



DAILY EDITORIAL ANALYSIS

TOPIC

**KIRANA STORES AND QUICK
COMMERCE IN INDIA**

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Context:

- The rise of quick commerce (QC) platforms in India has brought back the debate of whether India's traditional kirana ecosystem would sustain in the wake of the emerging digital retail revolution.

About Kirana Stores and Quick Commerce in India

- **Kirana Stores:** They are small and family-owned neighborhood retail stores which form the backbone of the retail ecosystem of India.
 - ♦ There are more than 12 million retail stores in India, the majority of which are unorganized kirana shops.
 - ♦ Some key characteristics are:
 - Location proximity to the consumers.
 - Informal credit facilities.
 - Personalised customer relationships.
 - Local taste driven inventory flexibility.
 - Low cost of operations and family labor.
- **Quick Commerce:** It involves very fast delivery (10-30 minutes) of grocery and other essential products, using digitally integrated systems and dark stores.
 - ♦ The characteristics include digital order, data-driven inventory, logistics, and supply chain management.
 - ♦ Popular examples of QC include Blinkit, Zepto, Swiggy Instamart, BigBasket Now, and Flipkart Minutes.
- In many ways, **Quick Commerce** represents the traditional convenience offered by kiranas but powered by technology, analytics and scale.

Why Organized Retail Could Not Replace Kiranas?

- **Superior Customer Intimacy:** Kirana stores possess high social capital based on long-lasting relationships.
 - ♦ Home delivery through a simple phone call.
 - ♦ Purchase on credit ('khata' system).
 - ♦ Personalised product recommendations.
 - ♦ Modern retail formats lacked such intimacy.
- **Convenience and Accessibility:** Consumers have preference for local kirana stores and do not want to go far away to the supermarket.
 - ♦ Kiranas do not need travel, searching through aisles and queues at checkouts unlike supermarkets.
- **Consumer heterogeneity:** There is tremendous diversity of tastes, incomes and consumption habits in India.
 - ♦ It was difficult for big format retailing to satisfy regional tastes, small pack sizes and local brands.
- **Expensive Real Estate:** High prices for real estate in urban areas made the cost of operation much higher for organized retail.
 - ♦ Model of 'buy cheap-sell cheap' on the basis of economies of scale cannot be profitable any longer.
- **Informal nature as a Competitive Advantage:** Kirana stores respond to local demand promptly, incur low overhead costs and are resilient in times of disruptions.

Challenges Faced by Kirana Stores

- **Loss of Prime Locations:** The high prices of real estate forced many kirana stores to move away from wealthy areas, making it inconvenient for the customers.

- **Limited Working Capital:** An expansion in product assortment and stock-keeping units led to an increase in inventories.
 - ♦ Retailers of small size often have little access to formal finance, relying on informal sources of funding.
- **Disadvantages in Technology:** The QC platforms use artificial intelligence, demand forecasting, digital payment systems, and analytics.
 - ♦ Many kirana stores lack technology.
- **Challenges of the Generational Transition:** The traditional structure based on family is facing problems because of career aspirations of the new generation.
- **Competition from the Platform Ecosystems:** QC platforms provide a wide variety, rapid delivery, good user experience, discounts and loyalty programs.
 - ♦ As a result, the affluent customer base moves away from kiranas.

Implications for Indian Economy

- **Positive Implications:**
 - ♦ **Consumer Well-Being:** Quick commerce brings more convenience, saves time, increases the product selection and price competition for consumers.
 - ♦ **Modernization of the Supply Chain:** Digital retail promotes effective inventory management, decrease in waste, formalization of trade and development of logistics infrastructure.
 - ♦ **Opportunity for the New Brands:** D2C brands get an opportunity to reach affluent consumers without creating nationwide distribution networks.
 - ♦ **Generation of Employment:** QC generated employment in warehousing, logistics, delivery and technologies.
- **Concerns:**
 - ♦ **Impact on Small Retailers:** Widespread adoption of Quick Commerce may negatively affect the livelihoods of those who work in traditional retail.
 - ♦ **Market concentration:** Monopolistic tendencies will emerge in case of dominance of a few digital platforms.
 - ♦ **Vulnerable Gig Employment:** Often delivery workers experience income instability, social protection issues and occupational hazards.
 - ♦ **Urban Congestion and Sustainability:** The rapid delivery model generates traffic congestion and packaging waste.

Government Initiatives and Related Policy Responses

- **Open Network for Digital Commerce (ONDC):** It intends to democratize digital commerce allowing small retailers, including kiranas, to enter the e-commerce ecosystem.
- **PM SVANidhi Scheme:** It provides collateral free working capital loan to small vendors and micro-retailers, improving their liquidity.
- **Digital India Programme:** It stimulates small businesses in terms of digital payments, internet access and technology usage.
- **Udyam Registration and MSME Support:** Kirana stores may take advantage of the formal credit and state assistance registering as micro enterprises.
- **Consumer Protection (E-Commerce) Rules, 2020:** They aim to provide transparency and consumer protection in digital commerce.

- **National Retail Trade Policy (drafted):** It will help to improve retail competitiveness and modernization of small retailers.

Conclusion

- India's retail landscape is not witnessing the disappearance of kiranas but their transformation.
 - ♦ As seen repeatedly in India's development trajectory, consumers readily adopt innovations that provide superior value without forcing behavioural change.
- Quick commerce is unlikely to completely replace kiranas due to India's vastness and socio-economic diversity.
 - ♦ However, many traditional retailers may lose market share unless they modernise.

Daily Mains Practice Question

[Q] The rise of quick commerce represents a technological transformation of India's traditional retail ecosystem rather than its complete disruption. Discuss.

Source: BS

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