



Sentiments of India - pulse of the country, Kiranas

Humans in a pandemic series

June 2020



Building a better
working world

Background

India has about 12 million operational Kirana stores (Indian mom-and-pop family run) selling groceries and other sundries (small, varied items),⁽¹⁾ making them the highest contributors to general trade and accounting for 90% of the country's total trade⁽²⁾. The lockdown, has made Kiranas more relevant than ever - being classified as essential business, most neighbourhoods' daily grocery needs are being met by Kiranas⁽³⁾.

Approach

This study, covers an in-depth look into the impact of the current ongoing COVID crisis on Kirana stores. The document focuses on insights gathered through 27 qualitative interviews conducted across 12 cities, 5 metros and 7 non metros in India. Covering a wide segment of the market, this study explores the role of Kirana stores in the daily life of a consumer during the COVID economic depression. Along with this we explore the change in perspective, behaviour and attitudes of the ecosystem within which the consumer and the Kirana operate. This document is a behavioural view of the Humans in a pandemic series - Sentiments of India.



Executive summary

1. Kirana stores have emerged as local saviours during this time of crisis. In the midst of the uncertainty, consumers have turned to their local Kirana stores for their requirements.
2. The day to day life of a Kirana store owner has undergone a huge change to keep up with changing demands of the crisis. Kirana stores now operate within a truncated window during the early hours of the morning. They are also forced to make multiple journeys for stock purchases as their distributors have stopped delivery services.
3. Kirana store owners' relationships with their various stakeholders have changed, with some strengthening and others weakening
4. The lockdown has brought in a slew of changes in consumer's behaviours, with new demands and increasing adaptability
5. Innovation and digital adoptions have allowed Kiranas to cope, via digital payments, changing operating models and reduced friction towards technology
6. Many FMCGs and Start-ups are bringing innovation to tackle supply chain, delivery, payment and credit issues of Kirana stores
7. The way forward points to new partnerships and symbiotic relationships

¹. <https://economictimes.indiatimes.com/industry/services/retail/indias-ubiquitous-kirana-stores-are-finding-themselves-in-great-demand/articleshow/69707009.cms?from=mdr>

². <https://www.livemint.com/industry/retail/the-neighbourhood-kirana-store-makes-a-roaring-comeback-this-season-11586545799321.html>

³. <https://www.thehindu.com/business/kirana-stores-turn-lifeline-during-lockdown/article31520784.ece>

Kirana stores have emerged as local unsung heroes

The lockdown, has made Kiranas more relevant than ever. Classified as essential business⁽⁴⁾, Kiranas are meeting daily grocery needs in most neighbourhoods⁽⁵⁾. They are operating in extremely challenging conditions, with little to no help from their ecosystem partners. Their speed and agility in managing an unprecedented crisis has been laudable⁽⁶⁾

The day to day life of a Kirana store owner has undergone a huge change to keep up with changing demand during the crisis

Changing regulations have forced Kiranas to be open for shorter durations⁽⁷⁾. At the time of the study most were open to the general public for 4-6 hours as compared to 12- 14 hours they functioned pre-lockdown⁽⁷⁾.

