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How Grofers and Micromax recovered lost ground by tweaking product, pricing

Grofers started focusing on competitive pricing; Micromax partnered with Google to come up with high-end yet affordable smartphones

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At the cost of sounding repetitive, successful leaders have always exhorted professionals to not dwell on failures, but use them as learning experiences. Two players who are trying hard to use learnings from their recent failures are Grofers and Micromax. The two operate in different industries, they are born in different times and have faced very different set of problems. The common factor that binds them is their relentless drive to use previous "failures" as inputs to draw up their future road map. While Grofers seems to be coming back on track, Micromax has returned to the list of top five among smartphone makers as of September 2017.

On-demand online grocery delivery service provider Grofers made impressive progress from having increased its monthly gross merchandise volume from Rs 250 million early last year to Rs 1 billion in 2018, witnessing a fourfold growth in GMV. The company also claims that its average order value has gone up by 40 per cent this year as compared to last year. And its cost per delivery has come down by 60 per cent. All these positives have come on the back of a series of initiatives on the pricing, product assortment and technology fronts.

With declining sales, Grofers realised it needed to sharply redefine its customer segment. In 2016, the company started with the premise of being a convenience-driven platform. A lot of customers would log in as they enjoyed the convenience of grocery delivered at home. But the convenience factor alone fell short of drawing buyers en masse.

Grofers' in-house research showed that it had to marry the convenience factor with better and bigger price benefits to attract a larger chunk of consumers. "Our customers (homemakers) are typically those who aren't going to supermarkets. They are the ones who are looking for an alternative to their traditional shopping places like Sadar Bazaar and Khari Baoli (Chandni Chowk) in Delhi, Masjid Bunder and Crawford Market in Mumbai, and KR Market in Bengaluru," says Albinder Dhindsa, co-founder and chief executive officer, Grofers.

This set of customers is not only seeking convenience while shopping but also looking to make significant savings on the price front. For example, most buyers opt for almonds or cashews in markets such as Sadar Bazaar and Khari Baoli for Rs 820 per kg, in comparison to shelling out Rs 900 in a supermarket. In order to attract more customers, Grofers started focusing on competitive pricing. Pricing similar to these local markets helped Grofers earn trust well as a larger share of their wallets.

"We've adopted a very aggressive pricing strategy. Also, we have been building up an offtake of offerings around private labels and regional brands. That's one of the biggest drivers for our growth," says Dhindsa.

The company has also been experimenting in terms of product. To tap into the demand for thermals in Delhi, it has introduced products like woollen socks. Similarly in Mumbai, it has launched umbrellas for buyers.

It is focusing on launching products that homemakers—its key target segment—require. So, Grofers is offering home appliances such as toasters, small utensils and mugs. On an average, 25,000 customers visit the Grofers platform daily. The average ticket size per customer stands at Rs 1,400. Most customers transact with Grofers twice a month. The company has recently introduced Smart Bachat Club to drive customer loyalty and to raise transaction size. Within two weeks of the launch, 50,000 customers have subscribed to the offer.

Achieving scale is the key to being profitable in online grocery. Grofers makes profit on every delivery in Delhi. It does a GMV of Rs 550 million in every month in Delhi alone. Technology improvements in warehousing and logistics have helped it control delivery costs and run efficient operations because of scale in Delhi.

In case of Micromax, the smartphone maker which along with other local firms lost the retail battle to Chinese brands is making a strong comeback. According to CyberMedia Research, till September 2017, Samsung held 32 per cent share of India's smartphone market by installed base. It is followed by Micromax that has 11 per cent share. This means 40 million Micromax devices are actively in use in India.

Micromax has partnered with Google to come up with high-end yet affordable smartphones. Both companies are betting on Android Oreo (Go), the mobile operating system that has been optimally designed for low-capacity smartphones.

BPL, the electronics manufacturer who has been off the radar for long, has been making steady strides in the market over the past 15 months.

Manmohan Ganesh, chief operations officer, BPL Limited, says, "Having exited the market a long time ago, we realise that we left a huge gap. A lot of big brands since then have aimed to occupy the high-end consumer electronics space, while there are new players in the fray which want to cater to the masses. We clearly see a gap in the middle segment, which is not being addressed by any of the two set of players."

Ganesh emphasises that even as the company made a comeback, its strategy is neither marketing- nor price-driven. Rather, it is focusing on developing innovative products based on deep consumer research. For example, for its microwave range, BPL partnered with celebrity chef Sanjeev Kapoor to better understand the dynamics of Indian cooking and build in some design innovations in their product.

With a changed industry landscape, the company has also taken a conscious call of limiting its manufacturing capacity to three factories as against 32 in its previous stint. Also, given the varying tax structure and import duty levied on various products BPL sees merit in manufacturing home appliances and medical devices within India whereas it has adopted a contract manufacturing model for televisions.

BPL has also decided to ride the e-commerce wave, and is selling through Amazon.

"In the revival of its consumer electronics business, BPL has identified the emerging e-commerce mega trend and recognised the shifting consumer preference to purchase online. This has allowed it to make some bold decisions; going fully 'online' and partner initially with Flipkart (now with Amazon) to sell its consumer products," says Suresh Srinivasan, senior associate professor, strategy, Great Lakes Institute of Management, Chennai.

Srinivasan adds one can imagine the magnitude of such internal change and how the leaders have strived to reorient the mindset of its people, processes, systems and technology to move from a brick-and-mortar set-up to an online mindset.

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