BIG BASKET

Authors: Vignesh M, Manoj Ram, Nivedhan P, Ramakrishna

About Company

Big Basket is one of the largest online grocery supermarket in India. It was founded in 2011 by Hari Menon, VS Sudhakar, V S Ramesh, Vipul Parekh and Abhinay Choudhari. It has its headquarters in Bengaluru. It operates in more than 30 cities in India. Big basket offers variety of products ranging from fresh fruits, vegetables, Food grains, oil, masala, packaged snacks, beverages, household supplies, healthcare products. It has more than 20000 products and 1000 brands in its catalogue.

Customers order groceries through online website which will be delivered to their doorstep. BigBasket has a valuation of 1.8 Billion dollars. It has reached unicorn status. The investors include Alibaba Group, Abraaj Group, Ascent Capital, Bessemer Venture Partners, Brand Capital, Helion Venture Partners, ICICI Venture, IFC Venture Capital Group, LionRock Capital, Paytm Mall, Sands Capital Management, Sands Capital Ventures, Trifecta Capital and Zodius Capital.
It has over 10 million customers. Its customers are working people, students, old people who have no time or energy to go to grocery stores, stand in line and buy the necessary products. Big basket helps these people to browse through a huge variety of quality grocery items. Customers can order the required products which will be delivered within 90 minutes for express delivery or next morning for slotted delivery.

- **Slotted Delivery:** Customers can pick a convenient slot when they want their purchase to be delivered
- **Express Delivery:** This service can be availed by customers in cities like Bangalore, Mumbai, Pune, Chennai, Kolkata, Hyderabad and Delhi-NCR. Delivery will be done within 90 minutes
- **BB Specialty stores:** Big basket has partnership with specialty stores like Karachi bakery. Customers can request a product from the store which will be delivered within 90 minutes.

Big basket has acquired 100% stakes in milk delivery ventures Raincan and morningcart. It got a controlling stake in smart vending machine startup Kwik24. The milk delivery service was branded as BB daily where customers can get milk delivered to their home in the morning everyday through subscribing for a fee. Big basket has also installed over 100 smart vending machines in Bangalore. Customers can order through BB instant app and get the products from vending machines.

It also acquired a hyperlocal delivery startup named delyver. It helped to strengthen its delivery system in all the cities it is operating in.
Competitive analysis

The direct competitors of Bigbasket are Grofers and Freshtohome. Big giants Amazon, Walmart and Reliance have also started their grocery business recently. Other new entrants are Swiggy and Zomato.

Grofers

Grofers is the main competitor of Bigbasket. It was started in 2013. It is backed by Softbank. It differentiates itself by providing more deals and products at cheaper prices than Bigbasket. It operates in only 13 cities compared to 30 cities by Big basket. Its number of customers and Revenue is also very less compared to Big basket. The range of products provided is also very less compared to Big basket.

It targets people who are price conscious and want better offers. People buy from Grofers to get good deals while Big basket customers buy from it as it has wide variety. Its current strategy is bolstering its private labels, opening more offline stores and cutting costs.

Fresh to home

Fresh to home is an e-commerce platform for fresh chemical free fruits, vegetables, meat, fish, steak etc. It was launched in 2015. It has been successful in the state of Kerala where fish is a stable diet. It has 5 lakhs customers and gets around 8000 orders a day. Recently it has expanded its operations to UAE. It has strong presence in select cities of Kerala, Tamil Nadu and Karnataka.

Its value proposition is providing chemical free food items which is in direct competition with Big basket’s organic food value proposition.

Amazon

Amazon, the E-commerce giant has recently entered the grocery business in India. It has over 10 crore prime users who have automatically became customers for its new business venture. As of now, Amazon provides AmazonFresh, Its fresh vegetable and fruits platform, in select locations in Bangalore, Mumbai and Pune. It is likely to expand this feature to other cities as well.

Its Amazon Pantry feature for other groceries products like packaged foods, snacks, beverages etc is available in 110 cities in India.

Its strength is its foothold in 110 cities, huge capital, established supply chain, brand name and Huge customer base. Amazon doesn’t have to attract new customers, it just has to make its existing prime customers to use this new feature.