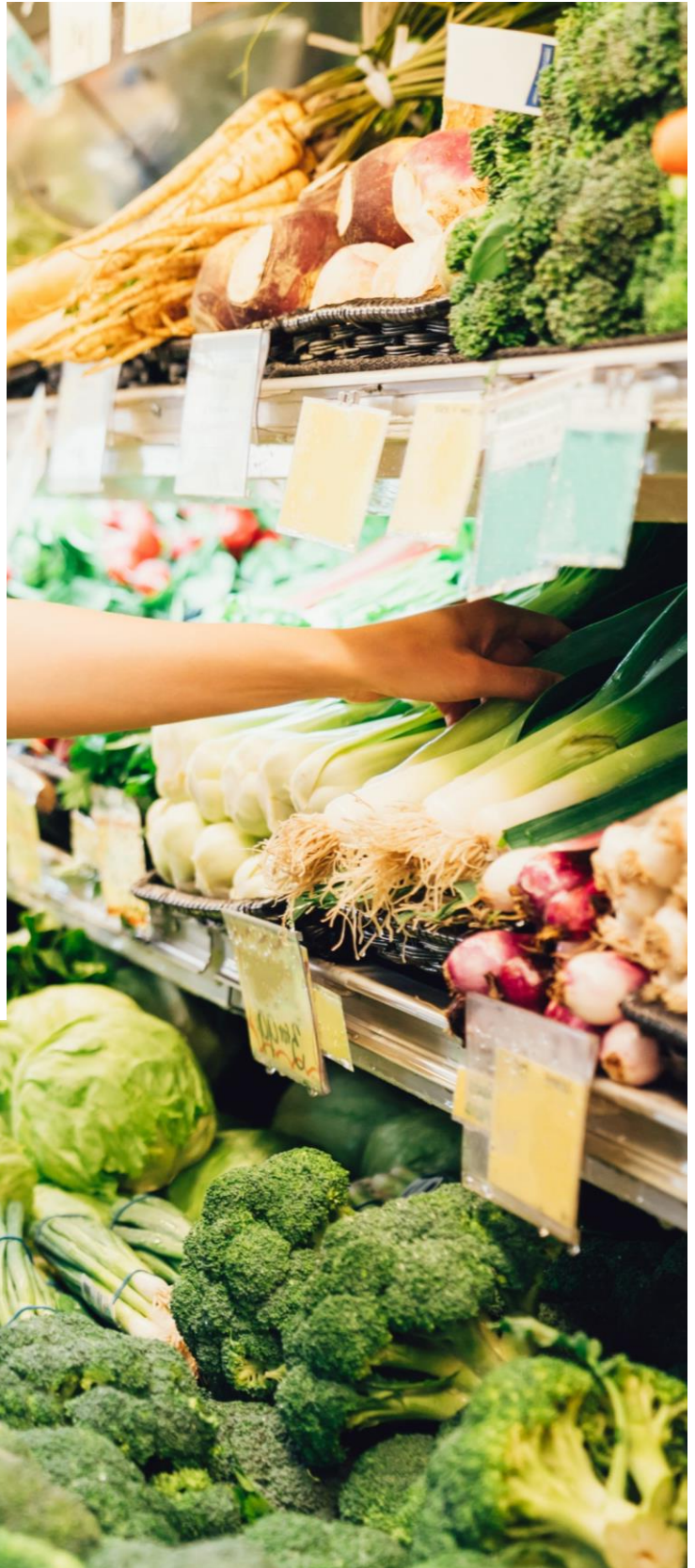
They have had to wake up as early as 4am to manage stocks for the day and run countless rounds of delivery after the shops are closed⁽⁷⁾.

Supply chain disruptions have occurred across the board in every state and city, keeping Kiranas in a constant state of uncertainty regarding what is available, till when it will be available and whether demand will still exist the next day⁽⁷⁾.

They have also had to comply with new guidelines and norms related to social distancing and use of sanitizers in the shop, increasing both their costs and having to deal with head strong, impatient or rude customers⁽⁷⁾.

Additionally, use of digital payments have increased as customers practice caution and avoid cash⁽⁷⁾. Numerous rounds of running to the ATM for cash for suppliers got added to the list of tasks the kiranas store owner has to do⁽⁷⁾.

In the midst of the crisis, the Kirana store owners' relationships with their various stakeholders has changed, with some strengthening and others weakening⁽⁷⁾.



⁴. <https://www.livemint.com/industry/retail/the-neighbourhood-kirana-store-makes-a-roaring-comeback-this-season-11586545799321.html>

⁵. <https://www.thehindu.com/business/kirana-stores-turn-lifeline-during-lockdown/article31520784.ece>

⁶. <https://timesofindia.indiatimes.com/business/india-business/kirana-stores-find-it-hard-to-pay-for-stock/articleshow/74855578.cms>

⁷. EY survey

The daily life of Kirana store owners has been severely impacted by the pandemic

Managing the store

- ▶ During the open hours manages all the operations in the shop
- ▶ This includes managing walk-in customers, taking delivery orders over call, sending deliveries through employed help and accounting of sales and revenue
- ▶ Some deliveries have started coming in from WhatsApp

Challenges:

- ▶ Some customers tend to break social distancing rules that upsets the Kirana owners and other customers
- ▶ Sales have gone down due to limited working hours and few brands not supplying some products and customers going to others stores - lacks certainty and income security

