

Digital Commerce in India

Hyperlocal Commerce

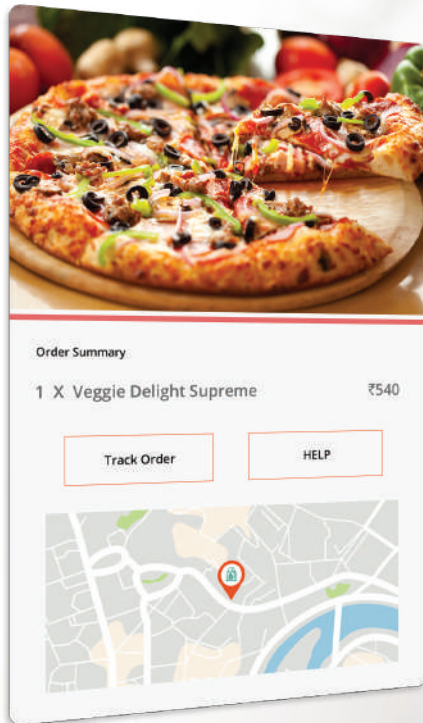


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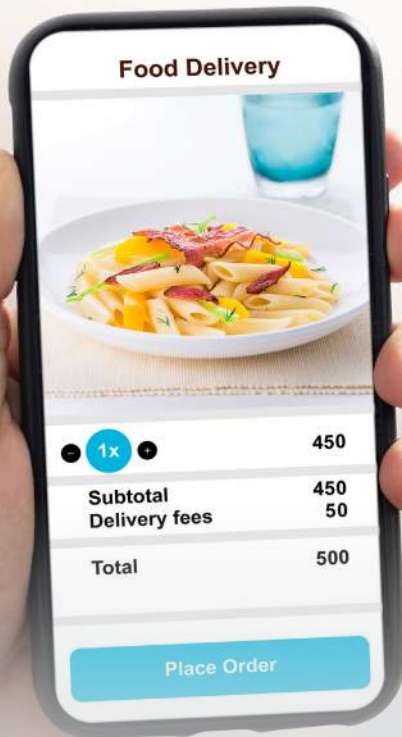
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Executive Summary



In hyperlocal (or direct-to-consumer) commerce, brands provide delivery of goods and utility services directly to the consumers, such as groceries, food, personal items, medicines, courier items, and other products and services. They also include utility services like plumbing, home cleaning, and others. The lifestyle change has boosted the growth of the online food and groceries ordering market leading to the growth of the hyperlocal / D2C services industry. Consumer's behaviour has changed drastically due to the pandemic making the hyperlocal model more relevant, as it enables to cater for all kinds of needs, not just in the metro cities but also in the small towns.

At present, there are 141 million hyperlocal commerce shoppers, and this number is expected to grow at a rate of 52% to reach 214 million by the end of 2022. When it comes to hyperlocal service usage by the customers, most of them have ordered food delivery, along with groceries and vegetables, followed by local logistics of items and packages, and ordering of services related to home. Most of the customers use hyperlocal apps, due to benefits like quick delivery, availability of unique products/services and easier returns.

Hyperlocal Commerce Shoppers in India



Hyperlocal utility services are expected to gain more traction and this can majorly be attributed to the growing disposable income, working population and to have comfort in the busy lifestyle which creates demand for the various utility and home services. The hyperlocal services adoption and accelerated growth in the e-commerce sector, has changed the paradigm as first-time e-commerce users increased during the lockdown and contactless delivery and digital payments became the norm. Start-ups have implemented the hyperlocal ecosystem to connect the local businesses with nearby buyers. The hyperlocal economy will flourish in India and the hyperlocal services will notice waves of positive developments in the near future.

Key Insights



Hyperlocal Shoppers

141
million
2021

52%
Growth

214
million
2022 (e)

