Bizom India Kirana Report

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Akshay has had over 18 yrs of experience in areas of Marketing, Product, Sales across Internet, Telecom and IT businesses. Having worked in both B2C and B2B, it helps bring unique perspectives together from both worlds.In previous roles, he's led Business Development for Skype in India through their partnership with Sify.Prior to that he's had over a decade of proven expertise in being able to build and scale platforms and businesses for various telecom companies like Airtel and Idea among others.

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Rohit is a Senior Data Scientist at Mobisy, where he leads a team of Data Scientists & Software Engineers, focusing on salesforce automation by applying state of the art ML & Deep Learning techniques.With 14 + years of industry experience, Rohit was previously with GE for with 11 years where he worked on conceptualizing, designing and prototyping a number of software & data solutions using cutting edge technologies for solving large industrial problems.

As a hobby project, Rohit launched a website http://bmtcroutes.in which aims at finding bus routes in Bangalore and is currently in top google search results. Rohit has a Masters in IT from IIIT, Bangalore and Bachelors in Computer Science from IET, Lucknow,India.

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Foreword

Hi everyone, it gives me pleasure to bring you the third edition of the Kirana Report from Bizom. We work with over 500 CPG brands and that gives us a bird's eye view of how the consumer goods industry is moving in real-time, especially in traditional trade channels in emerging markets.

In this new normal, brands need to stay agile to leverage all the opportunities presented and overcome these new challenges. This report could act as the single source of truth about what consumers are buying in traditional trade channels to help you refine your route to market strategies near real time.

Our Kirana report is aimed to help you build the right products and make them available to your consumers in the right geography through the right channel.

I sincerely hope you find this useful. We look for feedback from brands on how to improve our offerings constantly. So feel free to share your thoughts on this report.

Lalit Bhise

CEO & Co-founder, Mobisy Technologies

Introduction

Bizom works with over 500 consumer brands providing tech capability that helps them drive smart retailer execution and business growth through micro-level actionable insights. In the previous edition of the Kirana Report, we provided a view of the width and depth of kirana stores in India along with geo dispersion of the kiranas, and categories of products bought by them.

Earlier, you our audience, asked for city-wise insights. We heard you, and in the July edition of the report, we presented a wise-city track of how businesses are rebounding from the disruptions of the pandemic and learning to thrive in the new normal.

In this edition, we're doing more.

Many of you also wanted insights on whether month-end stock dumping, which seems to be the norm for most consumer businesses, is good or bad? I'll let you decide.

Also, thank you for your love and feedback on the city-wise insights and tracker. We love you too!

This month, we've added specific insights on which cities are showing concrete action in terms of Active Kiranas as well as product stocking and sales. We do hope these insights help you with smarter distribution planning and execution.

Executive Summary

It's official! The pandemic has hammered our economy with GDP contracting by **23.6%** in Q1 (April, May and June quarters).

Does FMCG consumption in India have a different tale to tell for Q2?

Read on!

We're also very proud to let you know that our very own **Chocolate Index** is replacing the **Lipstick Index**.

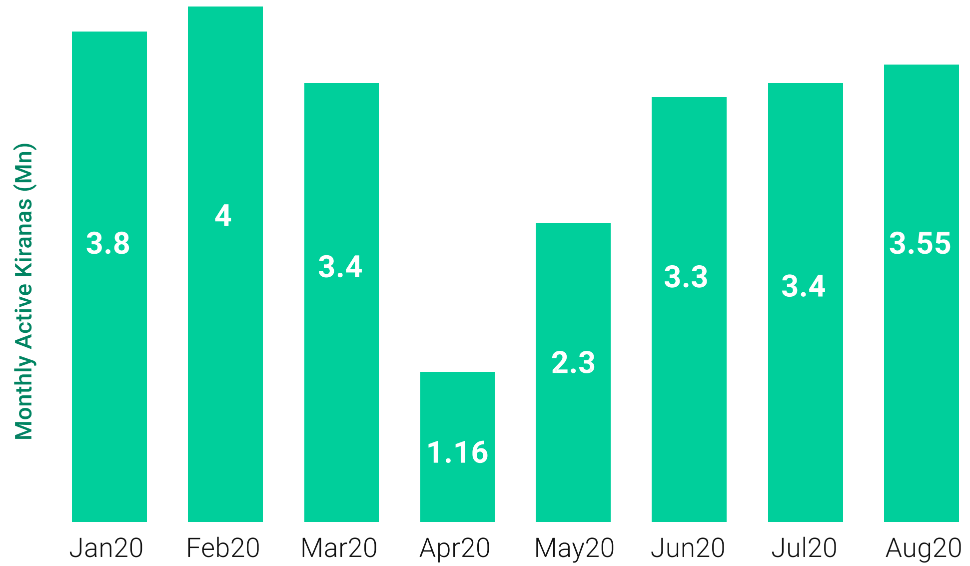
Read this report for more details.

In August-20, India is well and firmly into the monsoon season across large parts of the country. A normal monsoon is critical for our agricultural economy, which fuels domestic consumption as well as exports. From Jun-20 until 16th Aug-20, India has had a surplus rain of 4%. Almost 32 of 37 states and UT's have had normal or above-normal rainfall.

It gives optimism for the FMCG industry as India's agrarian economy is a key source of raw ingredients for numerous FMCG brands sourcing for their finished goods.

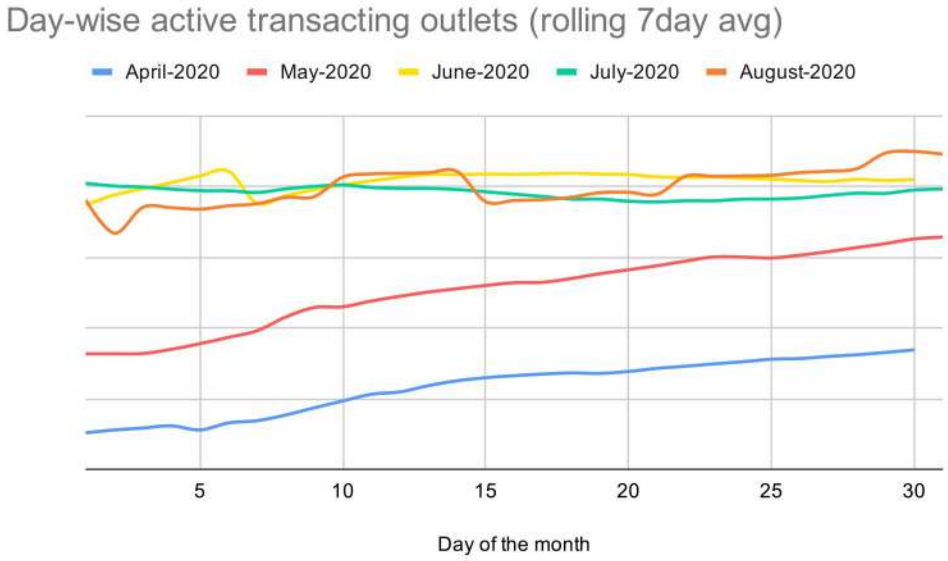
In keeping with this optimism, the number of active kiranas in Aug-20 is up by **4.4%** vs last month.

