# A Unicorn in Making – A Case Study of ShopKirana

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## Abstract

*Startups are moving from big cities to small cities, because of lower operating costs and better work- life balance is attracting them towards smaller cities and towns. Apart from that less competition and room to grow is also a key factor. In this paper we discuss one such startup featured on cover of Forbes, Shopkirana a baby unicorn, B2B (Business to Business) supply chain-based startup emerged out of Indore. The extraordinary achievements they achieved and how they are solving issues and transforming life of retailers by connecting and bridging the gap. Bringing technological revolution to retailers and educating them about using technology. This paper discusses ShopKirana business model and analyzes the company data drawn from information based on reliable online and offline sources and analyzes the targets and discusses future outlook of B2B sector.*

**Keywords:** *Startup, ShopKirana, B2B, Supply chain*

## Introduction

When a place gets too crowded and clogged up, its innovative potential and economic capacity suffer. The picture is quite similar in India, the third largest start-up ecosystem in the world, with 21 unicorns right behind China and US according to Hurun Global Unicorn List, 2019.Tier one cities are getting choked; roads are getting jam; working hours are getting wasted as people get stuck in the traffic of metro cities of Delhi, Mumbai and Bengaluru, according to the report prepared by location technology specialist TomTom in a traffic index report 2018. It provides the data for traffic congestion levels and has found that Mumbai to be the top on the list of 403 cities across 56 countries and Delhi at fourth place due to this the Work-life balance of people in metro cities are completly out of order.

With reference to this the smaller cities offers relief to the people. From Jaipur to Raipur and Indore to Chandigarh, entrepreneurs vow by the untainted quality of life.

In this scenario when co-founders of Shopkirana, supply chain and logistics focussed a B2B start-up working with convenience store, had an option to choose between Indore and Mumbai to set up operations. They ditched the commercial capital as big cities are in big mess, and smaller cities are unfolding as the next big opportunity to look out to.

## Background

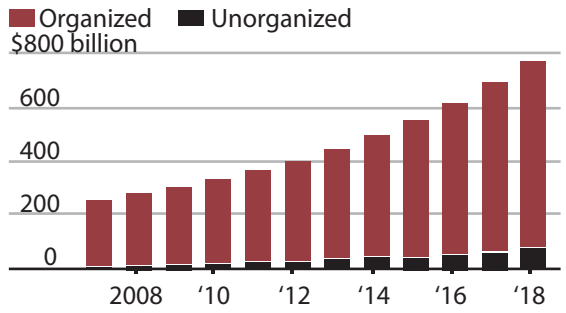
"In India, retail still follows the traditional route of a supply chain as around 92% of the retail industry is unorganised that presented a huge opportunity for us, having watched the retail sector so closely, we could understand the pain points of the sector," says Sumit, (CEO of ShopKirana) Forbes India, July,19 2019, page 23. The clasification of organized and unorganized is shown in Fig 1.

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**Fig.1: Retail market size in India**




Note: Figures for 2018 are estimates. Fiscal year ends in March.

Source: https://www.wsj.com/articles/indias-biggest-competitors-to-walmart-and-amazon-mom-and-pop-1527512400

After the survey they realized that mom-pop stores don't grow, they run their business to just live but not to grow & fundamental problems they face in growing is that they block their cash flow in dead inventory for weeks and so on due to inefficient supply chain. So, they decided to move one step further, to take one bold step & to convert existing retailers into departmental stores with smart inventory system, less blocking of cash flow, more variety of features integrated from day one.

There are many B2B online marketplaces round the world, Alibaba (China) and IndiaMART (India) being the biggest players. Alibaba and IndiaMART serves domestic as well as international market and act as a mediator between buyer and seller by providing online marketplace to list products and accept payments, on other hand Shopkirana revamped the B2B sector by providing AtoZ solutions by integrating in house supply chain, logistics solutions along with marketplace and inventory solutions which drastically decreased order processing/ delivery time alongside increasing reliability and easing the whole B2B system. Ecommerce is no longer nebulous for B2B but a driving force. Merchants can now take advantage of that growing opportunity.

According to article published on Economic Times, Rahul Garg (founder & CEO Moglix) The Indian B2B e-Commerce market is expected to reach $700 billion by 2020. India has 14 million retailers fueling a $525 billion market. B2B e-commerce is a fast-emerging space. The e-commerce industry continues to evolve and experience high growth in both developed and developing markets. B2B e-commerce in India is also in line with the government's digital growth plans.