Point of frustration and worried about low sales

Managing the inventory

- ▶ Makes a mental note of what is in demand and what is running low on stock in the store so they can be replenished
- ▶ Does stock checks regularly
- ▶ Does not have a formal stock-keeping system - neither digital not manual (registers)

Challenges:

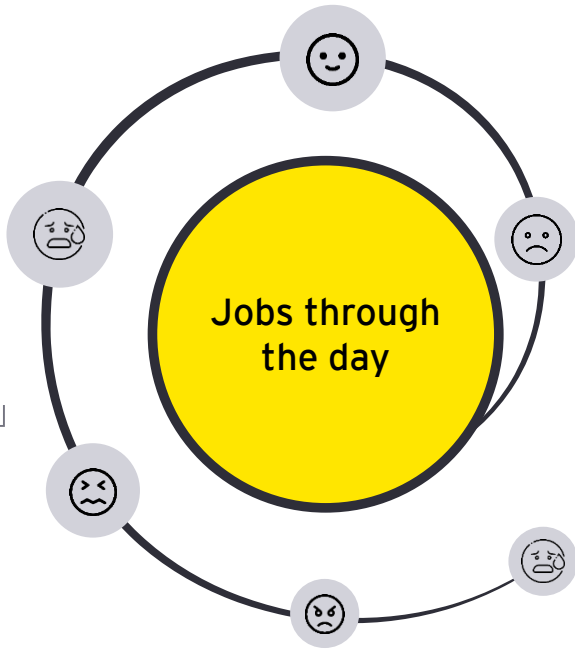
- ▶ Does not have a manual system to manage inventory, assumes and predict demand and sales to manage inventory
- ▶ There is also a learning curve to using inventory management systems which is found unworthy of the effort + does not feel that it is required

Low bandwidth and not worth the effort

Opening the store

- ▶ Opens the store at 7-7:30am - in time to collect milk delivery
- ▶ Some customers also start coming as early as 7:30/ 8 am

Mostly uneventful/ business as usual



Before opening the store

- ▶ Gets up early morning by 4:30-5:00 am (post lockdown)
- ▶ Before opening the shop visits market yard to get goods as deliveries are stalled

Challenges:

- ▶ Lockdown has upset his routine
- ▶ Market yards are crowded and following social distancing rules becomes difficult. Also, there is no one to enforce any safety measures

Inconvenient, expensive and unsafe

Closing

- ▶ Usually gets done with deliveries / procurement by evening
- ▶ Goes home to bathe, have lunch and rests
- ▶ Gets time to spend with the family
- ▶ Plans for the next day's supplies
- ▶ Keeps checking phone to find out about suppliers next day

Challenges:

- ▶ Worries about the next day's uncertainties with sales and supplier troubles

Anxious about the next day

Managing the suppliers

- ▶ Not done daily, somewhat ad-hoc - when stock is running low
- ▶ Relies heavily on availability of suppliers - goes when informed they are open, hires a tempo and buys stock for the entire week
- ▶ Does not use any online services that deliver stock to the shop

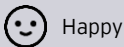
Challenges:

- ▶ Suppliers and distributors deliveries are erratic and inconsistent for the most part
- ▶ In some areas none are delivering, and retailers have to flock at the go downs to restock - making it impossible to follow social distancing rules, hence unsafe
- ▶ Brands have stopped extending schemes and discounts, making retailer margins thinner + hiring tempos are expensive further affecting his margins
- ▶ Feels suppliers/ distributors are taking undue advantage of the situation by forcing him to purchase unpopular products

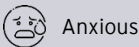
Major point of frustration



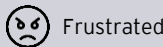
Sad



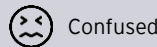
Happy



Anxious



Frustrated



Confused

The COVID crisis has caused the Kirana system to evolve

Some of these trends will last beyond the lockdown. The positive tilt in favour of the Kiranas in the minds of consumers, collective purchasing via societies and resident welfare associations (RWAs) and close association with digital partners is likely to continue. Relationships with FMCGs and distributors is now in a state of flux and can flow in either direction depending on how the saturation evolves further⁽⁸⁾.