Customers buy from amazon as it has a proven record of delivering quality products on time, easy return policy, variety of product categories and extra benefits like amazon prime video streaming service, amazon music etc.
Reliance Smart

Indian Giant Reliance industry has been planning to enter the e-commerce industry. It has launched its grocery service arm Reliance smart/Fresh direct in selected cities like Mumbai, Bangalore and Pune.

It is a subsidiary of reliance retail. Its strengths are its strong brand name, huge capital and customer base of other subsidiaries.

Its strategy is to partner with kirana stores in India. Reliance will help the kirana stores to modernize by providing agile jio network, developing an app that helps them to do GST and develop their own chatbots. Reliance will benefit by getting required goods for its e-commerce business. Entry of reliance will be a gamechanger in e-commerce industry of India.

<table>
<thead>
<tr>
<th>Founding date/ launch date in India</th>
<th>Bigbasket</th>
<th>Grofers</th>
<th>Fresh to home</th>
<th>Amazon fresh/pantry/Prime</th>
<th>Reliance Smart/Retail</th>
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<tbody>
<tr>
<td>Number of Employees</td>
<td>3636</td>
<td>3157</td>
<td>43</td>
<td>NA</td>
<td>NA</td>
</tr>
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<td>locations</td>
<td>30 cities</td>
<td>13 cities</td>
<td>6 cities</td>
<td>110 cities</td>
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<tr>
<td>Revenue</td>
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<td>investors</td>
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<td>Softbank</td>
<td>Iron pillar, Al-Nasser holdings</td>
<td>Amazon</td>
<td>Reliance group</td>
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<td>Number of customers</td>
<td>10,00,000</td>
<td>6,00,000</td>
<td>5,00,000</td>
<td>10 crore prime users</td>
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<td>Products categories</td>
<td>Grocery, staples, household products, personal care</td>
<td>Grocery, staples, household products, personal care</td>
<td>Fish, seafood, poultry, mutton, steaks</td>
<td>Electronics, fashion, grocery, personal care, household products</td>
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<tr>
<td>Delivery</td>
<td>Slotted delivery- Everyday morning and evening</td>
<td>Express delivery-90 minutes</td>
<td>Within 2 hours for fresh vegetables and fruits</td>
<td>Within 2 hours for groceries in selected cities</td>
<td>Within 2 hours for fresh vegetables and fruits</td>
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</table>
Walmart’s Flipkart:
Flipkart has launched its grocery business arm “Supermart” in November 2017. Its portfolio includes stables, FMCG products and private labels. It is present in 5 cities (Bangalore, Chennai, Hyderabad, New Delhi and Mumbai) as of now. It is likely to expand its operations across India.

Its strengths are established e-commerce network, huge capital and existing customer base of its retail business.

“Buy now pay later” is a feature of “Supermart” where customers can buy products without paying immediately. The total amount should be paid before 10th of next month.

“open box delivery” is a feature where the products are delivered in an open box. Customers can see the products, check the quality and if some individual items are not of good quality, they can be returned to the delivery person.

Swiggy stores:
The food delivery service startup has partnered with online and offline stores to deliver fresh fruits, vegetables, medicines and other grocery items. Some of its partners are Apollo Pharmacy, Zappfresh.com, Vicious, Le marche etc.

Its value proposition is quick delivery of products from nearby stores. It has launched this service in Gurugram where it delivers from 3500 stores.

Zomato’s Hyperpure:
Zomato has launched its grocery wing “hyperpure”. As of now, Hyperpure is concentrating on delivering food ingredients to restaurants. It has plans to expand its business to individual customers as well.
Porter’s five forces

1. Bargaining power of suppliers - Low
   - Suppliers can be small, medium or big retailers, farmers, FMCG companies etc
   - Number of suppliers is high
   - The products are not differentiated or has little difference
   - Online grocery store can change their suppliers easily with little switching costs

2. Bargaining power of customers – Very high
   - Switching costs of changing online grocery store is very less
   - Consumers can just switch to a different online grocery store or buy offline, if a better offer is provided
   - Number of buyers is increasing with mobile and internet penetration

3. Threat of new entrants – Very high
   - Barriers of entry is less for E-grocery store
   - Capital requirement is less for hyper-local model
   - Customers can be easily attracted by giving introductory offers as they don’t have any switching costs

4. Competition among existing players – very high
   - All the players in the industry want to attract customers so they offer various discounts
   - Entry and Exit barriers are very less in this industry (for hyperlocal model)