Monthly Active Kiranas (Mn)



Day-wise open kiranas:

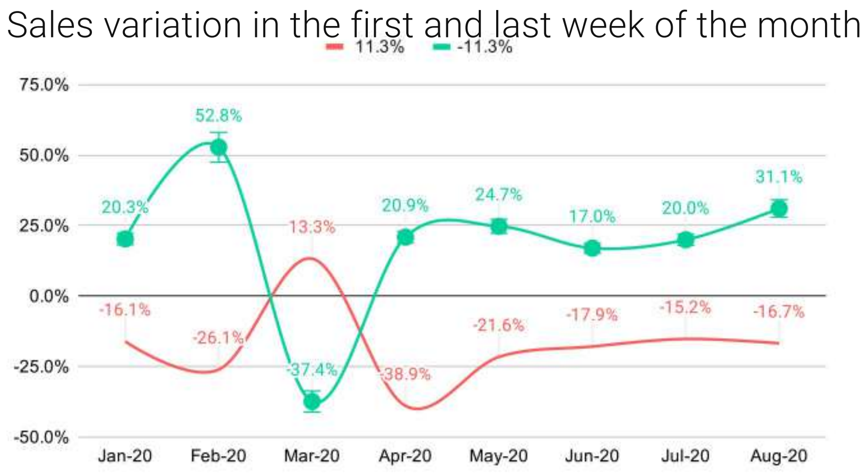
For the last week of Aug-20, we've seen the highest daily active kiranas count since the start of this financial year. As we move into the festive season, fueled by a good monsoon, we can expect this to go higher in the next few months. Just the kind of news all of us want to hear in an otherwise gloomy pandemic affected season.



In Aug-20, the active daily outlets were almost 20% higher in the second half as compared to the first half of the month, indicating good momentum build-up that can potentially drive higher sales in Sep-20 and beyond.

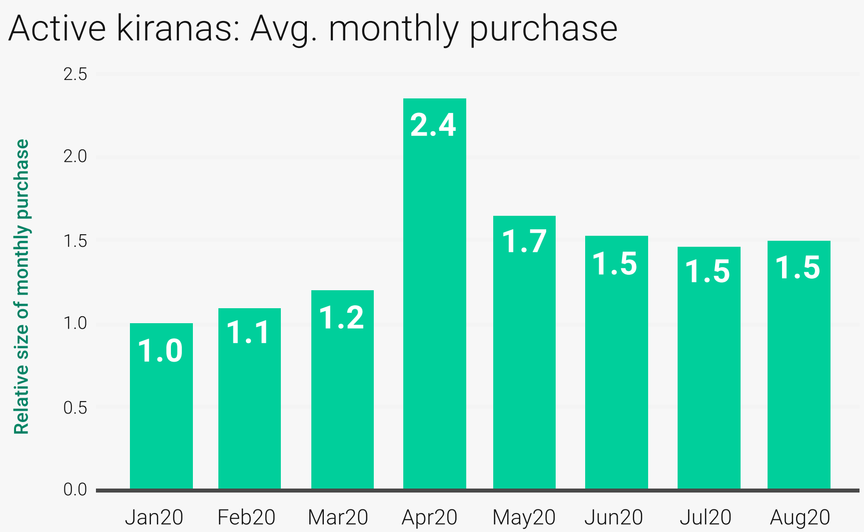
Month-end sales push is back with a bang in Aug-20 indicating the sales machinery is working in full flow

Sales in the last week of Aug-20 were over **31%** higher than monthly averages, the highest month-end push since Feb-20.



Kiranas are still ordering much bigger ticket sizes compared to Jan-20.

Almost 50% larger.



Overall sales in Aug-20 was **6.3%**↑ than Jul-20 indicating a healthy recovery.

Category performance in Aug-20

Confectionery:

This category is performing significantly better than in pre-lockdown levels for the third month running in Aug-20. All the sales deficit of Mar-20 to May-20 has been handsomely compensated in the last three months. Current sales are over 30% higher than Jan-20 levels.

Homecare:

These products have hit their post-lockdown peak in terms of sales value. With a greater number of people staying indoors and trying to keep safe, Homecare continues to get very high traction for kirana outlets which want to maintain the availability of these products. It remains the most distributed category in Aug-20.

Personal care:

Seems to be the worst affected of all categories. Current sales are at just 41% of Jan-20 levels. Trends from Aug-20 still indicate that it will be a while before this category recovers.

Packaged foods:

The challenge of travel and tourism restrictions seem to be impacting this category severely. Current consumption is largely at home and that's showing in the market share of this category being lower than pre-lockdown levels. Current sales are 48% of Jan-20 levels making this the second worst affected category.

Beverages:

Poor Out Of Home consumption impacts this category. Consumption of beverages has a direct correlation to the weather. The hotter the weather, higher is the consumption. We can expect a surge only around Oct-20 (October heat) followed by the festival gifting season.

Commodity:

With no end to the pandemic in India, commodity consumption is an indicator of the insecurities among people. This category continues to stay strong. In Aug-20, the consumption was 7% higher than pre-lockdown levels of Jan-20. It is a core need category; we expect this will continue to deliver strong performance throughout the year.

Dairy:

This category remains under pressure with consumption down by about 12% as compared to pre-lockdown levels of Jan-20. We can only conjecture that the poor consumption at our many famous chaiwallahs as well as offices could have played a role in keeping the volumes muted.

Where are the kiranas across India?