The Kirana store, depicted at the center is akin to the sun, all other actors are depicted based on their closeness (frequency of connect and importance), direction of relationship (positive, negative or neutral), and whether they exist on a digital plane or not.

Consumers are the closest because that is the most important node in the sustenance of the Kirana. This relationship is largely positive and improving relationships as they have started relying in them for all their daily needs and not just essential groceries.

Consumers are getting more digital, both in payments and expectations.

Distributors and FMCGs (with FMCGs once removed from the Kiranas) the next most important relationships. These are right now in the red with increasing insecurities and lack of trust due to lockdown related supply chain disruptions and rescinding of discounts and offers.

They have not yet created digital relationships with Kiranas, except in isolated pockets.

Startups and partnerships: Are enabling Kiranas in a digital revolution (like Big basket B2B, Udaan etc.) which are growing more relevant (and therefore are in the green) in the current pandemic⁽⁸⁾.

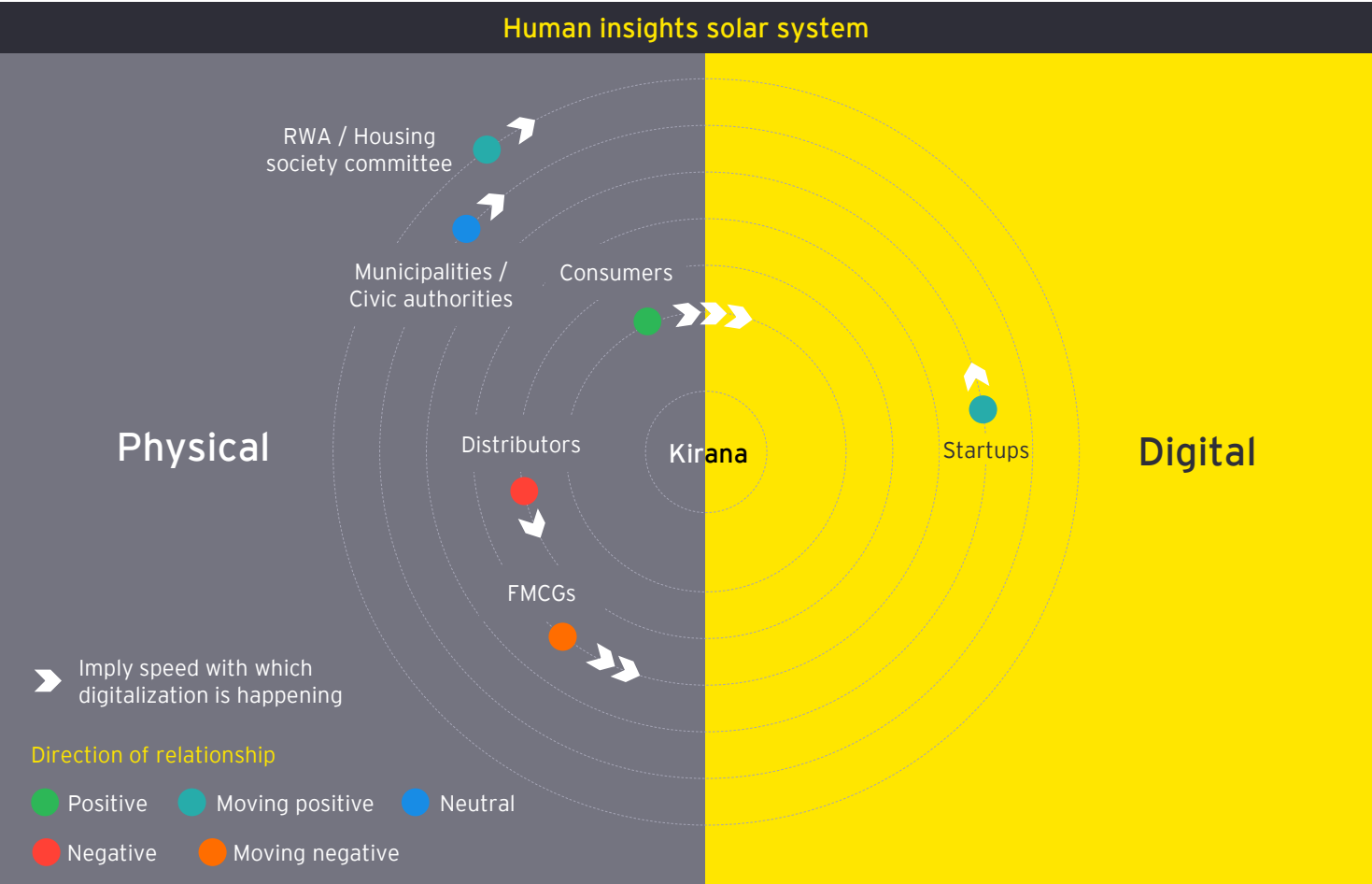
Commission price is the main linchpin in this relationship currently.