Usage of Hyperlocal Services



52%
Local food delivery

40%
Local logistics

38%
Groceries and vegetables

Reasons to use hyperlocal services

33%
Quick services

27%
Unique product and services

26%
Easy to return products



Concerns with hyperlocal apps

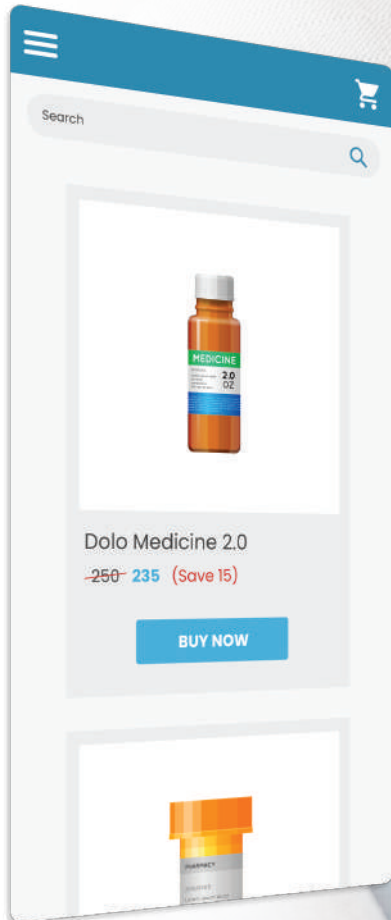


33%
Data security and privacy

32%
Less personalized experience

31%
Lacks better customers query resolution

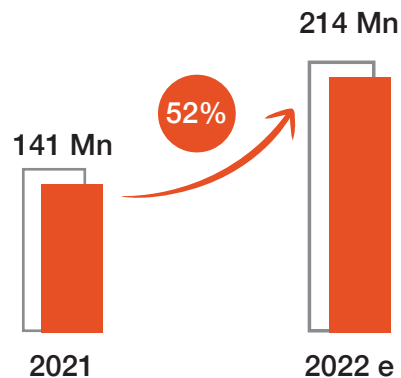
Usage of Hyperlocal Commerce



Hyperlocal Commerce Users in India

The hyperlocal commerce platforms help the customers connect with local, kirana, and other kinds of retail outlets of a particular geographical region. They provide customers with a better experience of shopping by giving services at convenience and delivering products or services quickly, especially in the areas of logistics, food, pharmacy, and groceries. Some examples of hyperlocal commerce are Dunzo, 1mg, UrbanCompany, BigBasket, etc. This format of e-commerce has seen a huge surge of customers in both metros and beyond. Currently, there are around 141 million hyperlocal commerce shoppers in India, which is 48% of all e-commerce users. We expect this number of hyperlocal commerce shoppers to increase by 52% to reach 214 million by the end of 2022.

Hyperlocal Commerce Shoppers in India



Base: Hyperlocal Commerce Users
Source: Primary Research, WATConsult, Recogn

Factors such as rising income, increase in first-time internet users and changing buyer persona have tipped the situation in the favor of new-age digital-first brands. The pandemic has changed the lifestyle of consumers in terms of work, needs and behavior. This led to a growth of usage in the hyperlocal segment.

The hyperlocal space has seen the rise of niche brands across categories including home décor, home services, groceries, essentials, and pharmacy sectors. Since witnessing growth in the country, traditional brands shifted their focus towards the hyperlocal and direct-to-consumer business model. A direct-to-consumer business sells its products under its brand directly to the final users, via the internet by positioning itself in a niche market. It does not require an intermediary wherein brands have full control of their product range, their sales strategy and their message and they can adapt their products according to the customer's needs. This transition has been accelerated further by the pandemic. Even the tech giant Apple launched their native online store in India during the pandemic.

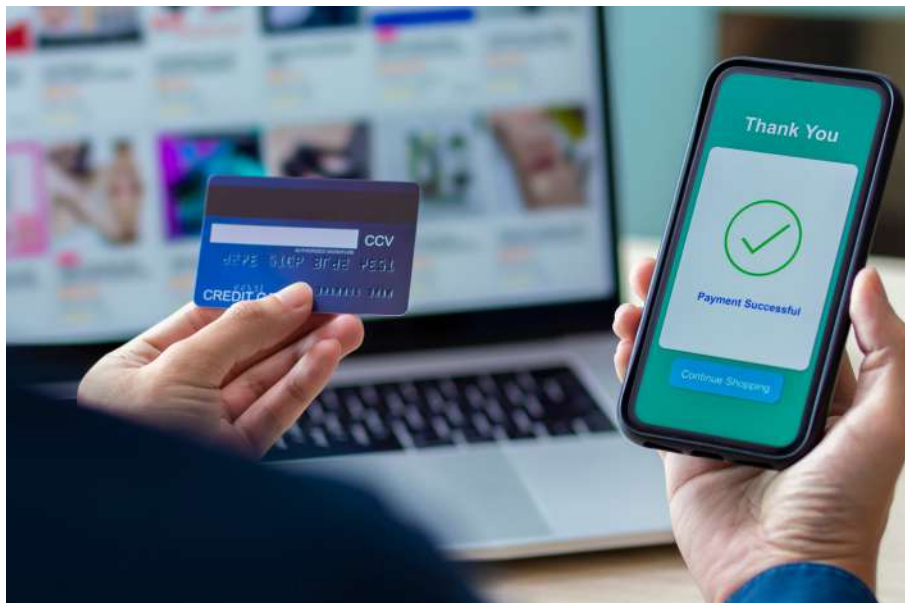
The functioning of the hyperlocal service provider is almost similar to that of an e-commerce application. Most hyperlocal service providers have a tie-up with local vendors and a fleet of delivery agents. This makes it possible for the hyperlocal service provider to deliver items from one location to another in a set geographical location.