Report by Statista, a trusted online portal for statistics which makes data collected by market and opinion research institutes and data derived from the economic sector and official statistics, the global B2B e-commerce market valuing US$12.2 trillion in 2019 is over 6 times that of the B2C market. Currently, Asia Pacific is leading the way with a market share of almost 80%, leaving North America and Europe far behind. Amazon Business and Alibaba are the two most prominent players on the market.

## Market Landscape

Indian traditional retail is still a key and is the biggest in the pie of retail industry, wholesale being the biggest opportunity in the industry. Until recently, B2B e-commerce startups failed to make a dent in the largely-unorganized market. Startups such as Shotang, Just Buy Live folded up while the likes of Industry Buying and Tolexo, a unit of a larger internet firm, shrank operations. Since the end of 2016, however, several B2B companies have prospered. Experts say demonetization and GST forced several small and medium enterprises to use digital means to do business. Indian internet companies are finally showing signs of organizing this massive market. Apart from Shopkirana, IndiaMART and Udaan, other B2B e-commerce startups including ShopX, JumboTail and Ninjacart have raised large amounts of capital over the past year. Even the government has launched a new platform, Government e-Marketplace, to make procurement by public sector enterprises more efficient. Since its launch in 2016, Government e-Marketplace has processed transactions worth ₹32,000 crores, according to a story in The Economic Times. India retail is in trending in investment and entrepreneurship discussions due to shifting behavioral patterns, rising middle class, followed by penetration of technology, improving logistics infra and government reforms (Demonetization, GST (Goods and Services Tax), FDI (Foreign Direct Investment)). According to a 2018 IBEF report, the Indian retail market is expected to reach $1.1 Tn by 2020 (Fig-2). Increasing incomes and lifestyles changes in the middle-class community along with increasing internet penetration are the major factors which are driving this growth. Leading players include ShopKirana, ShopX, Udaan.

At Shopkirana they are experimenting day and night for last 18 months, to decode next big opportunity in Indian retail. Great efforts have been put in every minute detail to ensure they create significant value and contribute into the growth of Indian retail. Being dependent of 9Mn small retailers, they started with

**Fig.2: Growth of organized retail in India**




Source: https://www.theaims.ac.in

base belief that "B2B is the biggest opportunity, if they cater it well". Shopkirana targets to put a dent into the Indian wholesale industry through becoming the only platform as wholesale market place.

## ShopKirana: Company Profile

ShopKirana is founded by Deepak Dhanotiya. Sumit Ghorawat and Tanutejas Saraswat. Shopkirana is an initiative of Shopkirana E-trading private limited. Shopkirana has a clear vision as:

"To empower Indian retailers with power of technology and supply chain innovation". Shopkirana is launched to help connect nine million individual retailers directly with suppliers and distributors by removing mediators/traders. Shopkirana team has a strong belief that this platform is just a beginning and is a small part of their endeavor, they will do anything and everything that can help small Indian retailers improve their profit margins, product range, product availability and stock, inventory management and access to more customers.

Shopkirana started with a solution to harvest data and power of smartphone, by means of a smartphone application, to solve need of every retailer and trader and to create the most technologically and data enabled platform for every mom and pop store, not only by selling products to them via their supply chain and logistics solutions but also by empowering and liberating them.

Selling products to retailers via mobile app and helping them use analytics is just an initiative to get connected with them and built trust and goodwill, their aim is to make them aware how technology and data driven techniques can bring a change in their life and take their business to new highs, as well as make their day to day business activates simple and efficient. This will not only assist them in generating better sales by keeping less inventory, by placing orders in real time, by monitoring everything on mobile & associating them with various suppliers in different service industries but also help them to use data driven analytics to make smart decisions and make their business profitable and life easier.

They've built a system for emerging and new brands to launch their products and services instantly with help of their platform and helping brands to penetrate market via Shopkirana, instantly. Earlier it used to take new brands at least 30-60 days to launch, market and put their product in the racks of Retailer's shop. They minimized this number to 24 Hours.

Now brands, who don't have any supply chain networks in city to reach the market can take the help of Shopkirana to get real sales in the shortest time possible. They can also use data generated to keep inventory at adequate level.

They have been developing the technological company who resolve an end to end supply chain and logistics solution. When there is connection of technology and data with the most conventional, oldest supply chain of this country and give the power of buying into the hands of retailers (who then sell it to the direct offline customer), then Magic happens. The numbers are magical.

