

Case Study: JioMart - A New Giant in Digital Grocery Ecosystem

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Abstract: Grocery was 70% of Indian retail market with 90% driven by neighborhood shops. Reliance Industries had launched JioMart, an online grocery store in over 200 towns across the country. JioMart was expected to give a tough competition to prominent grocery delivery services like Amazon, Flipkart and Big Basket in the country. The national roll-out provided customers with a useful alternative to existing players (BigBasket, Grofers) as online grocery orders had spiked, reducing the store visits. Reliance Retail operated neighbourhood stores, supermarkets, hypermarkets, wholesale and online stores. The company had integrated its registered customer database from Reliance Fresh and other retail businesses into JioMart. Reliance's presence in consumer electronics, fashion, lifestyle and grocery segments was already strong. Its retail business had crossed Rs 45,000 crore in revenue in the December quarter of 2019.

Keywords: supermarkets, hypermarkets, wholesale and online stores

JioMart strategy was to woo middle-class families through its idea of unbundling, and in the process, change purchasing habits. The plan was to incentive smaller, but more frequent purchases, while keeping product value intact. JioMart had seen a 4x rise in online orders from a low base.

Digital grocery was among the latest bet by Reliance Industries to tap into the digital user base of Jio and the company's existing retail network. Reliance had recently raised Rs 43,574 crore from Facebook in exchange of 9.99 per cent equity stake in Jio to provide a platform for kirana store owners to connect with customers and vice versa.

JioMart was at the heart of Reliance Industries' retail ambitions. However, to make its retail ambitions a reality, Reliance would have to fight other deep-pocketed players including Amazon, Alibaba-backed BigBasket and Tencent-funded Udaan which had a first-mover advantage. Given that its success, if it happened, would also depend on sister concern Jio Platforms' 380 million and growing subscriber base, there were concerns as to how privacy and data handling issues would be dealt by the online retail format. Social media giant, Facebook, which had its own battles with regulators world over on data privacy issues, held 9.99% stake in Jio Platforms, a subsidiary of Reliance Industries.

The case explored the strengths and challenges of JioMart in the current online grocery store market. It was to study how the JioMart Market ecosystem would work for Customers and Retailers. Moreover, it was to be seen how privacy and data handling issues would be dealt.

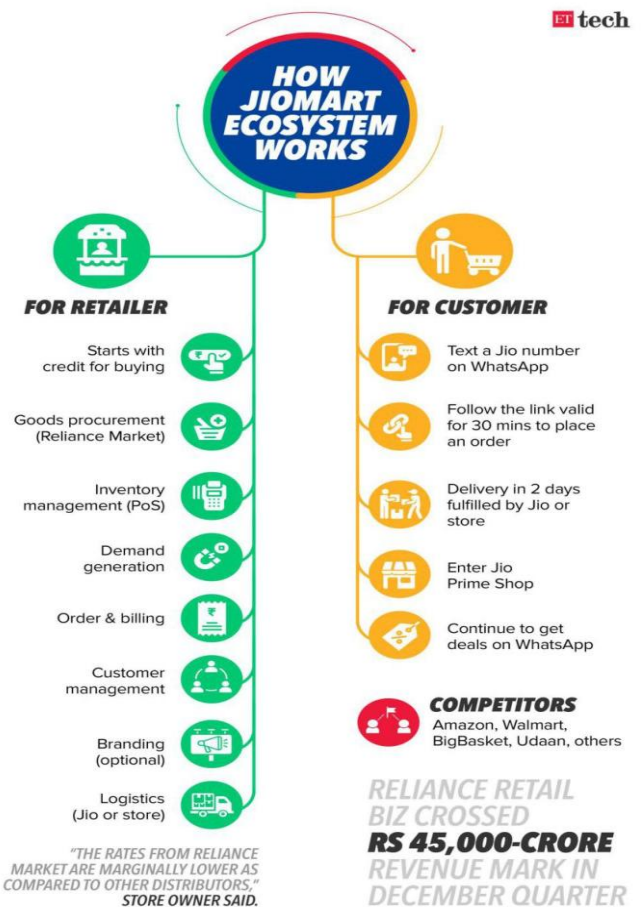
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"Reliance launches JioMart service across cities" he further stated "Big town or small, JioMart delivers in over 200 towns." - Damodar Mall, the chief executive of Grocery Retail at Reliance Retail.

Reliance Retail Ltd, that had been the retail arm of Reliance Industries Ltd, last December soft set up its new business venture branded, 'JioMart'. The strategic positioning

statement was "Desh Ki Nayi Dukaan". JioMart had been investing and developing its entire ecosystem; starting from its cash and carry unit for purchases-procurement and private labels to credit, inventory management, demand generation and doorstep delivery. (Exhibit I).

Exhibit I: JioMart Ecosystem



Source: <https://tech.economictimes.indiatimes.com/news/corporate/jiomart-wants-you-to-buy-small-and-buy-often/75609564>, May 08, 2020

Domestic consumption, which powers 60% of India's gross domestic product (GDP) today, is expected to grow to a \$6

trillion opportunity by 2030, said a Bain report. E-commerce sales had been estimated at a mere \$2.5 billion, of the total \$550 billion sale of food and groceries in India in 2019-20.

Reliance's Retail business, and its telecom arm, Jio, had joined forces in the start up of JioMart. This was done by offering digital terminals in the brick and mortar space, i.e. to shopkeepers. The focus was on enabling inventory management and stock orders from Reliance's system of wholesalers.