Tracking across Indian States & UTs

A kirana in India served about 341 people on average

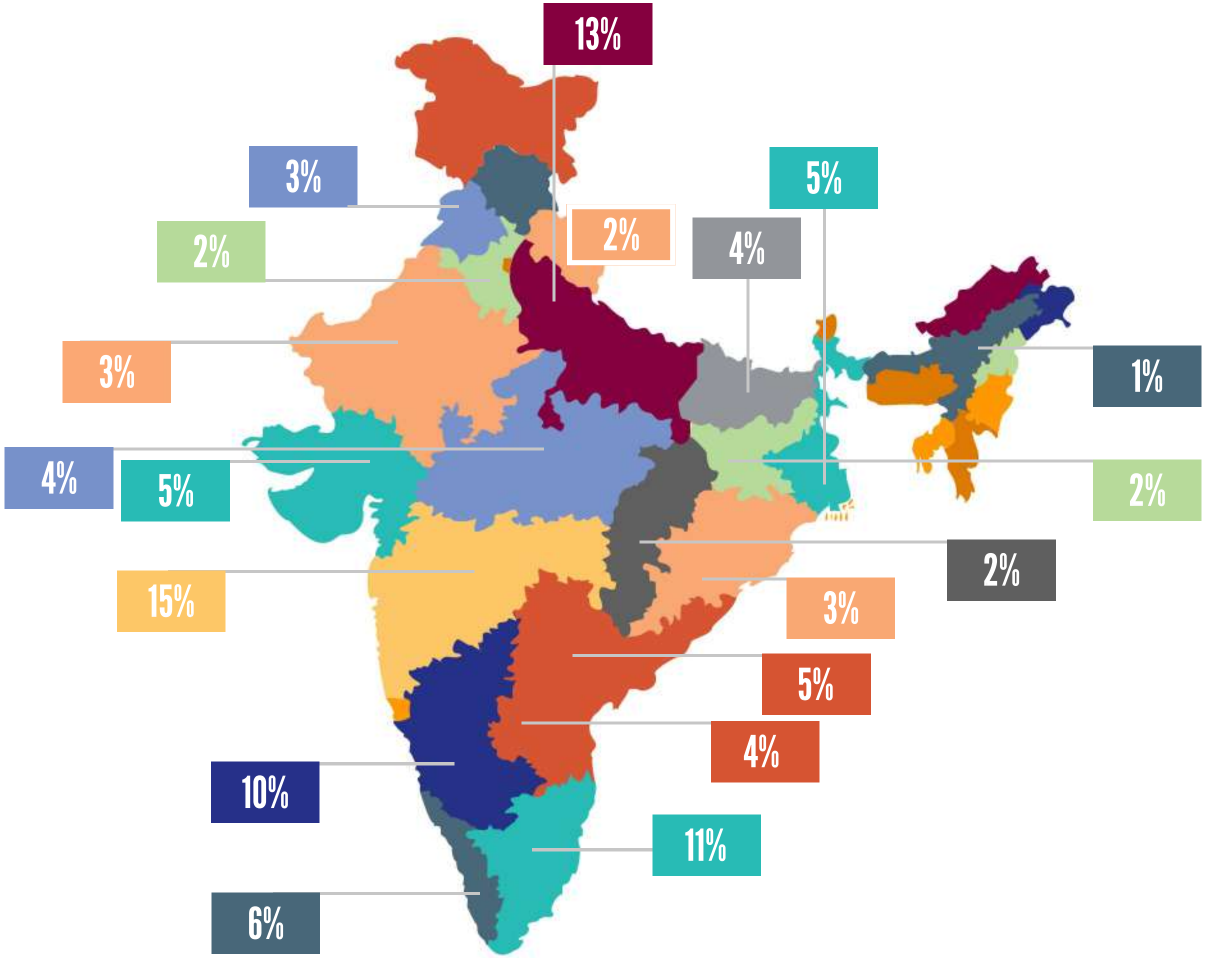
in Aug-20 (from serving 356 in Jul-20).

Maharashtra, UP, TN, Karnataka & Delhi are the top 5 states with active kiranas.

Maharashtra remains the biggest region for active kiranas in Aug-20 despite being ~25% lower than its Jan-20 levels.

The percentage of active kiranas is up by over 1% month-on-month to 13.7%.

The chart below shows the number of active kiranas by region and the corresponding change since last month.

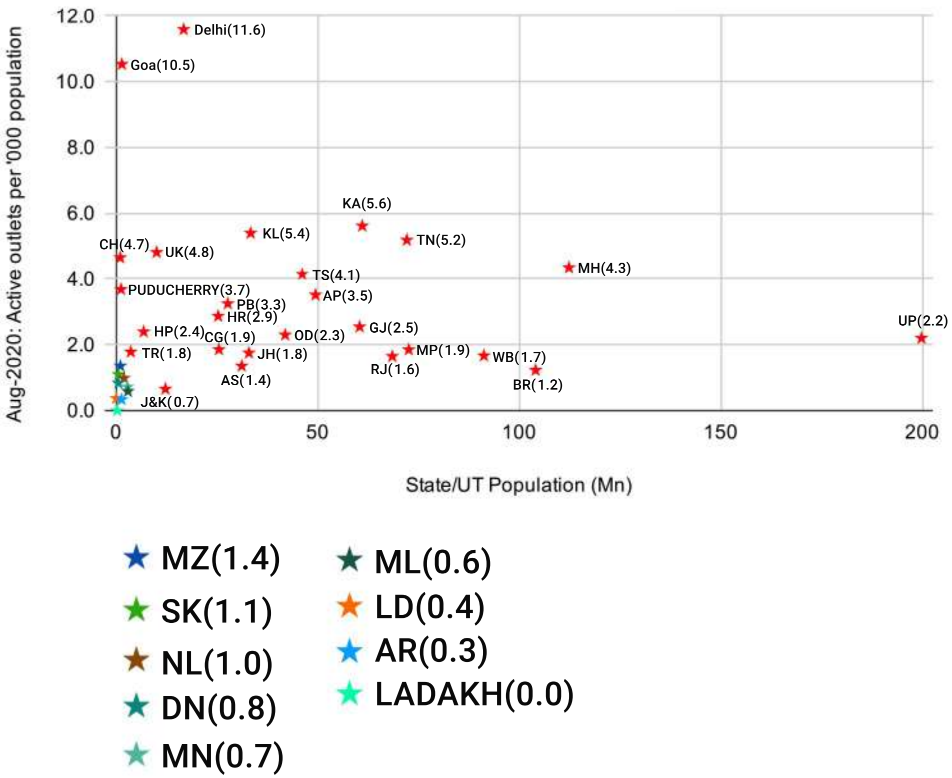


Kirana Density:

Delhi and Goa remain the two most kirana dense markets of India.

State/ UT population size	Most kirana dense state
100 Mn+	Maharashtra
50-100Mn	Karnataka
25-50Mn	Kerala
10-25Mn	Delhi
5-10Mn	Himachal Pradesh
Up to 5Mn	Goa

Aug-2020: Active outlets per '000 population

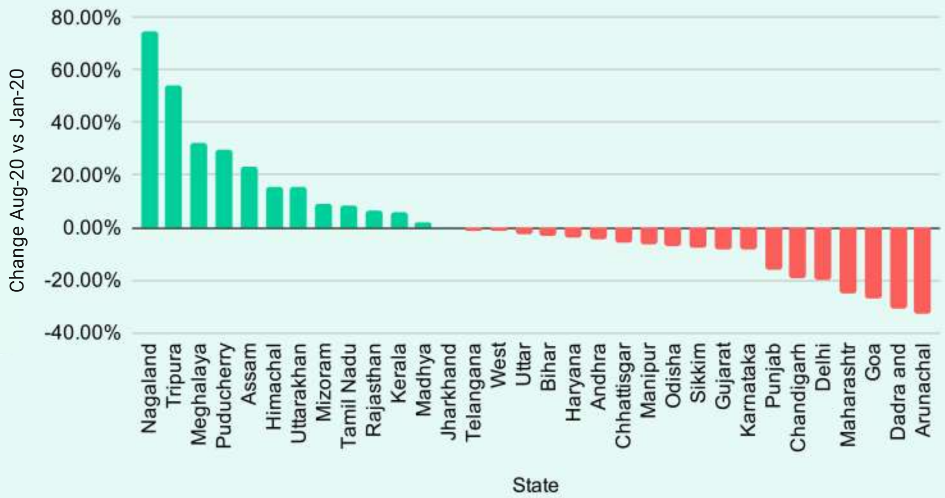


Active Kirana Growth (State-wise)

Goa, Maharashtra and Delhi are among the most impacted states for active kiranas.

Arunachal Pradesh still seeing the biggest impact of military conflict while most North Eastern states show growth in the number of active kirana outlets.

Active Kiranas: Aug-20 vs Jan-20



More kiranas have opened in 22 states and UTs in AUG-20, whereas in others the number is reducing month-on-month.