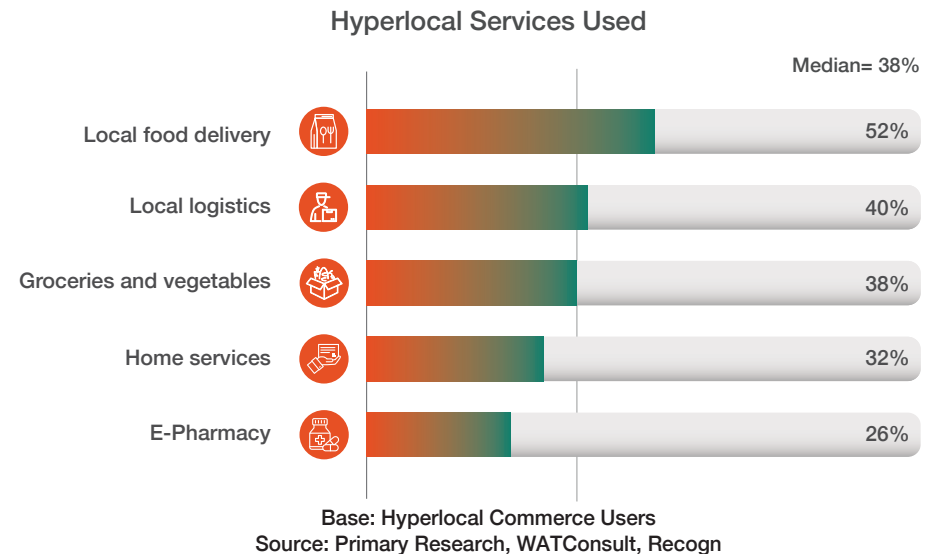
Hyperlocal Services Used

Increased internet use and changed consumer behaviour have led to tremendous disruptions in the hyperlocal market. The hyperlocal approach enables brands to reach their target customers directly, removing the middlemen and retail stores as part of the traditional business model.

Many brands are taking the advantage of the hyperlocal model and are adopting its way of doing business. Being able to sell products and services directly to the consumers, allows brands to save on the product costing and utilize funds in improving the services and limiting their expenses. The hyperlocal model also lets businesses understand the customer's demands better.



When it comes to hyperlocal service usage by the customers most of them have ordered food. Following the local logistics and delivery of items and packages, ordering groceries and vegetables & services related to home, i.e. consumer durable maintenance, repairs, etc., 51% of the females and 48% of males have used food delivery services the most from the hyperlocal apps. Most of the young customers have also used services like local food delivery including ordering groceries and vegetables.

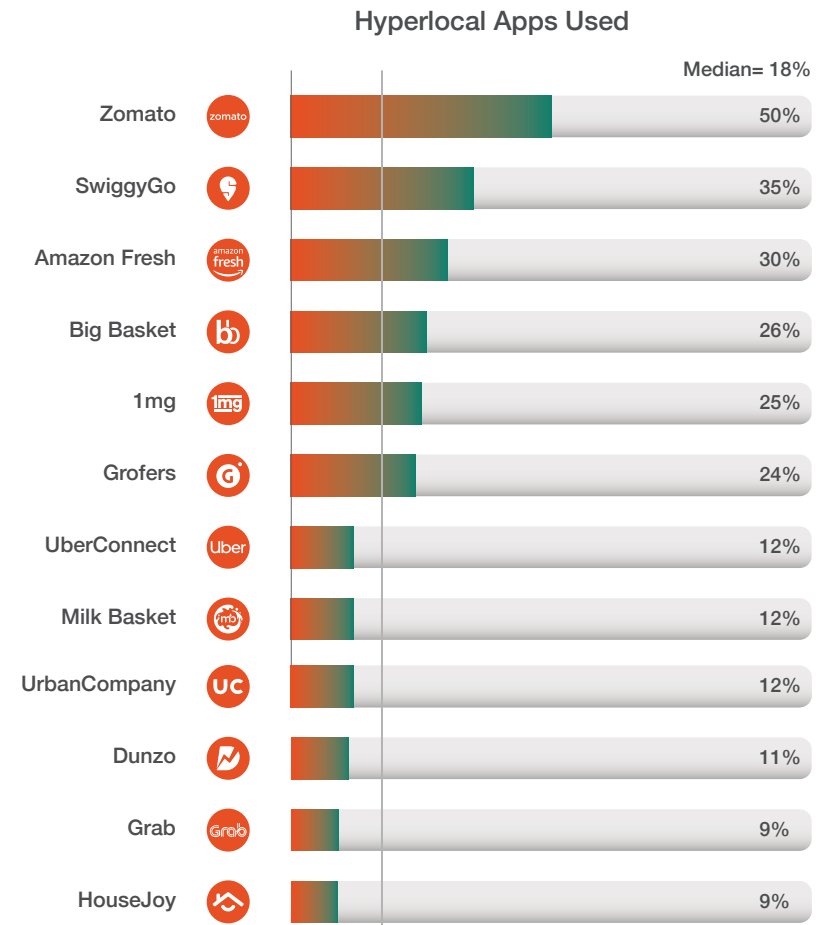


Hyperlocal / D2C commerce users are very likely to purchase groceries and vegetables, local food delivery and pharmacy from these platforms.

Usage of Hyperlocal Platforms

The hyperlocal market has been growing rapidly and the pandemic has accelerated its growth rate of adoption in the country. There have been long-established brands that have been selling through traditional channels for the past years and have now opened these new channels of communication and delivery with their customers, where for the first time they have connected directly with the customers.