Through this RIL was providing local merchants an O2O (online-to-offline) marketplace. This was based on the successful business model initiated by the Chinese e-commerce giant Alibaba Group Holding Ltd. Under the O2O model- an omnichannel strategy- in which the consumer looked up for the product or services online but bought it from an offline channel.

JioMart, inception was as a point of sale (PoS) machine installation drive and order placing platform for kirana (corner) stores in early 2019. This was done by taking a deposit of Rs.3,000-Rs.3,500. Kiranas had expected to manage orders and payments in the JioMart ecosystem. This would happen once order volumes became higher. It would be made possible on the gradual opening of the economy.

JioMart had diversified from grocery to personal care, home care and baby care products. The company had offered a lucrative sales promotion scheme by offering a minimum of 5 per cent discount on certain products. Moreover, it had planned Incentives to customers on bulk purchases, which were funded by JioMart. The strategy was to provide credit back facilities to the kiranas when customers made their next bulk purchase.

While the Jio platform was currently offering grocery along with various essential products, it was expected that the entire retail portfolio would be diversified and expanded to integrate fashion, lifestyle and consumer electronics product lines.

"Reliance Fresh and Smart makes your grocery shopping even simpler. No more hassles of sweating it out in crowded markets, grocery shops & supermarkets - now shop from the comfort of your home; office or on the move," reads JioMart's 'about us' page on its website.

JioMart would compete with vertical online marketplaces with Alibaba-backed BigBasket amongst others in addition to SoftBank-funded Grofers and horizontal players including Amazon Pantry, Flipkart Supermart etc.

Mukesh Ambani's online grocery dream project JioMart had expanded to multiple cities after running pilot test marketing in Maharashtra's Navi Mumbai, Thane, and Kalyan. The number of cities JioMart was currently serving was not confirmed. However, the pin codes used indicated that the service had existed in multiple Tier-I and II cities such as Chandigarh, Dehradun, Dhanbad, Gwalior, Kota, Ludhiana, Surat etc. Customers in Delhi, Mumbai, Bengaluru, Chennai, Hyderabad, Kolkata and other metros could also place order from JioMart platform application.

The social media giant Facebook had declared that it had made a \$5.7-billion investment in Jio Platforms Ltd, a strategic business unit of Reliance Industries Ltd. "Our goal is to enable new opportunities for businesses of all sizes, but especially for the more than 60 million small businesses across India," the companies said in a collective statement.

The deal had enabled the coming together of Jio's connectivity platform, which had over 388 million users, and Facebook's over 328 million monthly active users (MAU), besides instant messaging app WhatsApp's 400-plus MAUs. Jio Platforms, that operated JioMart, had strategic investments of Rs 78,562 crore from Facebook, private equity funds Silver Lake, Vista Equity Partners, KKR and General Atlantic, over the last one month.

With Jio Platforms, Facebook now wanted to strengthen the entire ecosystem for Small and Medium Businesses,(SMB) and help realise the vision of Digital India. "This is a confluence of forces between two market leaders and thereby allows them significant inroads and ability to better understand customer behaviour. The coming together of these two giants also lended depth across key layers of the value chain, including connectivity (broadband, mobile telephony), commerce, payments (via UPI/WhatsApp), content (Reliance movies and exchange (Facebook, WhatsApp)," said Sanchit Vir Gogia, CEO and chief analyst, Greyhound Research.

With the available opportunity for growth, Facebook had recently invested \$5.7 billion for a 9.99% stake in Jio Platforms. The entity expected 30 million small Kirana stores on its digital platform, thereby enhancing their revenues, creating employment, and also benefiting consumers with faster delivery of goods.

However, these were optimistic numbers and still needed to be achieved. Be it the supply and distribution bottlenecks or lack of demand, the e-commerce service providers were no match for the neighbourhood Kirana stores and Indian retail chains.

For the Ecommerce-Kirana partnership model to be a success in India, there were a number of important steps to be taken. It was essential to make E-commerce Policies which recognised the importance of adding Kirana stores within the e-commerce ecosystem, provided a level playing field between domestic and foreign e-commerce service providers through transparent regulations, and created the necessary infrastructure for driving the Ecommerce-Kirana partnership model.

"A pan-India extension of partnerships with mom and pop stores after a successful beta test and ramp-up of this new commerce venture is crucial in Reliance's grand plan of converting Jio's 400 million-plus subscribers into customers for its E-Commerce and other offerings," CLSA said in a report."

"JioMart has seen a 4 times rise in online orders from a low base. With its pan India presence JioMart now directly competes with Amazon and Flipkart in e-commerce," according to a Bernstein report.

Future success, however, would depend upon Jio Platforms' 380 million and increasing customer base. There had also been concerns as to how privacy and data handling issues would be dealt by the online retail format.

Sanchit Vir Gogia, chief analyst and founder of Greyhound Research, commented on how Jio treated the user's personal data on the platform. The company's privacy policy had placed the responsibility for sharing personal data on the user, stating that users must "ensure strict caution" while giving out personal information on the platform. The privacy note also stated that personal information would be shared with third parties, using cookies etc.

The policy also exempted Jio of any responsibility in case data received by one of the third parties from the platform, was breached. "It is expressly stated that the company shall not be responsible for any breach of security or for any action of any third parties that receive Users' personal data or events that are beyond the reasonable control of the Company including, acts of government, computer hacking, unauthorized access to computer data and storage device, computer crashes, breach of security and encryption etc," the policy stated.

"Never waste a crisis, they say!" tweeted Damodar Mall, chief executive of grocery retail at the company.

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