Prominent states with lower kiranas month-on -month (Aug-20 vs Jul-20)

South: AP, Telangana, Puducherry, Lakshadweep, A&N Islands

North: Punjab, HP, Uttarakhand, Jammu & Kashmir

West: Gujarat, Daman & Diu, Dadra & Nagar Haveli

North East: Manipur and Sikkim

A significant development is that the number of active kiranas in the top 5 kirana markets is growing

India's biggest kirana region of Maharashtra is now operating with 13% more active kiranas in Aug-20 vs Jul-20. There are, however, some challenges in markets across Pune, Mumbai and Thane regions. However, it's still 25% off from Jan-20 levels.

UP, which is the second biggest region in terms of kirana count, is inching back to pre-COVID active kirana levels and there were 1% more kiranas on Aug-20 vs the previous month. This state is just about 2% lower than Jan-20 levels.

Karnataka, which is the third biggest region in terms of kirana count, grew 5% MoM in Aug-20. However, Karnataka has ~8% lesser active kiranas vs its Jan-20 numbers.

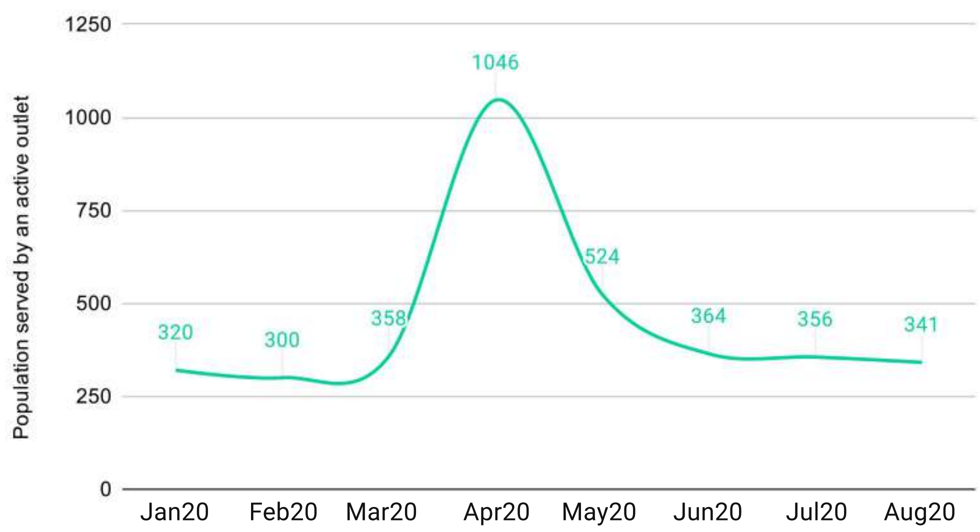
TN, which is the fourth biggest region in terms of kirana count, had 7% more active kiranas MoM. The state now has 9% higher active kiranas in Aug-20 vs Jan-20 signaling a resurgence in consumption.

Delhi, which was among the worst affected regions along with Maharashtra, is also increasing the number of active kiranas by 4% MoM in Aug-20. Still, the state is about 20% off the number of active kirana levels of Jan-20. It does signal that small shop migrants returning to business.

With more active kiranas in Aug-20, a kirana served 341 people in Aug-20 vs 356 last month and 320 in Jan-20.

It remains to be seen how many of these kiranas will return to normalcy in the current months. Given the upcoming festival season, it could still take some time for kiranas to get back to pre-lockdown levels.

Population served by an active outlet (nos.)



Delhi, Goa and Karnataka have the highest kirana density in the country, and yet they were among the states with the least number of active kiranas.

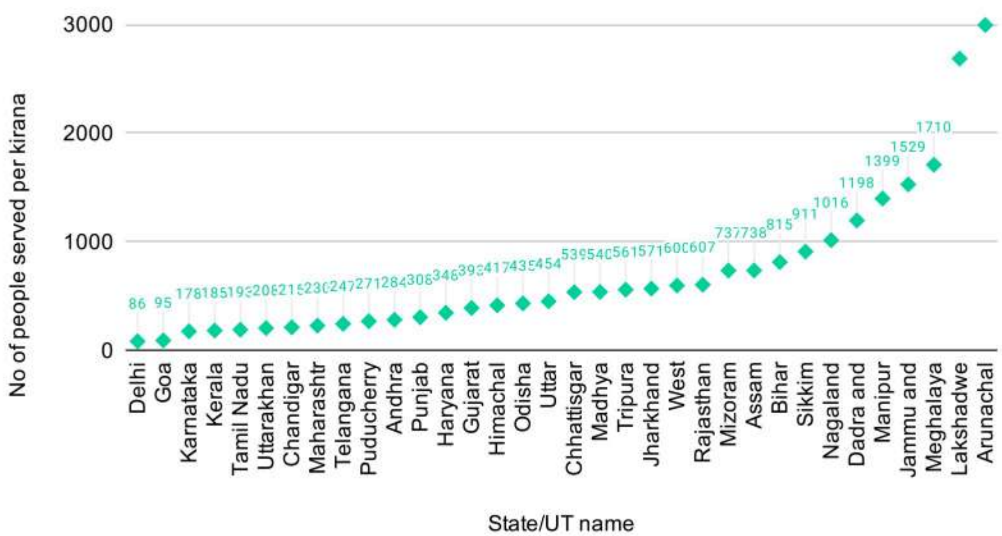
Delhi: It's the fifth most impacted state/UT for active kiranas (-20% in Aug-20 compared to Jan-20). Yet, it remains the most densely populated regions in the country for kirana penetration with a kirana on average serving about 86 people.

Goa: India's favourite global holiday destination is the third most impacted state/UT for active kiranas (-27% in Aug-20 compared to Jan-20) due the badly impacted tourism economy. However, the traditional high purchasing power of tourists drove the second highest penetration of active kiranas in the country. In Aug-20, a kirana here served almost 95 people.

Karnataka: India’s IT capital has seen fewer people in offices leading to a work from home culture that is expected to continue till the end of 2020. Despite having over 8% fewer kiranas in Aug-20 vs Jan-20, it is still the third most penetrated market in the country with a kirana serving 178 people.

Most of the North-Eastern states have shown an upsurge in active kiranas in Aug-20 vs Jan-20. The hilly terrain of these states makes movement of goods which has lead to inadequate penetration of kiranas and hence serving more people per kirana.

Statewise: People served per kirana in Aug-20



Month-end mania!

Let's demystify Aug-20 where sales dropped 16% at the beginning of the month and grew over 30% above average at month-end. To understand we need to look at the month-end as well as the corresponding start of the next month.

	Active outlets	Avg. order size	Sales
Last week Jul-20	0%	15.5%	20%
First week Aug-20	-5.4%	-15.8%	-16.7%

Change (%) Vs average of the given month

It does seem that July month-end stock push drove 20% higher sales at the month-end.
Most of those gains seemed to be washed off in the first week as there were enough outlets flush with products and that led to a lesser number of outlets ordering in Aug-20 first week.

Now, if we look at Aug-20 month-end data, this is what it looks like

	Active outlets	Avg. order size	Sales
Last week Aug-20	12.3%	21.4%	31.1%

Change (%) Vs average of the given month

It does seem that the month-end push has been accentuated.
Let's continue this analysis in Sep-20 to see how this gets affects the month-start.

Your guess is as good as mine. Now it got me wondering if this phenomenon is restricted to all or just some category of products? Let's see how these categories did in Aug-20.