Most of the customers have used hyperlocal apps like Zomato, SwiggyGo, Amazon Fresh, and Big Basket the most. This is followed by 1mg, Grofers, and UberConnect. Most of the females have used services from Zomato, BigBasket, and Grofers. While most of the males have used services from Zomato, SwiggyGo, BigBasket and 1mg. The majority of the young customers belonging to the age groups of under 18 years, 18 years to 24 years, and 25 years to 34 years have used Zomato, SwiggyGo, and Amazon Fresh.

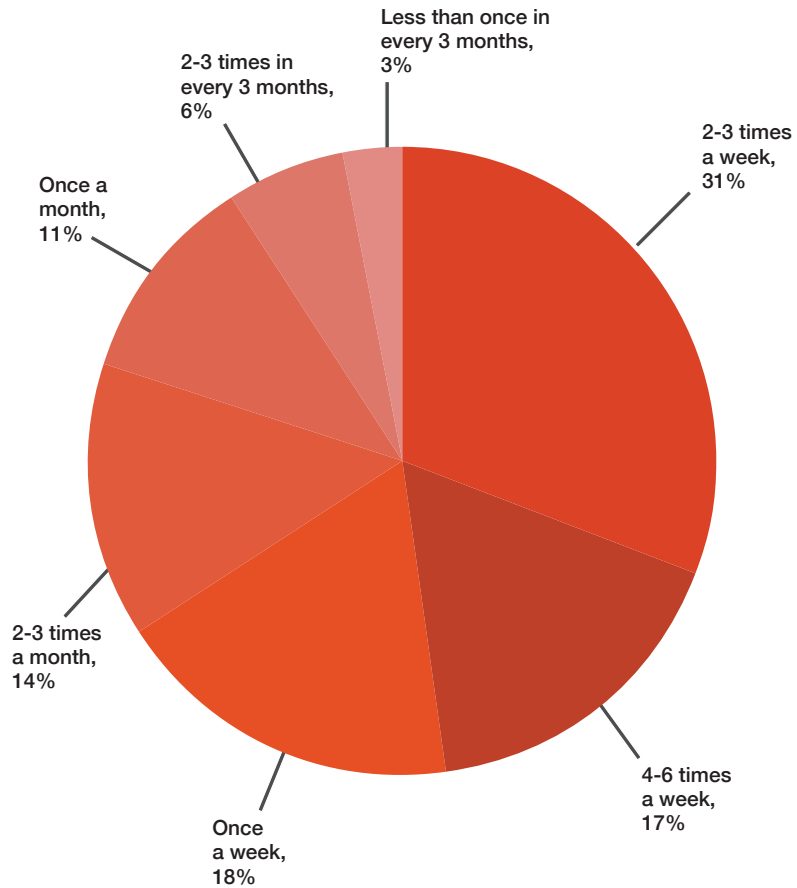


Base: Hyperlocal Commerce Users
 Source: Primary Research, WATConsult, Recogn

Users are likely to order from 1mg, AmazonFresh the most, followed by Dunzo, Grofers, UberConnect, UrbanCompany, Zomato and BigBasket for hyperlocal / D2C commerce services.

Frequency of Using Hyperlocal Platforms

Frequency of Using Hyperlocal Platforms



Base: Hyperlocal Commerce Users
 Source: Primary Research, WATConsult, Recogn

Hyperlocal businesses have been rapidly growing with the potential of expanding exponentially. There has been an increase in the number of brands emerging in this space and it will consolidate over the next few years. Hyperlocal’s collaboration with local stores and connecting them with their customers in a digital way is benefitting all the stakeholders as all of them are now connected to the supply chain model.

Maintaining social distancing has become a new norm, consumers have switched from visiting brick and mortar stores to shopping online with an aim of getting goods delivered at their doorsteps. Purchasing different products ranging from basic commodities to branded goods, consumers preference changed to online shopping.

More than half of the customers have shopped services /products from hyperlocal apps at least once a week. Most of the male shoppers belonging to the age group of 18 years to 24 years have shopped online frequently using hyperlocal apps.



