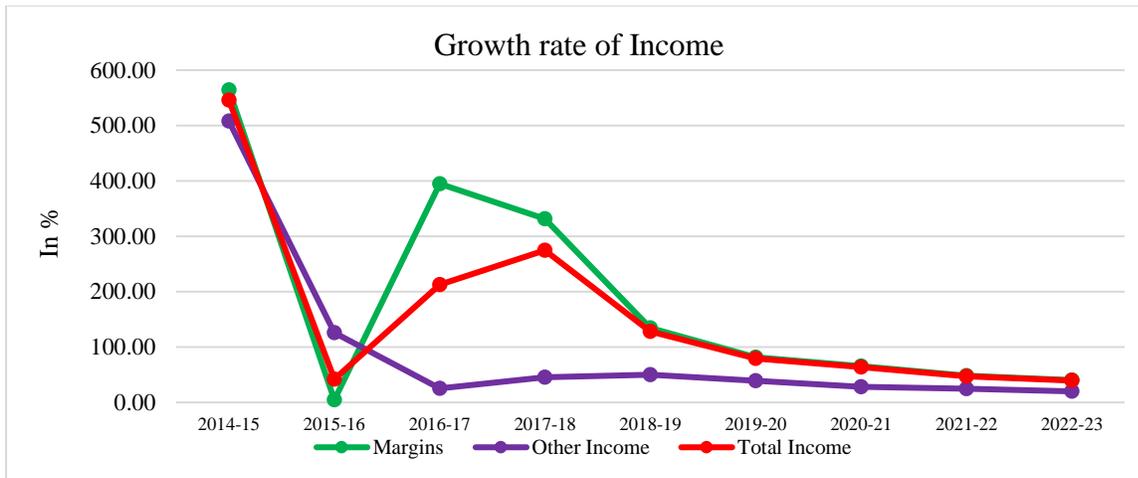
Figure-7: % share of Margins and other income in total income in the provisional years



Source: Author’s Calculation using table-3

The below figure 8 highlights two main points of the income growth rate trajectory of the organisation, firstly since its formation, its income has been growing however the growth of income is experienced at a fluctuating uneven rate, secondly over the period of time income from margins becomes the major contributor in the total income stock. This can be verified from the below figure 8 where total income curve and income from margins curve starts overlapping each other from the year 2018-19 and till the year 2022-23 almost overlay each other. Similarly, the huge variation in the growth rate can be found out from the below figure 6, for instance the growth rate of total income from the year 2013-14 to 2014-15 was 546 percent which fell to 42 percent in the following year. This implies that the income of the organisation has been persistently growing, however as witnessed in some years, at a diminishing rate.

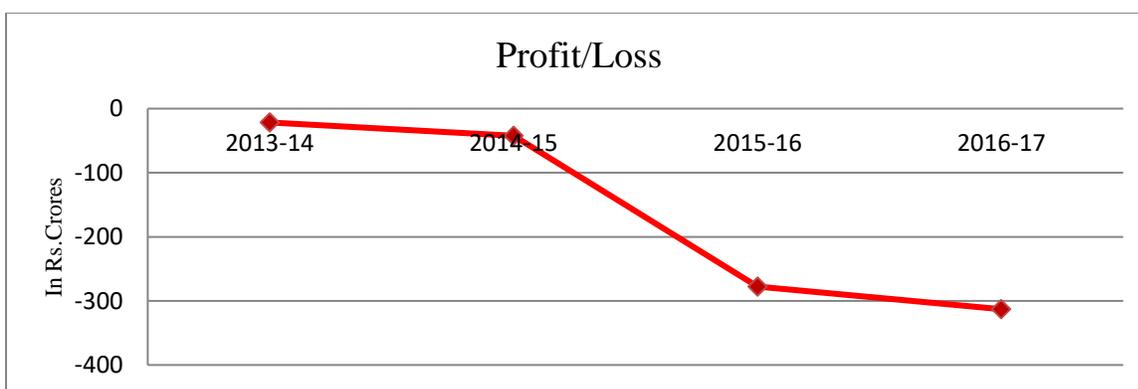
Figure-8: Growth rate of Income over the years



Source: Author’s Calculation using table-3

The below figures 9 and 10 depicts the profit or loss incurred by the organisation over the period of time. Since its operations the organisation is running into financial loss which is on the rise till the year 2016-17. The loss incurred by the company is accounted as about Rs. 22 crores in the year 2013-14 which gets escalated to about Rs. 43 crores in the year 2014-15. In the following year the loss of the company gets increased to about Rs. 288 crores and to further about Rs. 313 crores. The company since its formation is unable to generate profits for the consecutive financial year reports. It is only expected to earn profit from the year 2019-20 which is depicted in the following figure 10.