Municipalities and Civic bodies are next. These come in as largely infrequent actors, which help maintain law in order. In some places they are getting more relevant with new schemes and closer collaboration. Operational issues and execution failures keep the relationship in the yellow.

RWAs / housing society committees are new emerging stakeholders, they come with large buying power and a large amount of control over who can access society retail spaces. They can open a new market for willing and enterprising Kiranas.

They are active in digital communication but have not yet evolved fully as digital go getters.

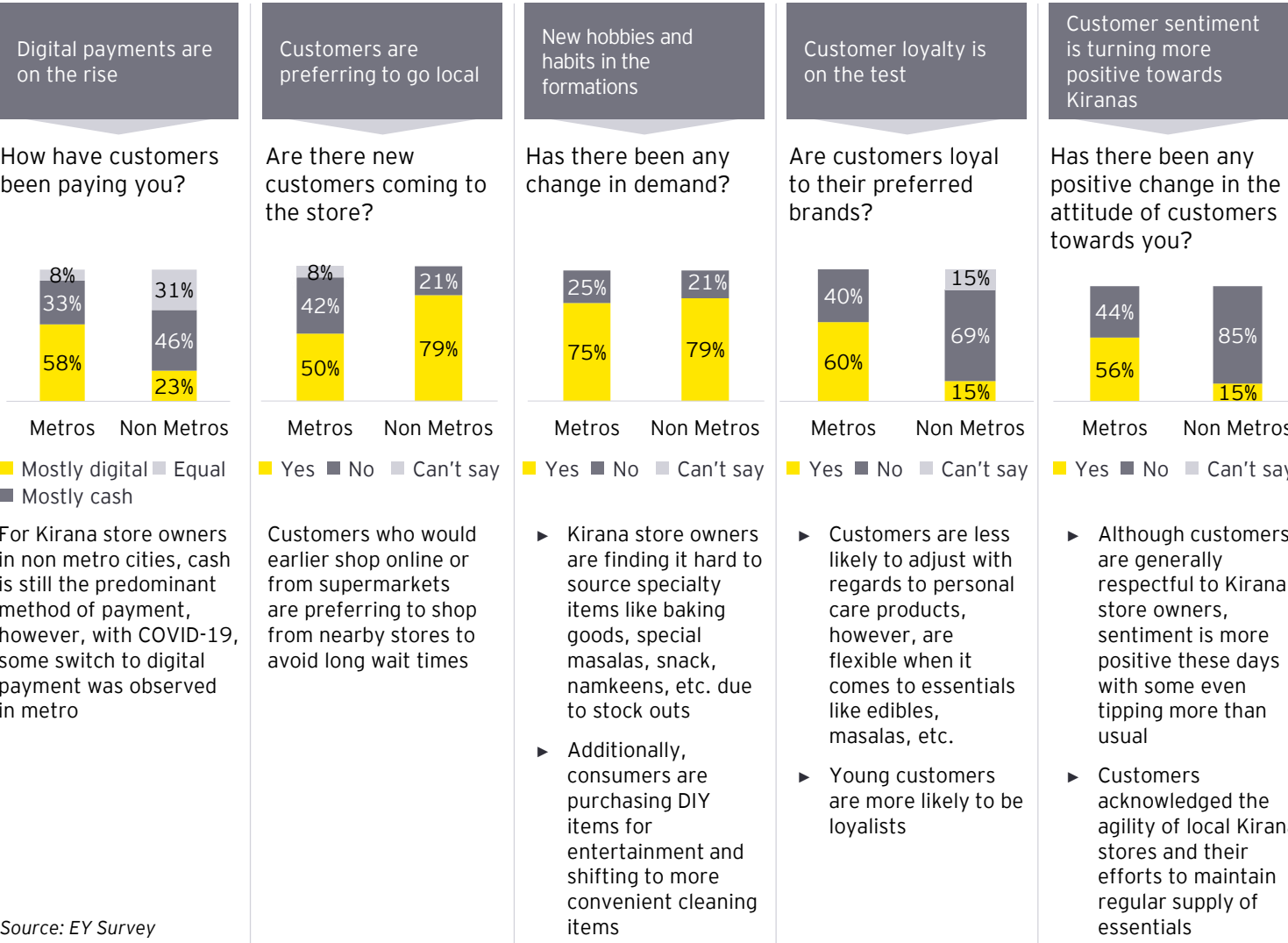
Evolving relationships with various stakeholders