Attitude Towards Hyperlocal Commerce



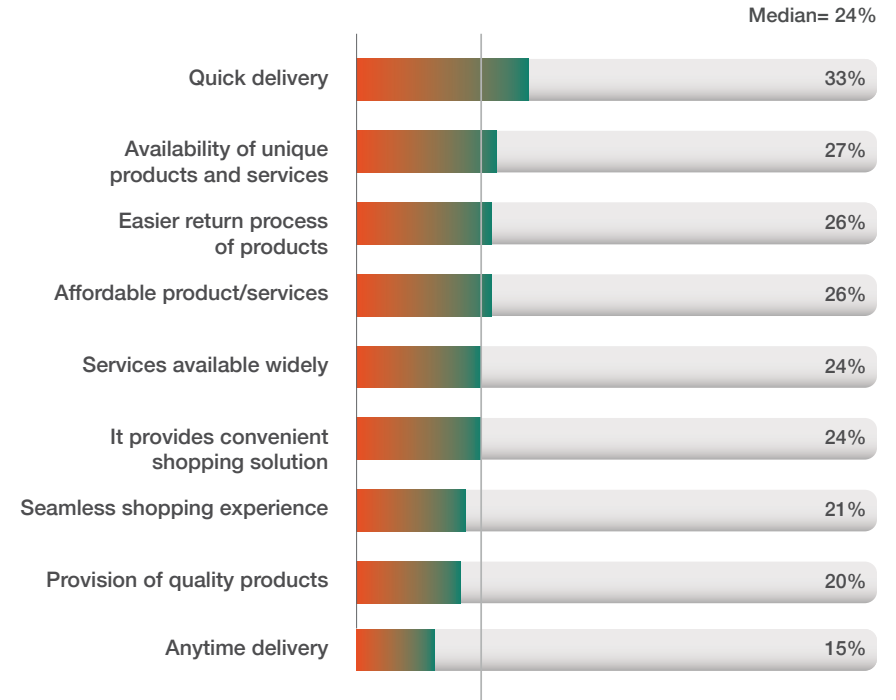
Reasons to Use Hyperlocal Services

Indian brands are leveraging online channels to reach consumers with a faster take to market, more control over brand perception, and direct consumer interactions. The pandemic had impacted many sectors, India's retail market changed its business model to take up the disruption adopted digital selling tools and technology.

Most of the customers use hyperlocal apps because of the quick delivery followed by availability of unique products/services, easier return, and offered products/services at affordable prices. The majority of the female customers use hyperlocal apps services as they provide quality products at affordable prices and feel that the delivery mechanism is quick. Most of the customers belonging to the age group of 25 years to 44 years use hyperlocal apps because of the quick delivery services.



Reasons to Use Hyperlocal Apps



Base: Hyperlocal Commerce Users
 Source: Primary Research, WATConsult, Recogn

The reasons viz. provision of convenient shopping solutions, anytime delivery, affordable products and services, and wide availability of services is likely to drive the users towards using these hyperlocal / D2C commerce services.

Concerns with Hyperlocal Services

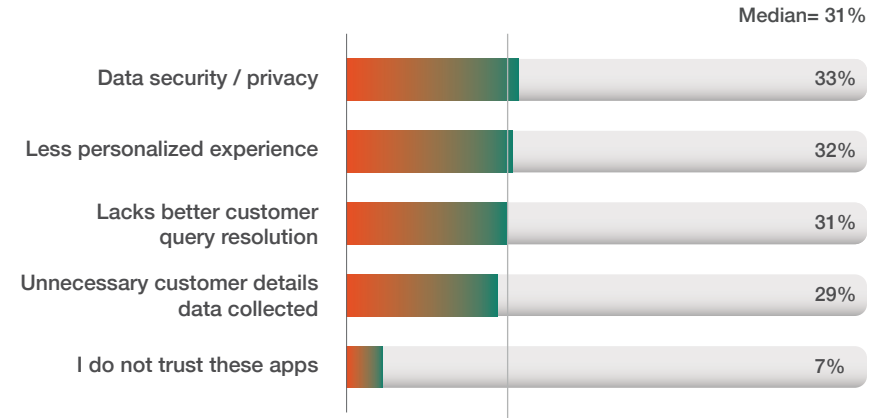
As the hyperlocal industry matures, the emphasis will be more on the faster response rate than discounts and pricing at an overall level. However, each geographic and demographic group has its own expectations.

One-third of the customers are concerned about data security and privacy while using these hyperlocal apps.



They also feel that these apps lack personalized experience and need to improve their customer query resolution. Most females feel that these hyperlocal apps lack better customer query resolution and require a more personalized experience. The majority of the hyperlocal app users belonging to the age group of 18 years to 34 years feel that the experience with the apps should be more personalized and are concerned about data security and privacy.

Concerns with Hyperlocal Apps Services



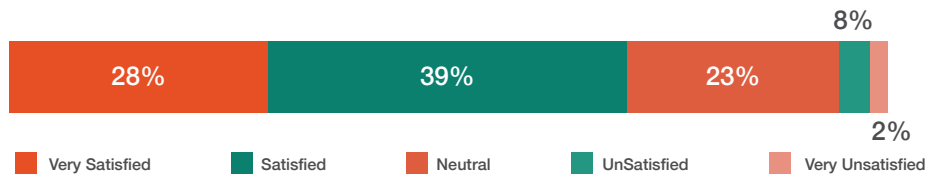
Base: Hyperlocal Commerce Users
 Source: Primary Research, WATConsult, Recogn

The users of hyperlocal / D2C services are likely to be concerned with data security, especially for the newer platforms of shopping. It is imperative for the developers to communicate their data policies to the consumers.



Satisfaction with Hyperlocal Platforms

Satisfaction with Services Provided by Hyperlocal Platforms



Base: Hyperlocal Commerce Users
Source: Primary Research, WATConsult, Recogn


Many brands and companies are exploring the shift towards a hyperlocal and direct-to-customer delivery model, where several players in the market have evolved their distribution channels and execute direct deliveries to the customers. The model enables local retailers to increase their market coverage and allows FMCG players to push their inventories and effectively scale the business.




Hyperlocal services are well-modelled services where service providers capture the demands of well-defined geographic locations and deliver the services to the consumers at their doorstep.