Figure-9: Profit/Loss in the audited years

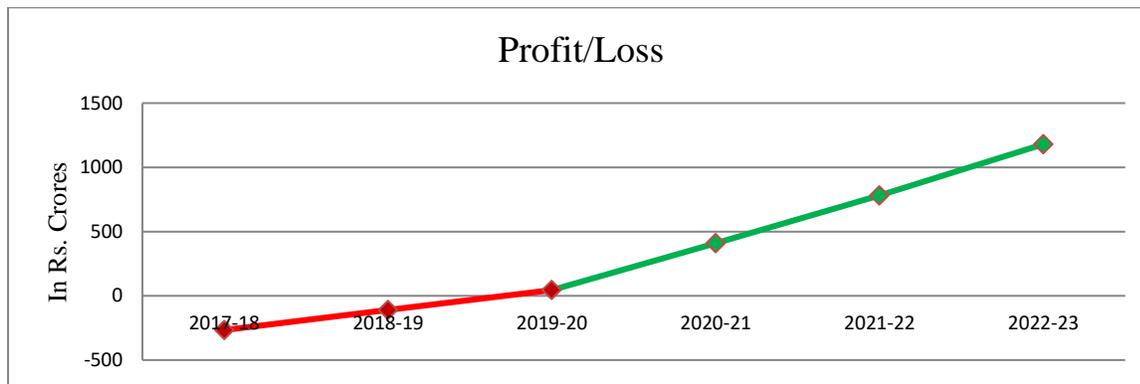


Source: Author’s calculation using table-3 and 4

Compared to the preceding year, the losses of the organisation tends to be decreased from about Rs.313 crores to about Rs. 277 crores in the year 2017-18, which is further expected to decrease to Rs. 110 crores (approximately) in the year 2018-19 (refer to below figure 10). The

organisation is expected to turn into a profitable venture by the year 2019-20. The provisional figure of profit in the said year is about Rs. 48 crores. The profit is expected to increase to about Rs. 410 crores in the year 2020-21, Rs. 781 crores in the year 2021-22 and Rs. 1180 crores in the year 2022-23. It becomes clear that through its operations *Bigbasket* has not been able to earn profits during the initial years of its foundation and operations.

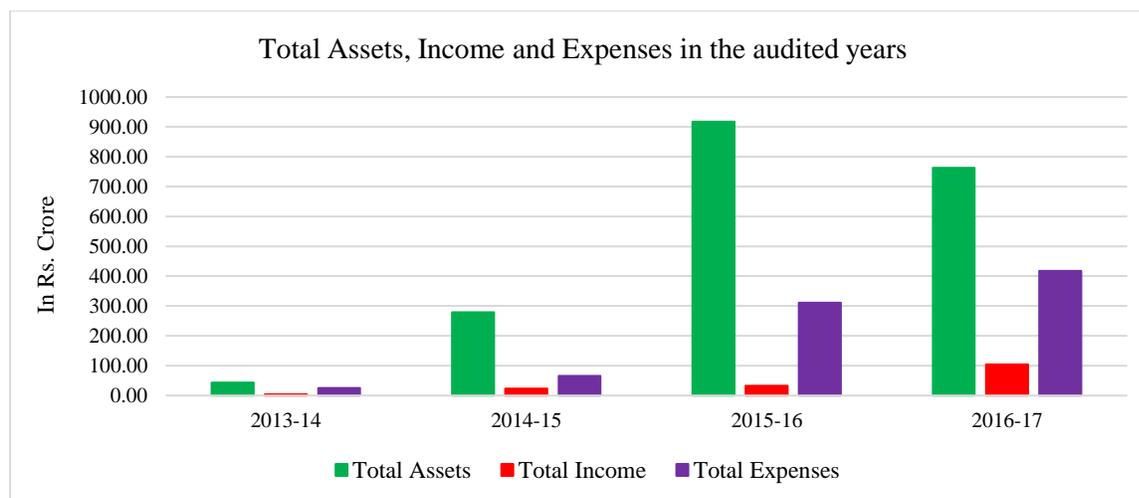
Figure-10: Profit/Loss in the provisional years



Source: Author's calculation using table-3 and 4.