Here's how we classify the extent of stock dumping in a category based on the last-week sales change vs monthly average.

Beverage	Low stock dumping
Commodity	High stock dumping
Confectionery	Moderate stock dumping
Dairy	No stock dumping
Homecare	High stock dumping
Packaged foods	Low stock dumping
Personal care	High stock dumping

Below -5%
-5% to 5%
5% to 15%
15% to 30%
30% to 50%
50%+

Category Performance

Move over Lipstick Index. It's Chocolates and Confectioneries that are driving consumption in India's recessionary times!

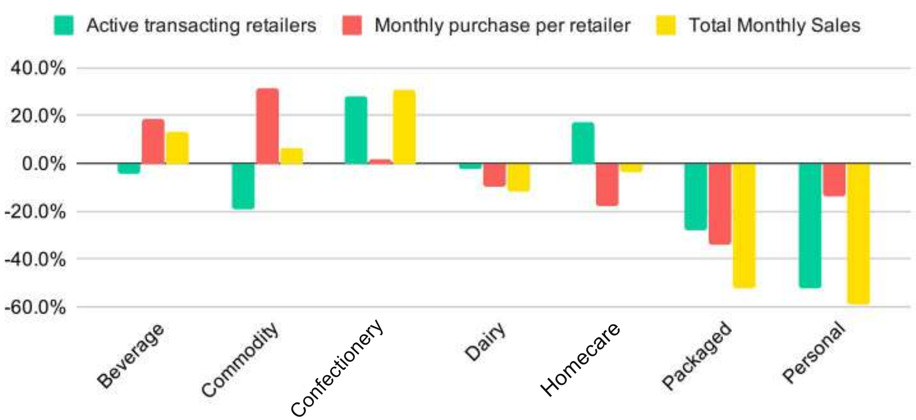
While consumption has been challenged by muted production and broken supply chains, yet, we see confectioneries being the one category that OUTPERFORMS.

Is this the new indicator of how the Indian population comforts itself in difficult times by consuming more chocolates?

With the festival season looming, it does seem like this category will be the biggest beneficiaries of this pandemic.

Here's the category performance in Aug-20 vs the levels they were at pre-lockdown in Jan-20.

Category-wise trends: Aug-20 vs Jan-20



Category-wise trends

Beverages

Currently, the out of home consumption seems to be lower than usual, given the current voluntary as well as imposed travel restrictions to work, holiday etc. This category is driven heavily by UP and Maharashtra.

UP retained its no. 1 position in terms of beverage sales with over 30% sales volumes.

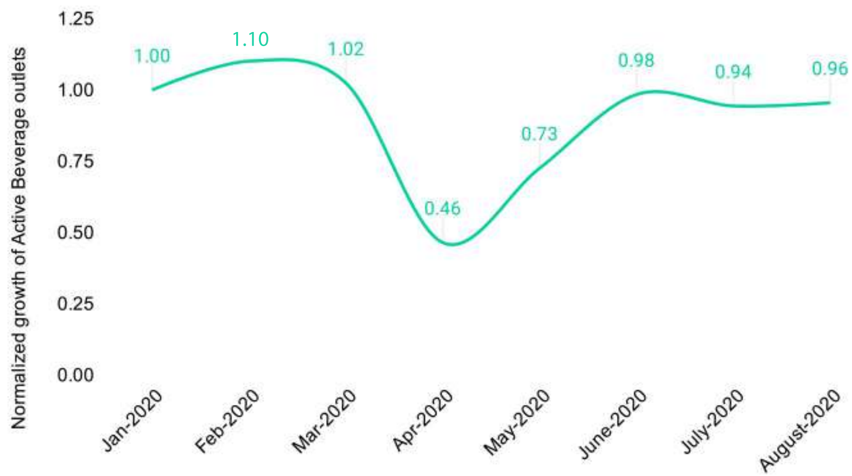
Strong at home consumption kept Delhi at no. 2 position in Aug-20 for the second month running.

Further easing of restrictions in Maharashtra improved its share of sales to no. 3 in Aug-20 from being no. 5 last month.

Aug-20 vs Jan-20

-5% ↓	+19% ↑	+13% ↑
Retailers	Inventory stocked by retailer	Sales

Bevarage outlet trends



Top 5 regions by sales value
UP
Delhi
Maharashtra
MP
Telangana
Total sales contributed 66%

Commodity

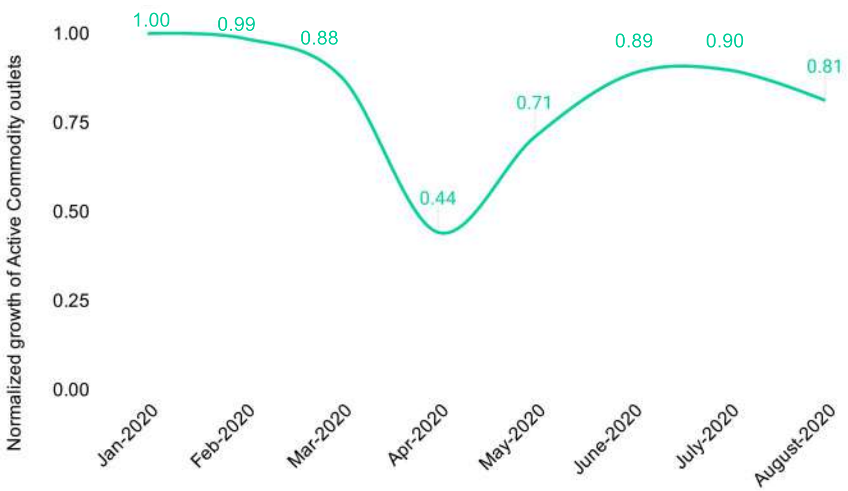
Commodity products are NEED products in times of crisis. Commodity products are what the general populace stocks and stores as a safety net. So, by understanding which locations are driving demand, it gives a sense of where people's insecurities are at their highest level.

Commodities are getting the highest sales in AP and Telangana with almost 47% sales driven from these two regions. It indicates a high level of hoarding and insecurity in this region.

Aug-20 vs Jan-20

-19%↓	+31%↑	+7%↑
Retailers	Inventory stocked by retailer	Sales

Commodity outlet trends



Top 5 regions by sales value
AP
Telangana
Maharashtra
Odisha
Karnataka
Total sales contributed 76%

Confectionery

Confectionery is the new Lipstick Index

If you're looking for comfort, look no further than your sweet craving.

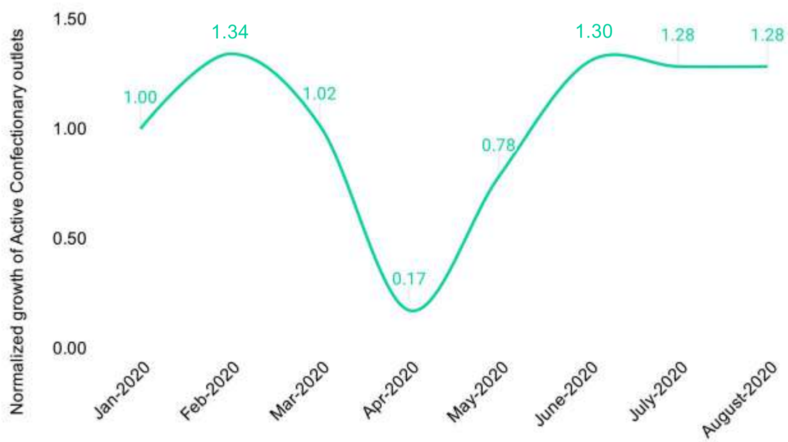
Confectionery consumption has seen the biggest sales jump in the last three months.
If you're betting on an FMCG segment, then this is the one that's leading the surge for a bounce back. For a category that seemed down and out in Apr-20 when lockdown hit us, the current sales numbers is as sweet as it can get.

