

# Online grocery start-ups struggle as business investments shrink




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**New Delhi, July 20:** Once seen as the next big thing in online commerce, the euphoria surrounding e-grocery companies seem to have whittled.

Online grocery start-ups such as LocalBanya, Pepper-Tap and AAGAAR.com have already shut shop while Grofers continues to struggle to stay afloat, all of which point that the business model is not viable. Data released by Tracxn Technologies show that in the current calendar from January to June only 24 e-grocery companies have got started. Compared to this the previous calendar year (2015) saw 302 online grocery companies springing up.

“With too many players, the cost of acquiring customers had increased manifold. Thus, either companies were forced

## Snapshot of online grocery business

(Amount in \$ million)	2015 (Jan-Dec)	2016 (Jan-Jun)
No. of companies founded	302	24
No. of companies which raised funds	19	10
Total funds raised	281.5	158.02
Maximum fund raised by a company	120 	150 
Number of acquisition	5	1 

Source: Tracxn Technologies

to close down, or change the business model as most of them ran out of cash. But now after a few closures, e-grocery companies have become cautious in their approach when it

comes to running the business,” says Albinder Dhindsa, co-founder, Grofers.

The company follows a hybrid business model, which is a combination of marketplace

and inventory.

The data also shows that there has been a drop in total funds raised this year. “Investors are keen to look at companies solving a problem or catering to a latent need like groceries or food online where they have control in the supply chain,” said Sreedhar Prasad, partner (e-commerce and start-ups), KPMG India.

In March this year, the online grocery firm raised \$150 million from new investors, such as The Abraaj Group – a PE firm, Sands Capital Management Llc and World Bank's investment arm International Finance Corp (IFC). Existing investors also participated in the round.

“Investors like to bet their money on businesses which can scale up profitably,” said Hari Menon, co-founder and CEO, BigBasket.