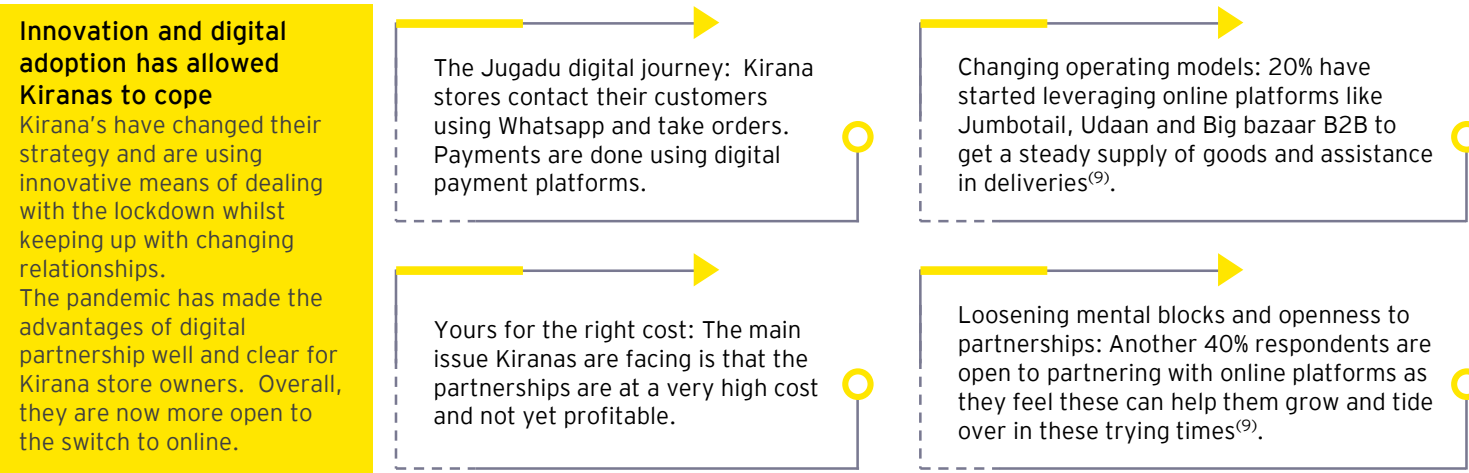
⁸. EY survey

The lockdown brought in a slew of changes in consumer behaviour

- ▶ Consumers are adjusting to the lockdown by becoming more flexible, adapting to digital payments and buying for new specialty food items and DIY items to compensate for lack of entertainment options.
- ▶ They have started relying on Kiranas for things they would have otherwise gone to supermarkets or online shopping for and there is consequently an increase in trust in the relationship!



Source: EY Survey



⁹. EY survey

Many FMCGs and Start-ups are innovating to tackle supply chain, delivery, payment, and credit issues

The increased disruption in supply chain immediately post COVID has forced stakeholders like FMCG companies and Kirana store owners to look beyond the traditional business model and value chain to come up with innovations and adopt newer strategies by collaborating with emerging platforms and try to expand these strategies successfully over the long term.

Reaching out to RWAs/ societies directly

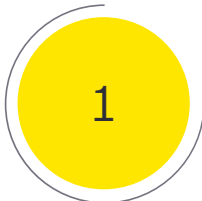
As a subset of direct to customer model brands like Mondelez have realized the potential of residential communities as aggregated blocks of consumer demand and tied up with community centric apps like Near Store, Apna Complex, and No broker, which helps in reducing the overall cost of delivery, ascertained sales and establishing long term relationships ⁽¹²⁾.