30% growth in sales for the category in Aug-20 vs Jan-20 was driven by sweet cravings, especially in Tamil Nadu, Karnataka and Maharashtra.

Aug-20 vs Jan-20

+28%↑	+2%↑	+30%↑
Retailers	Inventory stocked by retailer	Sales

Confectionery outlet trends



Top 5 regions by sales value
Maharashtra
TN
Karnataka
Kerala
Kerala
Total sales contributed 54%

Dairy

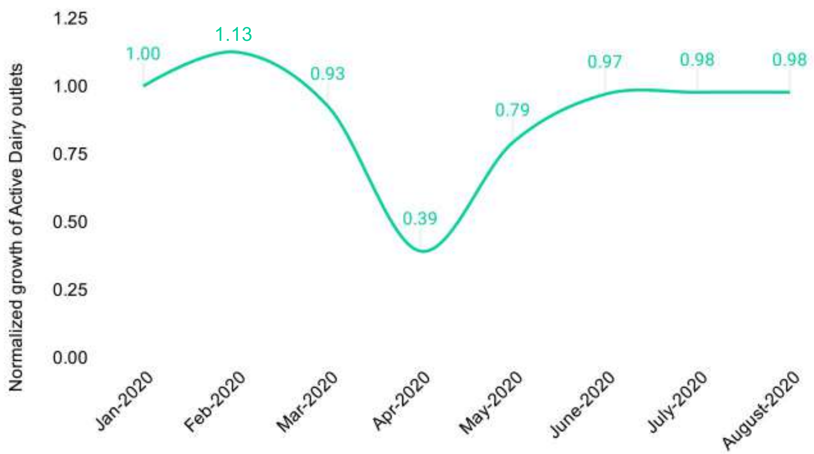
The role of local milk federations is phenomenal in making India the biggest producer of milk. Given the short shelf life of milk, we are increasingly seeing companies moving from just simple milk distribution to value-added dairy products to generate greater margins as also to avoid wastage. It is also a category where the notorious month-end stock dumping phenomena is non-existent.

For Aug-20, TN was the biggest market for milk consumption in India overtaking Karnataka, which has held the top position.

Aug-20 vs Jan-20

-2%↓	-10%↓	-12%↓
Retailers	Inventory stocked by retailer	Sales

Dairy outlet trends



Top 5 regions by sales value
TN
Karnataka
Maharashtra
UP
Rajasthan
Total sales contributed 63%

Homecare

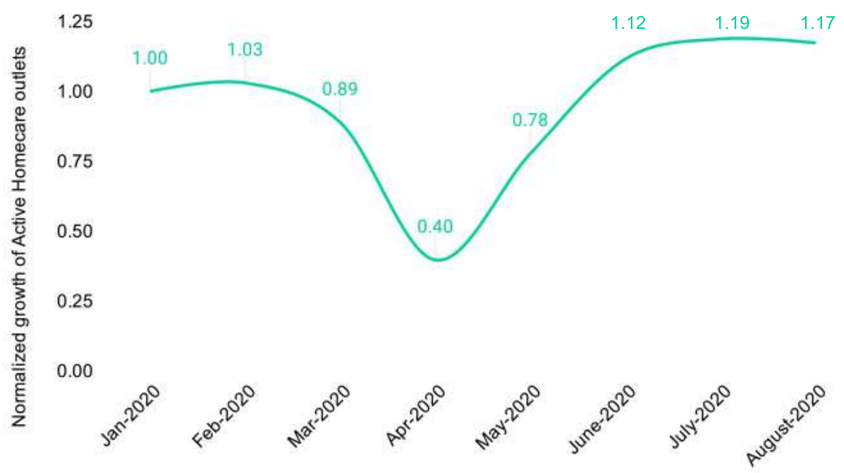
Homecare category had the widest distribution width in Aug-20 for the third month running.

Kerala remained the top region with the highest sales for the second month in a row. While Maharashtra moved a spot up over Karnataka to be the second biggest region for homecare sales in Aug-20.

Aug-20 vs Jan-20

+17%↑	-18%↓	-4%↓
Retailers	Inventory stocked by retailer	Sales

Homecare outlet trends



Top 5 regions by sales value
Kerala
Maharashtra
Karnataka
UP
Delhi
Total sales contributed 55%

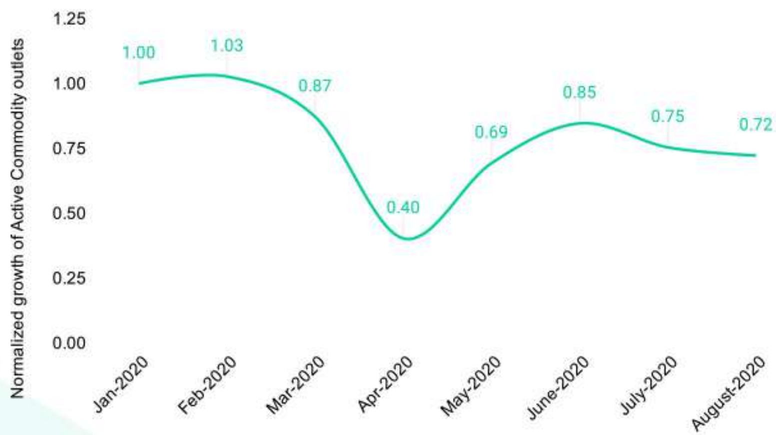
Packaged Foods

In Aug-20, this category had the second-biggest drop in sales since the start of the year. While stocking at kiranas improved from Apr-20 through Jun-20, it started trending downwards for the last two months.

Aug-20 vs Jan-20

-28%↓	-34%↓	-52%↓
Retailers	Inventory stocked by retailer	Sales

Packaged foods outlet trends



Top 5 regions by sales value
UP
Maharashtra
Gujarat
Kerala
Delhi
Total sales contributed **50%**

Personal Care

The Personal Care category was among the worst hit during the lockdown months of Apr-20 & May-20 despite showing a good recovery in terms of retailer stocking until Jul-20. However, this product category stocking among retailers is the least favoured currently and in Aug-20 became the worst hit category for sales.