Start-ups are concentrating on establishing their hold around hyperlocal environment, new players are focusing on the local areas which leads to the wider expansion of their hyperlocal environment. For example, home utility service start-ups such as UrbanCompany, HouseJoy, etc. provide routine home services such as repairs, painting, plumbing, etc. Logistics start-ups such as Dunzo, Grab, 1mg, and others provide a delivery platform for the transport of utilities such as medicines, office supplies, and simple items such as books, bags, etc.

More than half of the customers are satisfied with the provided services and products provided by the hyperlocal apps with around a fourth being very satisfied. Most of the males belonging to the age group of 18 years to 24 years are satisfied with the services provided by the hyperlocal apps.



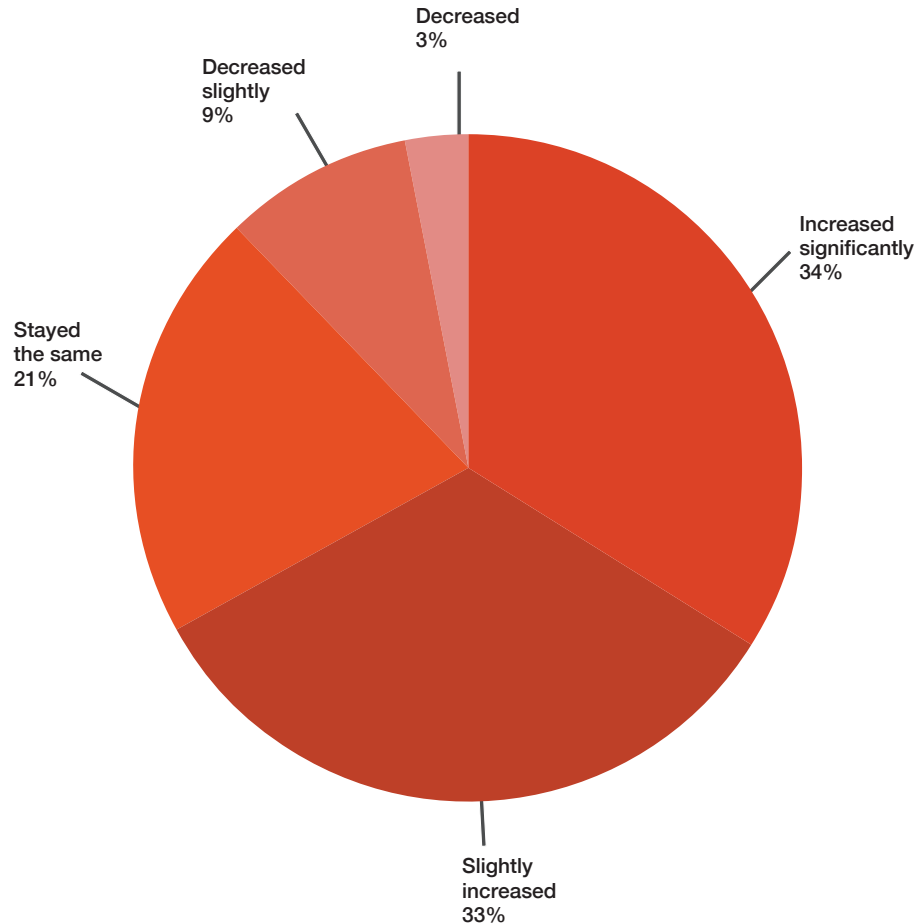
During the lockdown, I have used delivery apps like Zomato, SwiggyGo and Dunzo to order food, get parcels and packages from the nearest stores. Before the lockdown, I used to order and utilize other services from these apps less frequently but during the lockdown, I preferred to order using these apps. The delivery of the orders was quick and convenient.



-Male, 45 years to 55 years, and belonging from one of the next 5 Metros

Effect of Pandemic on Hyperlocal Service Usage

Change in Usage of Hyperlocal Services Compared to Pre-pandemic Situation



Base: Hyperlocal Commerce Users
 Source: Primary Research, WATConsult, Recogn

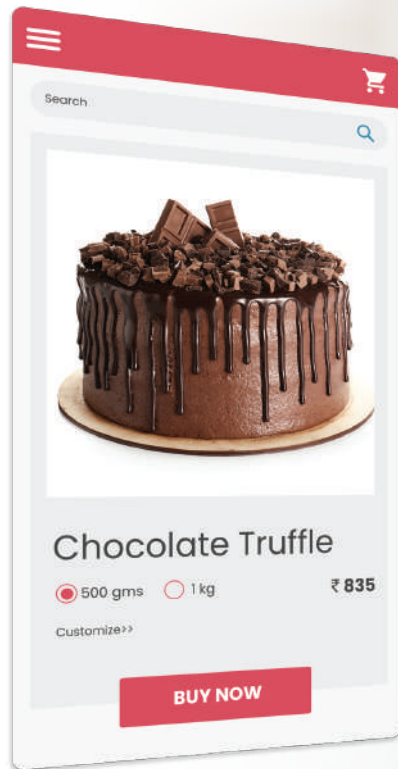
The consumer lifestyle has undergone an unprecedented transformation due to the pandemic with their demand patterns shifting to online shopping. During the initial pandemic stage, brands faced challenges such as maintaining inventory levels for essentials, shortage of personnel, urgent dependencies on intermediaries, and delayed delivery cycles.