Shopkirana has built supply chain and delivery capabilities to serve kirana stores at large scale with the widest selection of staples and FMCG (Fast-Moving Consumer Goods) products. The top FMCG brands and staples producers in the country work directly with Shopkirana as they provide them with capabilities that none of their other channels offer.

According to data on Shopkirana official website, Shopkirana has achieved significant growth. The most significant figures being they guarantee in capturing 10% of market share within 3 months of launch with help of their platform they claim to provide fastest go to market strategy.

They have expanded their presence to over 30 Cities, across 100,000 stores. Latest sales figure as per company's website account to 2 Billion with 50 Million Customer Reach (Fig-3).

**Fig.3: Shopkirana Presence across India**




Source: https://www.shopkirana.com/

## Business Model

Shopkirana describes itself as a B2B technology and supply chain focused company that aims to empower retailers to be competitive by providing technology, operational expertise and scale advantage. According to their blog, their idea is to partner with thousands of retailers (by becoming part of their supply chain) and making it the biggest and quickest go-to-market channel for products and services. Shopkirana directly works with Brands and give them a boost on distribution side with transparency and deep market intelligence (Fig-4).

Shopkirana works on the principle of pick up and drop down. They laid down the foundation in such a way that they designed various departments i.e. collection, sorting, packaging in its initial stage it is targeting only grocery, food and beverages which holds the market value of 60%. According to article on The Wall Street Journal, India's biggest conglomerates, among them the Tata, Birla and Reliance groups, have launched their own new retail chains but haven't made much of a dent in mom-and-pops' dominance. Small retailers control close to 90% of the country's more than $700 billion retail market, according to Indian retail consultancy Technopak. Shopkirana connect retailers directly with brands with the help of modern technology & innovation to source products within 48 hrs.

**Fig.4: Shopkirana Business Model**




Source: https://www.facebook.com/ShopKirana-110233949323823/

Every retail store is their customer and they talk to them and take care of them. They understand power of B2B, B2B makes business strong where LTV (Lifetime Value)>> CAC (customer acquisition cost). "The real challenge for e-commerce or for brick-and-mortars or any retailer is, how do you match those cost structures," said Raj Jain, former president of Walmart India.

They have a team with purpose, a purpose which is big enough for them to pursue. People are biggest contributors in all success, hence clear focus in all their discussions about strategy or entertainment. Skill are built by many wherever and whenever required but they had clear intent of empowering retailers from begining. They gear up every time even though they fail or face a challenge. Great team can overcome any problem hence they focus more on building great team vs focusing on possible problems.

They know that they have biggest and most impactful vision in country as of now. they believe "Integrating and empowering retailers can change Indian retail forever". Soon in a single town they will be selling more tons of wheat flour than a normal plant can produce, without discounting a single rupee. Also, they will be profitable start-ups with huge volumes too.

### Funding

### Past rounds of funding: -

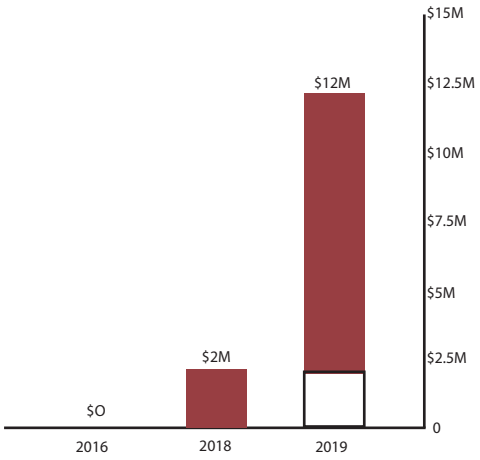
- 2016: Seed: ~3Cr led by Incubate Fund and participated by Angels
- 2018: Series A: 14Cr led by Info Edge and participated by Akatsuki, Incubate Fund and Better Capital
- On another crucial metric to gauge the growth potential of a startup— backing by VC (venture capitalists)—ShopKirana scores high.

- While Japan's Incubate Fund invested an undisclosed amount in 2016, Info Edge—the parent company of job portal Naukri, and an investor in Zomato—pumped in around `14 crore in December 2018 (Table-1).