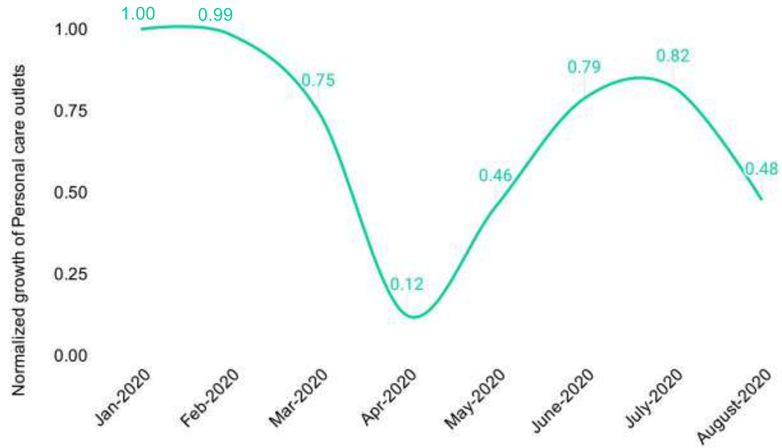
The great Indian middle class fuels this category and they seem to have adopted a 'travel only if necessary' approach. It is driving continually weaker sales for this category.

UP is closely followed by Maharashtra as the top two regions by sales for Personal Care products.

Aug-20 vs Jan-20

-52%↓	-14%↓	-59%↓
Retailers	Inventory stocked by retailer	Sales

Personal care outlet trends



Top 5 regions by sales value
UP
Maharashtra
TN
West Bengal
Bihar
Total sales contributed **47%**

Urban and Rural trends for Aug-20

Rural continues to drive consumption while Urban continues to bounce back

Aug-20 sales are 2.2x of Mar-20 and is powered in large measure by the consumption boost in sub-urban and rural India

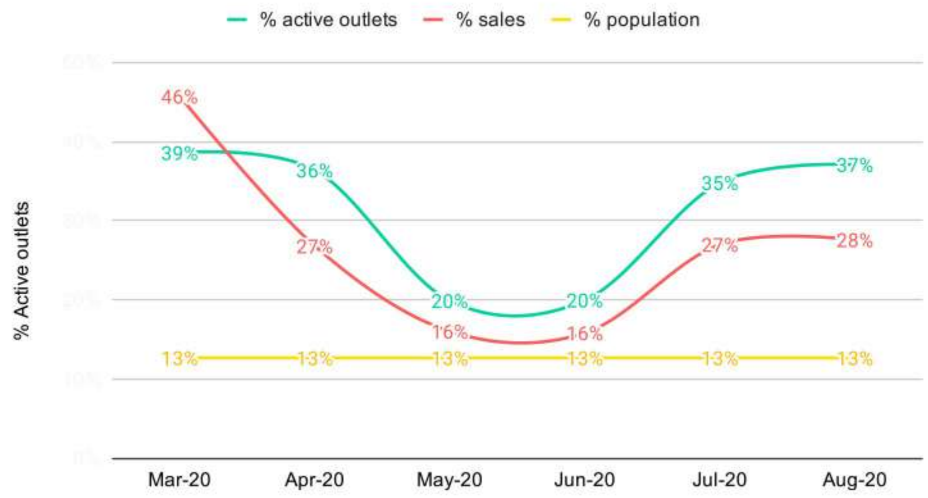
Aug-20 Vs Mar-20

	Active Kiranas	Monthly Sales/Kirana	Sales % Change
Total	***1.05x***	***2.1x***	***2.2x***
Indian Top 77 cities	1.01x	1.3x	1.3x
Rest of India	1.07x	2.7x	2.9x

x is Mar-20 count for the respective parameter

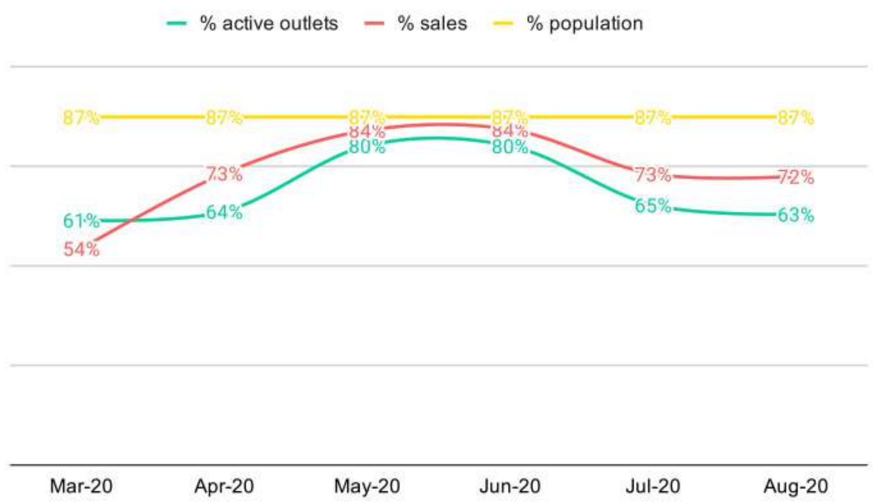
Urban India Kiranas are picking up slowly as economic activity shows an uptick

Top 77 Indian cities trends



Rural and sub-urban India is driving higher sales than before start of the lockdown

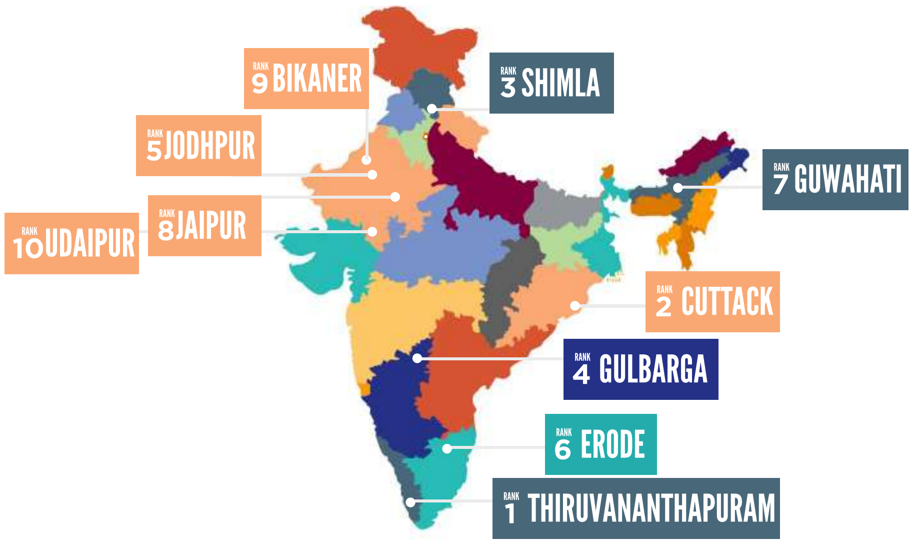
Rest of India Kirana trends



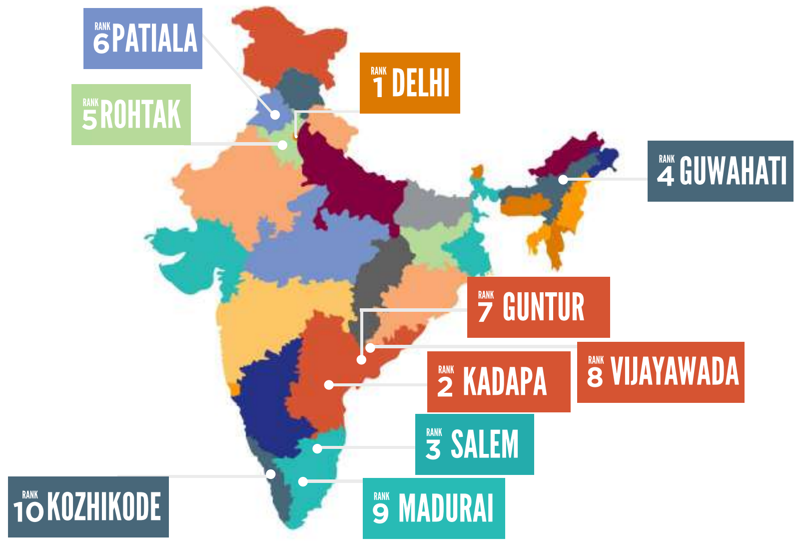
The Urban City Tracker (top77 cities)

