Addressing digital sovereignty in a data-driven world

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You can lead a rural kirana to modernize but you cannot rush IT

By Chokkapan S, IMAWS | Tuesday, July 27, 2021, 8:24 AM Asia/Singapore

Sophisticated digital technology is ready for India's mom-and-pop stores, but digitalization cannot undermine deep-seated rural culture and business mores overnight.

Despite rapid urbanization, over 65% of India is home to rural populations. Yet, this segment's retail network is as fragmented and unorganized as it comes.

Interestingly, some e-tail players have taken on the gargantuan task of establishing a rural retail ecosystem to connect retail suppliers and financial institutions with the vast rural population of the country.

This is because India's grocery retail has been estimate to be worth US$608bn yearly and projected to reach US$1.3tn by 2024. Realizing this potential, several digital commerce platforms like Jumbotail, ShopKirana, ShopX, StoreKing, Udaan and Vilcart are offering sourcing, logistics and credit facilities for retailers, including those from the rural belts.

There are also several government initiatives, such as the rural broadband project Bharatnet and Aadhar-enabled Payment System (AePS) that revolve around rural *kirana* (mom & pop FMCG) stores, thereby ensuring more financial inclusion.

The pandemic push factor

According to Anupama Kadambi, Chief Experience Officer, Gofrugal: "*Kirana* stores have always had the advantage because of their easy accessibility, personalized approach in doing business, credit payments, and quick supply to many buyers, etc. Yet, there used to be a gap between customer experience and awareness, as today convenience and experience are all that matter to shoppers."

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"*Kirana* stores are mostly one-man shows with hardly any management bandwidth, hence it is important that technology helps them run their operations with minimal staff, least skills and yet achieve 100% accuracy and reliability," Kadambi added, referring to how the ongoing pandemic has accelerated retail/e-commerce digitalization by 6.1 years. Going by a report by Mitsui & Co. Global Strategic Studies, there are about 12 million *kirana* shops in India. That averages out to about 10 stores per 1,000 people—the highest density compared to any other county in the world, Kadambi said. "For such a humongous industry, *kirana* stores have not digitalized their operations for decades. The pandemic did accelerate adoption of technology in about 15,000 *kiranas*. They did realize that upgrading themselves to serve their customers through an omni-channel platform was a bare minimum requirement. But digitization meant adding mobility to *kirana* operations from ordering, billing, GRN, stock pick, stock audit, stock refill, delivery, etc. With this approach, *kiranas* experienced the lowest total cost of ownership. In addition to that, they gained flexibility to transform digitally in simple steps, which was no longer a multi-year project."

Anupama Kadambi, Chief Experience Officer, Gofrugal

Slow and steady *kirana* dx

Through the push factors from mobile-first rural generations, distribution and digital payment companies, government initiatives, and, to an extent, social media, *kirana* stores in rural areas have started to adopt technology. According to a recent CETAS Information Technology survey, almost 1.2 million rural *kirana* stores and Tier-2 and -3 Indian towns are expected to undergo digitalization over the next two to three years.

Kadambi observed: "The transformation should be made in small incremental steps without huge investment in time and effort. For *kiranas*, digitalization is all about moving from manual or paper billing to system billing. It's about getting everything under control, one system from complete billing to balance sheet needs. The transformation happens when every stakeholder of the business experiences convenience, automation with real-time insights on data for faster decisions, improved productivity and efficiency."

Extending credit support

To provide monetary assistance to rural kirana businesses for modernization, financial institutions are available to issue credit and loans. Also, many fintech firms, payment and online platforms are making serious efforts in deploying technologies and initiatives like usage of POS services, kiosks, digital payments, mobile vans to help *kiranas* bridge the digital gap.

For example, fintechs Udaan is a B2B trade marketplace startup that provides one week to 15 days of credit for buyers and sellers, and all transactions are done online. The firm's founder Sujeet Kumar said: "We want to democratize the entire chain so that there is transparency throughout the process while delivering on efficiency." The shift towards digital payments and a single tax structure had earlier created a smoother road for fintech firms like Udaan. Its smartphone app brings together wholesalers, distributors, producers, and the small proprietors together.

There are several advantages and benefits for retailers using such platforms during a pandemic. Kadambi explained: "*Kirana* stores are experts in doing things repeatedly. Implementing a software solution, though, is a one-time activity. For example, *kiranas* couldn't afford to pause their business to get an ERP implemented, so the biggest challenge was to implement it as they continued with their business."

According to Sridhar Gundaiah, founder and CEO of StoreKing: "While rural businesses areas are

Sridhar Gundaiah, Founder and CEO, StoreKing

aware of the ease and accuracy of transacting online, many of them need some extra hand-holding, which is where offline distribution models and service routes come in. The most suitable way to connect retailers with business and financial consultants is through the platform itself. It's a single window approach to connect, communicate, educate, encourage and engage. Ultimately, knowledge and service efficiency are what bring customers back again and again, which is why training and knowledge sharing form an integral part of such businesses in rural India."

And the advantages are evident, going by the rural retail market growth in the recent years, due to growing acceptance of digital payments, tapping of online platforms for supply chain needs, and working capital from financial firms.

With increasing digital awareness instilling and building on the confidence that rural retailers have acquired, more advanced technology offering even more control, transparency and better insights can have a chance to penetrate the market.

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