## Timeline

- 2015 – 2018: Focused on getting Product Market Fit and Right Cost Structure
- Dec 2018 – July 2019: Growth phase: Scale to multiple city, capture significant market shares
- August 2019 – March 2020: Hyper growth: Cover 15 cities | Hit 720Cr Run-rate Next 12 months: Reach 30 tier II cities | Hit 1,200Cr Run Rate (Fig-5)

**Fig.5: Shopkirana funding period 2016-2019**




Source: https://www.owler.com/company/shopkirana

**Table 1: Shopkirana funding cycle**

| Round | Funding Date | Amount | Investors |
|---|---|---|---|
| Series-B | Aug 2019 | $10m | Info Edge India Ltd. |
| Series-A | Dec-2018 | $2m | Info Edge, Aet Fund, Better Capital, Incubate Fund And Akatsuki |
| Seed | Dec 2016 | -- | Incubate Fund |
| Angel | Feb 2016 | -- | -- |

Source: https://www.owler.com/company/shopkirana

## Competitive Analysis

The top 7 competitors in Shopkirana competitive set are Udaan, IndiaMART, Ninjacart, Superzop, ShopX, Jumbo tail, together they have raised over 769.6M between their estimated 4.2K employees. Shopkirana revenue is ranked 4th among its top 7 competitors. The top 7 competitors average 370.9M. (Table-2)

**Table 2 : Shopkirana Competitive analysis**

| Company | Shopkirana | ShopX | JumboTail | IndiaMART | Udaan | Ninjacart | Superzop |
|---|---|---|---|---|---|---|---|
| **Leadership** | **Tanutejas Saraswat Co-Founder & CEO** | Amit Sharma CEO & Co-Founder Apoorva Jois COO & Co-Founder | Karthik Venkateswaran - Cofounder & CEO | Dinesh Agarwal and Brijesh Agrawal -Founders | Co-founders Vaibhav Gupta, Amod Malviya, and Sujeet Kumar | Co-founders, Ashutosh Vikram, Kartheeswaran k, Sharath-Loganathan, Thirukumaran-Nagarajan, Vasudevan | Darshan-Krishnamurthy, Prithwi Singh, Raghu Allada-Founders |
| **Founding date** | **2014** | 2015 | 2015 | 1996 | 2016 | 2015 | 2016 |
| **Type** | **Private** | Private | Private | Private | Private | Private | Private |
| **Tags** | **Business products & services (ecommerce platform supply chain)** | Retail technology (consumer products & services ecommerce) | Food & beverages retail (ecommerce groceries marketplace) | Retail (consumer goods ecommerce marketplace platform) | Business products & services retail technology | Retail technology (agritech ecommerce supply chain) | Retail technology (distribution ecommerce supply chain) |
| **Employees** | **51-100** | 101-250 | 101-250 | 1001-5000 | 1001-5000 | 1001-5000 | 1-10 |
| **Twitter followers** | **104** | 218 | - | 10.3K | 1589 | 1133 | 19 |
| **Alexa Website Rank** | **454,685** | 410,869 | 335,095 | 413 | 29763 | 173686 | 5985920 |
| **Total funding** | **INR 12.3M (Aug 17,2019)** | INR 35M (May 7,2019) | INR 25.1M (Nov 15,2019) | INR 40.8M (Jun 24,2019) | INR 869.9M (Oct 2,2019) | INR 154.2M (Dec 11,2019) | INR 80M (Jul 3, 2019) |

Source: https://www.crunchbase.com Accessed 13 Dec. 2019.7:57 PM Source:https://www.alexa.comAccessed13Dec.2019

## Strategy

- Build process/systems which is tough to copy. Technology and innovation played vital role in success of business
- Build network as the Successful businesses will have successful networks Shopkirana created business model which have network effect Without bringing thousands of entrepreneurs together. Shopkirana developed a business model which can multiply itself while they empower people in their network with extraordinary technology tools and great products Today their local partners are amongst people who are making great money, have better ROIs and are inspired to make dent in retail universe LTV of the network is tremendous and they will keep investing in building an extraordinary network.
- Learn and Build Brand as Great brands are like art, their return is always in multiple, still they are priceless.
- Business can't give multiple return till you keep selling features they focused on building brands and capturing market share. Today in some categories their own brands are gaining major market share. They helped big companies launching and building brands using their analytics and power of network. Their services have become part of daily routine for so many customers. Today their platform is having one of the highest reliance globally, when it comes to E-Commerce platform usage. They have category shares touching 5% in territories they work. (All players E- Commerce combined hardly have 1% category share) they are able to eat away 2% market share in every category they enter, within a quarter of the category launch. They are excited with the fact that "They are able to make a scalable business model where price of gaining market share is almost negligible and size of market is about a trillion dollar."