5. Threat of substitutes – very high
   - Customers have large number of options like kirana stores and established supermarket chains to buy grocery from, instead of online grocery store.
   - The product differentiation is very less
   - Customers also get a shopping experience, can feel the product and determine its quality.
Business Model Analysis:

Big Basket has a hybrid model combining Inventory led and a hyper local strategy for procurement. They follow an inventory led wholesale approach for the high order fill rates and longer self-life products, while they also use a hyper local strategy, to get perishable products in just in time model to keep the quality at the top and cost at the bottom. They have a mobile app and a website, which generates about 70% of their revenue. The remaining part comes from the other businesses including hotels, restaurants as well as offline retail brands.

Now, let’s discuss the business model of BB in detail using the below framework:

Customer Value Proposition:

There is a different aspect that a customer considers to be important for them. Adding value to the product or service that provides better value to the customer, than what they are looking for, will ensure the company’s position among its competitors.

a. Functional Value:

As the number of people shifting to major cities increases, the shops become more congested and the traffic level in the cities increases. For working professionals, buying groceries after a tiring work schedule in the busy city adds more pressure and makes the process more uncomfortable. Big Basket provides a functional value to its customers where they can order the groceries online and Big Basket delivers it at the customers’ doorstep at the time they wanted it. The convenience offered by Big Basket attracts the customers to use its service.
b. **Emotional Value:**

As the working professionals are more influenced by their co-workers, it makes it a habit for the customers to use Big Basket for ordering groceries online. The service offered looks attractive to the customer as they get whatever grocery they want; at the time they want to receive it. This enhances their experience and may make online grocery purchase a traditional process in long run as customers get attached to it emotionally.

c. **Economic Value:**

Ordering grocery online requires very less time and energy spent by the customer. If the customer must visit a grocery store to purchase the same, the added costs and wastage of time due to various external factors overshoots the grocery purchase cost at times. Big Basket offers more economic benefit to the customers as they help them to save time and energy. Also, as Big Basket procures goods from the farm/producers directly, they eliminated the layers in between, thus providing at lesser price to the customers.

d. **Symbolic Value:**

The customers get attached to a brand for the value it provides. For the customers, using the service offered by Big Basket gives them a status that they value more. Many customers feel superior when they order and receive milk every day from Big Basket than getting it directly from the farm. It provides a status for the customers within their social group.

e. **End Value:**

Big Basket offers high level of service to its customers as communicated by them. Ensuring the availability of wide range of products that customers are looking for and adhering to the timing committed for final delivery offers an enhanced overall experience to the customers which helps Big Basket to provide the end value more than the customer expects.

**Growth Model:**

With the entry of Amazon fresh and Walmart into Indian market, it becomes tough time for Big Basket to sustain the competition. Along with Inventory-model, Big Basket is also adopting Hyper local model to reduce the distance to reach the customer and is trying to improve the services offered. There was 70% reduction in expense when the order is delivered through a hyper local store. As there is no inventory and infrastructure requirements, it was beneficial for the business. But to sustain in the business, hyper local stores is difficult to manage and maintain the standards of Big Basket.

To ensure customer retention, Big Basket has a subscription program, BB Star, where a customer will pay a subscription fee to have various features for free. For a BB star customer, order above Rs.600 will be delivered without any delivery charges, priority for choosing delivery slots, etc., are offered. This will help the company to prevent the customers from shifting to competitors.
BB specialty is also a new model introduced by the company to provide a wider range of products to its customers. The company partners with specialty stores and delivers the customer’s order directly in a shorter time period. These specialty stores include bakeries, flowers, chocolates, etc. By this model, Big Basket was trying to be a one-stop shopping place for the customers. The delivery slots were also fixed in a way that suits all the working professionals.

Big Basket also introduced BB instant and BB daily. BB instant uses kiosks where customers can buy the products through mobile app. BB daily offered dairy products which will be delivered during early hours of the day.

As they have eliminated few intermediaries and reduced the length of the supply chain, they were able to pass the cost benefit to customers as offers. Cost of acquiring a customer will be high and it is difficult to retain a customer. Also, government has introduced new regulations for e-commerce companies.

Big Basket has introduced various divisions based on customer requirements. In the history of online grocery business, companies have failed not because of the service but due to introduction of technology at wrong time.