Multi level tie-ups

Some FMCG players have gone an extra mile by partnering across the value chain; partnership with an online delivery platform for direct customer delivery, partnership with Shop kirana app for retailers to directly order stock and partnership with Zoomcar to utilize their fleet to ensure seamless delivery to distributors.

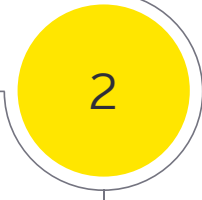
Payment platforms looking to establish deeper connect & loyalty

Kiranas are a largely unorganized network making it difficult for banks to give loans without collateral and have higher processing time. Factors like transaction charges served as barriers for Kirana owners. Leveraging this opportunity, digital payments company, Mobikwik has targeted 1,500 Crore worth loans in FY 2020 ⁽¹⁵⁾.



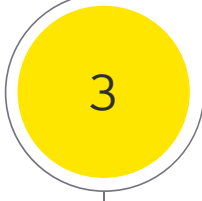
Active pursuit on Direct to Consumer Outreach

FMCG players have partnered with delivery platforms like Cure fit to ensure that the customers' needs are met and eliminate loss of sales^(10,11).



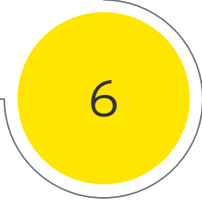
B2B delivery outreach

A group of FMCG players have partnered with B2B delivery aggregators like Delhivery and Shadowfox to deliver from factories to depots and to distributors⁽¹³⁾. The scale of these players helps to reduce the brands overall delivery cost per product improving their margins and reducing their reliance on traditional transportation networks.



Kirana stores looking beyond distributors

Kirana owners have started leveraging alternate procurement platforms like Udaan, Jumbotail and Big Basket to eliminate hassles like managing multiple distributors, stocking too much in advance and without losing benefits like credit ⁽¹⁴⁾.



¹⁰. <https://www.livemint.com/news/india/britannia-industries-partners-with-dunzo-for-delivery-of-essentials-11586239153524.html>

¹¹. <https://www.livemint.com/news/india/fmcg-firms-ride-on-delivery-apps-to-break-the-lockdown-11587456836219.html>

¹². <https://economictimes.indiatimes.com/industry/cons-products/fmcg/fmcg-cos-take-direct-route-to-customer-homes/articleshow/75436876.cms?from=mdr>

¹³. <https://www.businesstoday.in/magazine/cover-story/reinvention-time/story/402210.html>

¹⁴. EY survey

¹⁵. <https://www.indiatvnews.com/business/news-mobikwik-disbursement-this-fiscal-lending-business-growth-562721>

The way forward points to new partnerships and symbiotic relationships

01

Logistics and last mile delivery companies have new opportunity and relevance in this ecosystem:

They can leverage the local knowledge of the Kiranas whilst the Kirana stores can benefit by having a wider reach.

02

Large retailers should go local by partnering with Kiranas:

Retailers can reach their customers who are now suspicious of entering large crowded spaces, through Kirana stores. For example, retailers can use their available space as a warehouse to supply local Kirana stores. Further, they can supply specialty products, which are high margin or more exotic, to customers via Kiranas.

03

FMCGs must relook at their value chain:

They must create value across the new ecosystem especially with the hyperlocal including not just Kiranas but also looking at RWAs, societies, colonies as important influencers.

04

FMCGs also need to understand changing customer needs:

FMCG players should leverage emerging consumer trends that have accelerated as a result of the pandemic and expand their product portfolio. For example, precooked /semi cooked/ assembled recipes, and DIYs.

05

Financial services should recognize that the Kirana store is the new local touchpoint:

Kiranas are a point of trust for consumers. They can be considered as a hyperlocal touchpoint to provide secondary services like insurance, KYCs, and cheque deposits.

This report is a product of the EYFCUX Design lab

EYFCUX focus on understanding human sentiments, business ecosystems and their impact on each other.

We want to study how fragile human relationships evolve in the current situation and how these evolving situations challenge loyalties, long established behaviours and the resulting digital awakening.

We provide user research, design thinking and customer experience design.

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