The situation pushed multiple brands and sellers to come together and build partnerships, thereby creating a strong ecosystem for hyperlocal services. These hyperlocal apps offered contactless and cashless delivery thereby providing convenience and safety while leveraging evolving consumer behaviour brought on by the pandemic.

More than two-thirds say that their usage of the hyperlocal apps during the pandemic has increased compared to the pre-pandemic situation. Shopping via hyperlocal apps has increased for most of the males belonging to the age group of 25 to 34. The majority of the customers residing in the top 4 metros and next 5 metros have shopped more during the pandemic compared to the pre-pandemic situation from hyperlocal apps.



Personas of Hyperlocal Commerce Users



Hyperlocal Commerce Usage of Indian Online Shopper Personas



Enthusiastic Young Shoppers from Metro Cities

- They usually order groceries and vegetables, and home services on D2C and hyperlocal apps. They are also very likely to order local food deliveries in the future.
- They use MilkBasket, AmazonFresh and Dunzo. They are very likely to order from 1mg, BigBasket and Grofers in the future.
- They are heavy users of these apps, using these 2-3 times every week
- They use these apps mostly for quality products and services and easier return processes. Affordable products and services are likely to drive their purchase on these platforms further in the future.
- They are concerned with unnecessary data collected from customers and data security
- They are extremely satisfied with these apps
- They started using these apps more during the pandemic



Bharat Young Working Shoppers

- They usually order local food delivery on D2C and hyperlocal apps. They are likely to order for home services and groceries and vegetables in the future.
- They usually use Zomato. However, they are very likely to use 1mg, AmazonFresh, and BigBasket in the future.
- They are medium users of these apps, using these around once a month.
- They use these apps mostly for quick deliveries and wide availability of services. Easier return process is likely to drive their usage in the future.
- They are concerned with the lack of better customer quality resolution in addition to data security.
- They are very satisfied with these apps.
- They have been using these apps before the pandemic but their usage has increased further during the pandemic.

Hyperlocal Commerce Stage of Indian Online Shopper Personas



Bharat Young Student Shoppers

- They usually order local food delivery on D2C and hyperlocal apps. They are also likely to order for groceries and vegetables, and for local delivery in the future.
- They use Zomato and SwiggyGo. They are also likely to use Grofers, 1mg, BigBasket and AmazonFresh in the future.
- They are light users of these apps, using these once in a couple of months

- They use these apps mostly for anytime delivery services. Reasons such as affordable products and services, quick delivery and provision of convenient shopping solutions are likely to drive their purchase on these platforms in the future.
- They are concerned with the lack of better customer quality resolution.
- They are barely satisfied with these apps currently.
- They have been using these apps even before the pandemic and the usage has not changed much since.



Homemakers who are Enthusiastic Shoppers

- They usually order home services, and groceries and vegetables on D2C and hyperlocal apps. They are also likely to order local deliveries and pharmacy products in the future.
- They usually use UrbanCompany and BigBasket. They are likely to use Zomato, AmazonFresh, 1mg and Grofers in the future.
- They are very heavy users of these apps, and use it 4-6 times a week.

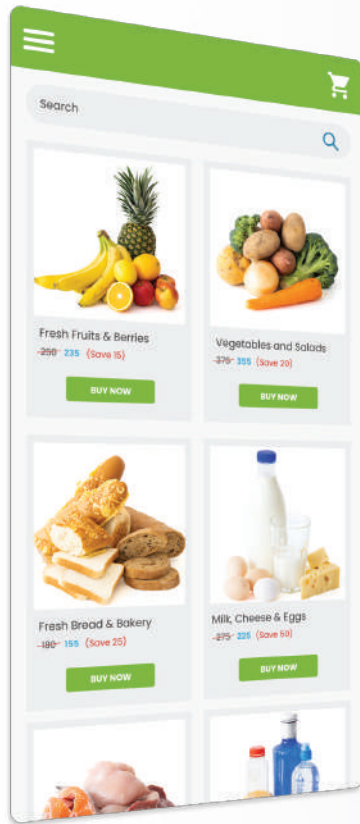
- They use these apps mostly for availability of unique services right at their doorsteps. Reasons such as wide availability of services and quick delivery will drive their usage of these platforms in the future.
- They feel these services require more personalised experience and are concerned with data security and unnecessary data collected from customers.
- They are extremely satisfied with these apps.
- They started using these apps more during the pandemic.



Newly Shoppers Senior Citizens

- They usually order home services, local delivery and pharmacy products on D2C and hyperlocal apps. They are also very likely to order groceries and vegetables in the future.
- They usually use HouseJoy and UberConnect. They are very likely to use Grofers, Zomato and 1mg in the future.
- They are medium users of these apps, using these around once a month.

- They use these apps mostly for the provision of convenient shopping solutions and seamless shopping experiences. Affordable products and services along with unique services and easier return processes is likely to drive the usage of this platform in the future.
- They are concerned with the lack of better customer quality resolution and data security.
- They are barely satisfied with these apps.
- They have been using these apps even before the pandemic and the usage has not changed much since.