### Revenue Model:
Big Basket has successfully completed 14 funding rounds and raised $1.02 billion of total funding till now. They have 10 million registered customers. Big Basket processes 1 lakh order daily across 25 cities in India.

Big Basket follows different revenue models.

1. **Markup Based**
   Big Basket procure groceries from farm and other producers and store them in the inventory. They sell the items through their online portal with a margin and provide home delivery as a value-added service.

2. **Production Based**
   Big Basket procure groceries in large quantity and sell them under private label. The grains are processed and are packed to be sold under Big Basket’s private label.

3. **Subscription Based**
   Big Basket offers a subscription plan to its customers where the subscribers can get free delivery on orders above Rs.600 and get priority for delivery slot bookings. This model ensured retention of customers and more repeat purchase orders from the customers.
Capabilities:

Big basket has a wide array of capabilities that gives it a unique competitive advantage and interesting value propositions to its customers. These are the capabilities that BB developed over time organically based on the need and some of them were right in their business model to position itself away from the competitors.

(i) **Supply chain Capabilities** - A hybrid operation model

**Inventory Model**
- For FMCG and Branded staples
- Leading suppliers are P&G, HUL, mills and farmers
- Storage: Large scale warehouse

**Just-in-time Model**
- For Unpreserved products (Fruits & vegetables)
- Avoidance of wastage by linkage with farmers and local suppliers

**Hyper-Local Model**
- Tie-up with 2000+ grocery stores across India
- To deliver products within 90 minutes from neighbourhoods
<table>
<thead>
<tr>
<th>Model</th>
<th>Advantages</th>
<th>Disadvantages</th>
</tr>
</thead>
<tbody>
<tr>
<td>Inventory model</td>
<td>More suitable for monthly bulk orders</td>
<td>• Cold storage is required&lt;br&gt;• Inventory holding cost</td>
</tr>
<tr>
<td>Hyper local model</td>
<td>• No inventory cost&lt;br&gt;• Fast delivery</td>
<td>• Bulk orders are difficult as it requires collecting, packaging and delivering the product&lt;br&gt;• Cannot confirm the availability of order at the time of ordering</td>
</tr>
</tbody>
</table>

Risks of perishable products: Perishable products are procured only on order. This reduced their loss of stock by 3-4%.

It requires high investment to build the business infrastructure (Supply chain, storage facilities and delivery systems). Also, selling groceries is a low margin business. To have a better control and better margins, big-basket worked with its own fleet.

Big basket initially started with market place model, it shifted to mixed model (Inventory model + Hyper local model) to achieve economies of scale.

(ii) Procurement Capabilities

BB procures household goods, branded food items, beverages and food grains directly from big firms. For fresh produce, procurement is done from three sources-farmers, vendors and national sourcing:
- Farmers- 70% of SKUs-Farmers deliver their produce at a collection centre nearest to their village
- Vendors-20% of SKUs- Exotic fruits and vegetables
- National sourcing-10% of SKUs- for products having more shelf life (onions, potatoes, etc)

(iii) Delivery Capabilities

Morning & Evening prefixed slot delivery - Available with our complete range of 20,000 products
- 90-minute Express delivery - Available with our range of daily essentials (about 1,500 products)
- Specialty shops delivery - Picked up from your neighborhood stores & dropped to the delivery address
(iv) **Network Effect**

70% of Big Basket’s sales comes from the portal Big Basket. Which includes both a mobile app and a website. The app is compatible across all smartphones. By incorporating a referral marketing promotion, the company was able to increase the user base very rapidly. More and more people are joining the network, making it more valuable, beside acting as a one stop – from the home shop to the customers.

**Profitability Analysis**

**VARIM Framework**
We will use VARIM framework to analyse the profitability of Big Basket.
Value
Does the business offer benefit to the customers that which are valuable to them? Big Basket offers convenience to its customers. As mentioned earlier, due to busy work schedule and increasing population density in cities, grocery purchase becomes a difficult task for working class people. Big Basket provides wide range of products that customers wants and delivers it as per the customer preference. The price of items listed on Big Basket is also cheaper as compared to a retail store. The better service provided by Big Basket is valued more by the customers.