## SWOT analysis

### Strengths

- Speed and accuracy:
  Delivering the goods at faster speeds and all the transactions are done by the means of modern technology.
- Faster growth rate:
  Opening outlets in most of the cities
- Capturing share market:
  Speeding up in delivering the goods and challenging other markets to capture market shares.
- Control:
  Good hold on strategy and business model

### Weakness

- Lack of technology awareness among retailers.
- Experienced workforce is still a challenge.

### Opportunities

- Growth in services and variety of products.
- Promoting and expanding their in-house brands.
- Expanding services in new sectors.

### Threat

- Threat from competitor like reliance, Udaan and other B2B.

### Operating Areas

SHOPKIRANA HQ- One of the coolest places to work in Indore & created everything from ground 0 to this in 12 days. Launched 6 HUBS of Shopkirana in 60 days. After launching in Bhop-al, within just 12 days from an idea to invoice, it took less than 2 weeks to set up the whole operations in a new city & start a business. Launched Shopkirana in Jaipur after 30 days of starting Bhopal operations.

### Impact Created

- Clocked more than 1 crore sales within 17 days of starting operations in Jaipur.
- Sold more than 70 lacs+ quantity of in February.
- More than 10,000+ retailers signed up.
- Shopkirana is now live in 3 cities. Indore, Jaipur & Bhopal.

### Accomplishments

- Shopkirana is the only company to command 5+% market share in every category on the platform (All e-commerce combined do 1% market share & modern retailers hold 6% approx.). Highest engagement and monthly reliance as their top retailers are ordering 20 times a month.
- The fastest GTM (go-to-market) for FMCG brands by committing & contributing more than 7% market share within 3 months of a new brand launch.
- Featured on cover of Forbes India (July 2019) (Fig-6).
- Shopkirana featured on the front page of Nikkei, the largest newspaper for business person in Japan (Fig-7)

**Fig.6: Shopkirana featured on cover of Forbes India July,19 2019**




Source: http://www.forbesindia.com/article/startup-hubs-special/indias-emerging-startup-hubs/54255/1

- "From 12 crores in revenue after the first year to 120 crores now...that's the magic of smaller cities and towns" says Sumit (co-founder, ShopKirana) Forbes India, July,19 2019, page 22.
- "Our growth has increased over eight times during the first five months of this year" says Sumit Ghorawat, (co-founder, ShopKirana) Forbes India, July,19 2019, page 22.

**Fig.7: Shopkirana featured on the front page of Nikkei (Japanese business newspaper)**




Source: https://www.shopkirana.com

- "We have just touched the tip of the Iceberg" says Deepak Dhanotiya (co-founder, ShopKirana) Forbes India, July,19 2019, page 22.

### Revenue

Posted revenue of 120 crores in year ended March 2019. Target for the next year is 500 crores in Revenue, and to expand to 12 new cities.

## Future outlook

From just 12 crores after the first year of operations, Shopkirana has leapfrogged revenues ten times in four years. The other growth metrics are also promising. It now operates in three cities, including Indore. The target is to add a dozen more by March 2020. Headcount has jumped from 30 to 130 over the last five months.

Investors say Agri-tech and grocery startups, as well as tech brands that work with kirana stores, will become a focal point for investor activity in 2019. Startups in urban mobility, logistics, food tech, and many other segments see Indore as the place to pilot their next big idea.

Founders of Shopkirana has shown their strong convictions to empower Kiranas in the journey so far. The focus, commitment and devotion to disrupting the shopping of kiranas by Shopkirana is second to none not just in India but globally. Shopkirana make life easy for millions of kirana owners and their customers in India, and their formula and wisdom applies to all the emerging economies, which is so much thrilled and rewarding. Shopkirana is building the foundation of "new retail" in India & transforming kirana stores that are central to everyday commerce for all of us. The playbook they've built and scaled across new cities at an incredible pace. Shopkirana will power millions of kirana stores in the years to come. While many other startups have been chasing top-line growth, Shopkirana team first focused on fine-tuning their business model to become operationally break-even and, after receiving series A funding last December, they shifted to a growth mode and have shown a strong growth momentum. In future, they will shift to a hyper-growth mode now and create a huge positive impact to Kiranas in all tier-2 cities in India.

## Conclusion

There are about 12 million kirana stores in India, controlling more than 95% of the $350 billion food and grocery market. Shopkirana is one of several startups in the business-to-business (B2B) wholesale supply space focused on kirana stores and other mom-and-pop store formats. Others such as Jumbo Tail and Udaan are also creating systems for easy access to wholesale procurement for small stores. Now traditional retailer of this country has an option to upgrade & grow just like all other modern retailers by integrating Shopkirana tech for sourcing & selling.

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