Opportunities And Challenges

Opportunities and Challenges

Hyperlocal commerce

Communities and localities require on-demand delivery services. These deliveries are mainly hyperlocal by nature and thus brands can cater to their immediate needs. Hyperlocal services also include all kinds of home services like home maintenance, beauty services, and much more. In the metros, people have the busiest life schedule and hyperlocal services have proved to be a boon for the population residing in these regions. It is convenient and the services are easily available with a few clicks. There has also been a growth in the usage of these services beyond the metros.

Opportunities:

- Gain deeper knowledge of the customers: Manufacturers rarely connected with the people who bought their products before hyperlocal and direct-to-customer services came around. Through this model, brands interact with the customers at every stage of their sales funnel. In addition to this, brands can communicate effectively even after the sale of the product. Hence, allowing the companies to have a better understanding of their target market.
- Expand market reach: With hyperlocal and direct-to-customer services, brands can mitigate the risks by allowing them to launch a new innovative product on a smaller scale. Hyperlocal brands can develop a specific product, test it within a very tight demographic, and then get their feedback. This enables large manufacturing firms to understand what their customers love and hate about the product so they can make the required adjustments where appropriate.

- Control over the brand, product, and reputation: Hyperlocal brands can have transparency with the customers but can even hold on to the reputation, brand image, and product. Companies maintain complete control over their brand from the moment a customer makes their initial engagement right up until the product has been purchased.
- Omnichannel commerce: Another opportunity of selling direct-to-consumer is the potential of omnichannel delivery. A headless commerce platform can be used by brands to set up their online store. Customers will be able to browse and purchase across multiple channels and choose from a variety of delivery options as a result of this.

Challenges:

- Area of operation: Service provisions in the cities that are still developing and not yet technologically connected have a major part of the population without high exposure to digital commerce services and hence, are not used to buying things online.
- Offering something over brick and mortar stores: Local stores are already keen to add value to customer's lives, as they offer free home delivery often at lower values than hyperlocal brands and deliver it within a few hours and some of them also offer credit to regular customers. There is a key difference in service provision as hyperlocal businesses definitely offer the benefits of convenience and time saving but with a local store, you can order on the phone without using apps however in case of hyperlocal orders are made via mobile application.
- Bring in the advantage of the human element: The local retailers have the advantage of immediate return if the items sent are broken or damaged but in the case of hyperlocal the return is not immediate. The local stores' proprietor is just a phone call away whereas in the hyperlocal services the customers need to contact the customer care or the service center for product return or replacement. Decisions are made can be taken immediately and executed, it's challenging for hyperlocal brands to compete with local stores on these aspects.
- Stiff competition: The hyperlocal e-commerce market has always been a competitive one. With time, hyperlocal delivery is no longer just an additional benefit. There is immense competition in the hyperlocal delivery business with players like SwiggyGo, Dunzo, Grab, etc. coming into the picture. Since most sellers are opting for the services, brands must have a good reach and a service that gives access to all these delivery partners.

Research Methodology

Quantitative Research

Survey was conducted among a sample size of 2,356 hyperlocal / D2C commerce users across age groups, gender, occupation, zones and town class using stratified random sampling to gather the required data.

Qualitative Research

Conducted in-depth interviews with the industry stakeholders. Furthermore, in-depth interviews were conducted with consumers across age groups, gender, occupation and town class to identify the qualitative aspects.

Research Team for this Report

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Synopsis on Design

The central theme being “Digital Commerce”, the design look and feel of this report encompasses people at different times in different environments shopping indicating the ease of use of digital commerce. The visuals are a mix of real (images) and graphic pop-ups (virtual) which indicate the ecommerce bit and bring out the central idea better. The color palate of this entire series will be based on the platforms that exist across Social, Video, Voice, Hyperlocal and Festive Commerce.



Recogn, the research-based consulting division of WATConsult, complements the agency’s knowledge of digital media over a period of 10 years with the understanding of the digital audience. Recogn provides marketers with deeper insights into the minds of consumers and helps create more focused marketing strategies. Recogn provides end-to-end research services like customized primary research into the domains of marketing strategy, brand strategy, product and communication strategies, among others.

Find more about Recogn at: <https://www.watconsult.com/recogn>

Research Duration: August - September 2021



Ranked as the second-best digital agency in the country as per the Agency Reckoner by Brand Equity, WATConsult is a seasoned true hybrid full-service digital agency. The agency works with over 120 large Indian and global brands. Part of the Dentsu Aegis Network, it has a 340+ member team spread across Mumbai, Delhi & Bangalore.

Catering to the industry’s diverse and ever growing needs, WATConsult has specialized divisions like **Social CRM 24/7** for ORM, In-Depth Analysis, and Social Listening, **Recogn** for consumer research and consulting, **InnoWAT** - the agency’s very own tech innovation lab, **Ecommencify** for an end to end eCommerce solution for brands & **The Alter Project**, the agency’s most recent venture into cause marketing and delivering campaigns for the greater good.

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Research Methodology

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