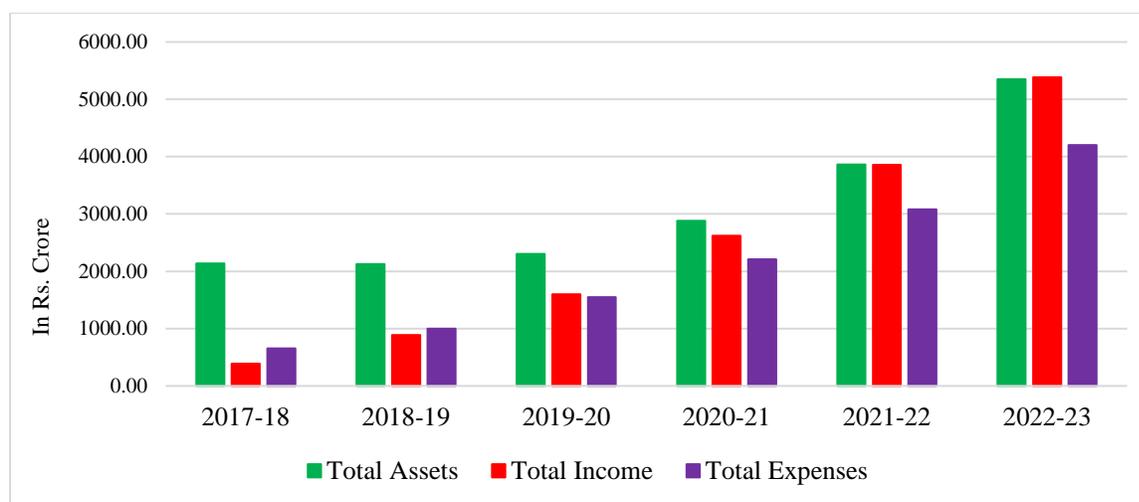
The following two figures 11 and 12 represents the crux of the above discussion by providing the year wise track of assets, income and expenses over the period of time. The income expenses gap becomes wide enough in the year 2015-16 and 2016-17, where the expenses of the organisation recorded are pretty high as compared to income. This gap is projected to be covered up in the year 2019-20 where the income of the organisation is expected to leave behind the expenses of the same (refer to figure 10 and 12). Moreover, the income of the organisation from here onwards is projected on a constant rise and hence *Bigbasket* is expected to generate profits from the year 2019-20 to 2022-23.

Figure-11: Total Assets, Income and Expenses in the audited years



Source: Author’s calculation using table 1, 2 & 3

Figure-12: Total Assets, Income and Expenses in the provisional years



Source: Author’s calculation using table 1, 2 & 3

3.3 Employee Benefit

The data regarding the salaries, wages and other benefits to the employees was available for the two financial years of operations i.e. 2014-15 and 2015-16 and is represented in the following table 5. The employee benefit extended by the organisation is categorised into four sections viz. salaries, wages and bonus, contribution to provident and other funds, employee stock compensation expenses and staff welfare expenses. The salaries, wages and bonus paid to employees was recorded as Rs. 15.58 crores in the year 2014-15 which increased by manifold in the following year and was found to be Rs. 70.37 crores. This huge increase in the salary

expenditure reflects the possible increased hiring of the company in terms of manpower. Similarly, the expenditure incurred under other heads related to employee benefits also increased by the year 2015-16, contribution to provident and other funds increased from Rs. 1.40 crores to Rs. 2.91 crores, employee stock compensation expenses increased from Rs. 6.05 crores to Rs. 15.98 crores and staff welfare expenses increased from Rs. 63 lakhs to Rs. 2.71 crores.

Table-5: Employee benefit

Employee Benefit was given (Rs. Crore)				
Year	Salaries, wages & Bonus	Contribution to provident and other funds	Employee stock compensation expenses	Staff Welfare Expenses
2014-15	15.58 (65.84)	1.40 (5.91)	6.05 (25.58)	0.63 (2.67)
2015-16	70.37 (77.13)	2.19 (2.40)	15.98 (17.51)	2.71 (2.97)

Source: <https://www.zaubacorp.com>

Note: Figures in parenthesis are percentage figures

3.4 Conclusion

Unearthing the various business, trade and exchange practices developed over the period of time with respect to India, this paper extends to discuss the introduction of online retailing with special reference to grocery retailing. The social systems leading to trade and retail in the form of *Yejmani*, barter, *banaj* and the development of *Mandis*, market place and fixed location shops dominates the first section of this paper. Following to this the motivation to undertake online retail segment for this research and financial trajectory focusing of assets, income, expenses, profit/loss, employee benefit of the organisation incurred over the years is reflected upon. In the upcoming papers, the trust building process among the consumers towards online retailing and inter firm trust and relations within the value chain would be taken up for discussion, using the case study of the same organisation under scanner i.e. *Bigbasket*.

Acknowledgement

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