Growth in Aug-20 Vs Mar-20

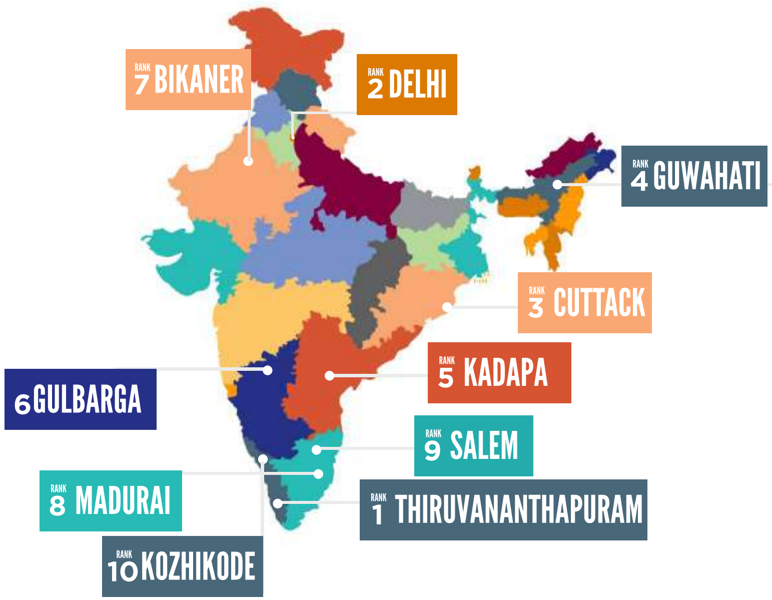
NO OF OUTLETS



AVG MONTHLY SALES/OUTLET

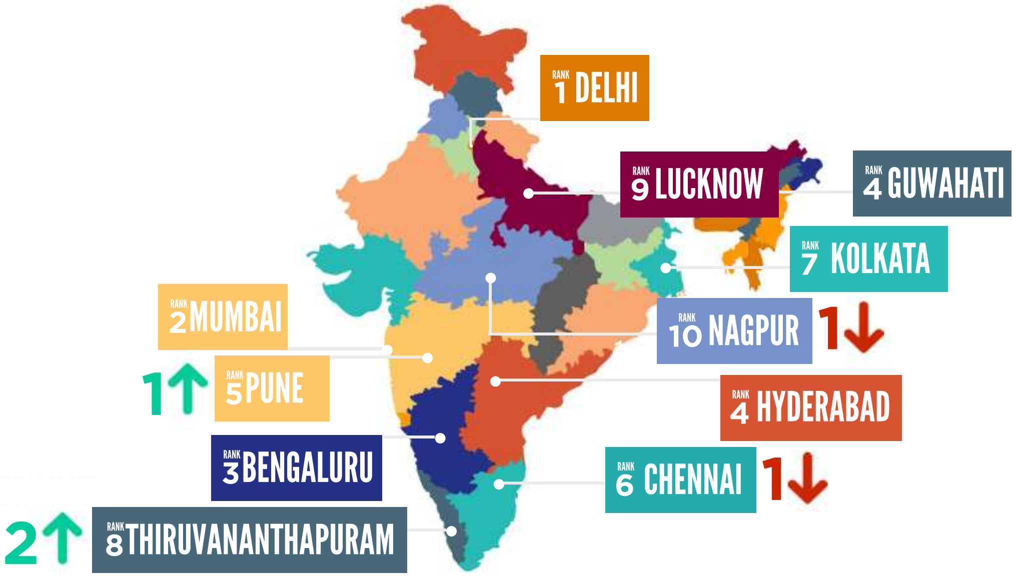


TOTAL SALES



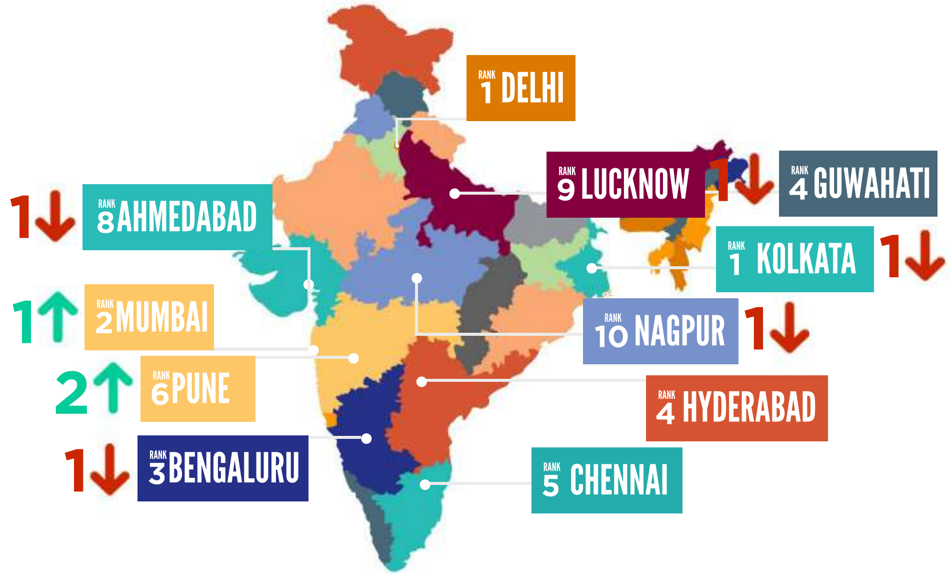
Top 10 cities for consumer goods in Aug-20

BY SALES



RANK CHANGE FROM JULY

BY ACTIVE OUTLETS



RANK CHANGE FROM JULY

Methodology

The data set used in this report includes ongoing business trends for the kiranas (at outlet level), particularly focusing on August 2020. Further, the benchmark used to analyse and evaluate the retail market include: companies that are using Bizom "The Retail Intelligence Platform" as their technology partner and have given their consent. Additionally we also analyse market trends from Bizom Retailer App, a B2B marketplace for brands, their distributors and retailers.

The trend within India, state boundaries and geo areas are analysed using publicly available data sources. For the purpose of this report, we have limited our analysis to seven categories of outlets.

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What could & should you do?

This IPL season

If you had to select two things that move India, then most of us would definitely say Cricket and Festivals.
The good news is that both are here and ready to explode, now!
We've seen numerous consumer companies grow sales disproportionately in a very short time in this period.

A leading confectionery player launched a new product and drove growth with Bizom Gamification. **Check here**

If you would like to know more about why you need a Gamification strategy, this IPL season - **Check this video**

If you need help to drive the JOSH for your team, connect with us at **marketing@mobisy.com.**