Adaptability
Is the business model cost-effectively reconfigurable to offer benefits that customer perceives as value to them? Big Basket uses inventory based as well as hyper local model to fulfil the customer orders. The adoption of hype local model into the business is to satisfy the customer demand of faster delivery for fresh vegetables and fruits. Big Basket’s business model can be reconfigured to satisfy the customer preference based on the products and the time frame.

Rareness:
Is the firm only one that offers the customer benefit? The competition in the online grocery sales is increasing and many companies have ventured into this business. Big Basket is trying to differentiate itself by offering variety of products and position itself as one stop solution for grocery purchase. They also acquired a logistics company to improve the last mile delivery. But there are very less differentiating factors in this business when compared with the competitors.

Inimitability:
Are the benefits difficult for other firms to imitate, substitute or leapfrog? Competitors like Amazon and Flipkart can imitate the business model easily. But the brand image and the network effect of Big Basket for online grocery purchase can’t be imitated easily by other competitors. Big Basket is trying to bring more local retail stores into its supply chain which can add more benefit to the company.

Monetization:
Does the firm make, or stand to make, money from offering the benefits to customers? Big Basket offers products at lesser price when compared to retail stores. The main reason for this pricing is that they procure products directly from farms and have higher margins to sell. They pass on this benefit to the customers and offer free delivery for orders of high value. Revenue has been on an increasing trend and the operational losses are reducing year on year. With the current market trend continuing, Big basket will start making profit from the business in few years, given the competitors won’t imitate the business model.
Teece Model

The model of Big basket is very highly imitable. Anyone in the market can launch similar app and a logistic platform. The entry barriers is also very less. This makes it high on imitability.

However, big basket has its complementary assets held tightly with itself. Many of these capabilities are developed organically and are a direct function of the learning they had over the years. Some of these capabilities as discussed earlier includes the following:

- Supply chain capabilities, where they have a strategic relationship with various retailers across the country helping them achieve excellence in hyper local delivery
- Procurement capabilities including the longer shelf items procured directly from farms and companies in bulk, helping them achieve economies of scale. At the same time, the perishable, shorter shelf life items from hyper local chain helps them achieve impeccable quality
- Delivery Capabilities that they developed inhouse helps them use various delivery methods, thus providing the customers with a great flexibility
Strategies to adopt
Bigbasket can adopt the following strategies to compete in the market:

1) **Subscription service**
   Under this, the company can start a subscription service (like Amazon Prime), that will help in creating a large and permanent customer base. Once users subscribe to the service, it is highly likely that they buy from Bigbasket itself as these customers would get special services for subscribing. It can be free and quick delivery, early access to promotional deals etc. Subscription service has been very successful with e-commerce companies and there is high chance that it will work for Bigbasket as well.

2) **Happy Days**
   Happy days, is a marketing technique used currently by Grofers. Under this, the company declares a few days of month, say Oct 25 to Oct 29 as Happy days. In these days, customers would get special discounts and offers on products. This is like Amazon’s ‘Great Indian festival’ and Flipkart ‘Big billion days’. There is high probability that this technique would for Bigbasket, the same way it worked with e-commerce companies. This also helps in repurchase of customers.

3) **Expanding the Product catalogue**
   Bigbasket can focus on expanding the range of products offered. Grocery is a good business for Bigbasket, but to stand in this hypercompetitive market, it should bring in new products to be offered in its catalogue. New product offerings mean catering to broader range of customer needs.

4) **Expand to New cities**
   Bigbasket, no doubt is trying hard to serve the best in most metros and Tier 2 cities. It can also work on expanding to newer cities. With Amazon Pantry, backed by its cash rich parent Amazon, now entering the market of Grocery, it is now important for Bigbasket to fine tune its logistics and improve efficiency.

5) **Continuously improving from buyers’ feedback**
   Bigbasket should be active enough it taking buyers feedback, it can be from Bigbasket App or website and should seriously work on improving where its lagging. This is a great source of information where Bigbasket can understand where its good at and where it must improve. Ex: If majority of customers are complaining on delivery, then Bigbasket got a queue that it has work on logistics.

6) **Working on its IT, CRM strategies**
   At present, majority of businesses have a strategic IT team to take care of Information Management. IT has become a key enabler in todays business. Bigbasket should work on integrating all of IT, be it lifecycle management, change management etc. An integrated platform provides a much better holistic view of business. It can also focus on enhancing customer relations through much effective usage of Customer Relationship Management (CRM) tools.
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Introduction:
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