

Offline retailers turning to start-ups for e-commerce play

Food & grocery start-ups help retailers source and deliver products

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On a rainy evening in Mumbai, the e-commerce team at Godrej Nature's Basket decided to give a surprise to its regular customers with a special monsoon survival kits.

They home delivered a free pack containing items such as bread, milk and snacks to ensure that their regular customers don't get stranded indoors, unable to go shopping at their nearest Nature's Basket store.

This is just one of the initiatives which the company is planning to undertake to strengthen its efforts to reach customers directly at home. The recent acquisition of food & grocery start-up Ek Stop has strengthened its online business giving the company enough confidence that it will soon wants to break even in its retail operations.

"With the acquisition of EK Stop, we got a readymade web platform, achieving speed to market in e-commerce. Now, we expect our online business to scale up fast and get profitable quickly even before the stores," says Mohit Khattar, Managing Director, Godrej Nature's Basket.

Like Godrej Nature's Basket, other brick & mortar retailers are eyeing food & grocery start-ups to get future ready with sustainable e-commerce strategies.

Back-end operations

This is being done through an acquisition or a partnerships with start-ups to manage the back-end when it comes to deliveries and sourcing of food & grocery products. For

example, Go4Fresh, which specialises in sourcing from farmers with supply chain capabilities, is already managing the back-end for Future Group's new food & grocery format — KB's conveniently yours.

"The retailer's job is to sell while our job is to source and supply. Today, we are helping retailers like KB's conveniently yours (previously known as KB's Fair Price) as category solutions providers and sourcing partners," says Anjaney Bhutada, Founder, Go4Fresh.

Food and grocery is a low margin, low investment business but it is the largest category in the consumption basket accounting for 60 per cent of consumer spending. Making money from this category is a challenge faced by both online and offline players.

As Khattar adds, "We may not be profitable at an operational level yet it was an opportunity for us to buy Ek Stop. It is not easy for start-ups to achieve profitability in the long run in the huge food & grocery segment."

Another start-up, ZopNow, is managing the back-end of retailers such as Aditya Birla's More outlet in Gurgaon and

E-commerce push

- Go4Fresh is managing back-end operations for Future Group's new food & grocery format
- ZopNow is helping Aditya Birla's More outlets in Gurgaon and Shoppers Stop's HyperCity stores
- Local Banya partners Metro Cash & Carry, HyperCity and Spencer's Retail for sourcing products

Shoppers Stop's owned HyperCity across five stores.

Consolidation on cards

"Since brick & mortar retailers will need time and investment to build their e-commerce business, there will be consolidation between online start-ups and offline food & grocery retailers as the latter will need technology and talent for their e-commerce foray," observes Mukesh Singh, CEO, ZopNow.

Mumbai-based Local Banya is helping Metro Cash & Carry, HyperCity and Spencer's Retail by sourcing from their stores for its own food & grocery portal.

"We collaborate and source from big retailers like HyperCity and Spencer's Retail and help them as a selling channel through our site.

We will be happy to collaborate and consolidate with offline retailers and will not say no to an acquisition if it is a huge company which has large infrastructure. At the end of the day, it is in our interest as well," says Karan Mehrotra,

CEO, Local Banya.

