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## Case Study

# Milkbasket: Changing the face of grocery shopping

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### ARTICLEINFO

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### ABSTR ACT

The case charts the genesis and growth of Milkbasket, a daily micro-delivery service, offering grocery and household needs for customers, launched in early 2015. The concept of Milkbasket was built on the unique Indian habit of getting fresh milk delivered at home every morning. Today, Milkbasket caters to the grocery needs of over 150,000 households daily in Gurgaon, Noida, Delhi, and Bangalore and delivers around 75,000 orders every day before 7 AM. To enable frequent and friction- less buying, the company innovated flexi ordering and contactless delivery - both a first in the ecommerce industry. Currently, the company offers delivery of over 9,000 products ranging from entire household grocery, dairy, fruits and vegetable categories. The reason for this phenomenal growth can be attributed to an intelligent mix of quality product offering and efficient distribution. Recently, the company has been in acquisition talks with Amazon India. We need to wait and watch what the future holds for Milkbasket. relationships between India and China in last twenty-five years.

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*“At about 11 pm on a working day just before hitting the bed, Rupa realized that her stock of oats was not enough for the next morning. With few options to buy oats at night and hardly any time to step out the next morning, she thought of skipping the regular oatmeal breakfast for her husband. But then she placed an order using the Milkbasket mobile app, ensuring her brand of oats would be delivered by the milkman the next morning before 7.”<sup>1</sup>*

*-Gireesh Babu*

## **Introduction**

By the end of 2015, technological advancements, such as the smartphone and the increased networking that enabled it, have created new opportunities for people to buy milk and grocery conveniently by sitting at their comfort zone from home. It was during this time that Milkbasket was launched in early 2015 by Anant Goel, Ashish Goel, Anurag Jain and Yatish Talvadia. It enabled users to buy milk, breads, eggs and grocery via a smartphone app.

## **The Grocery market in India**

Let us remember a period when the only method to get groceries was to go to a store or to buy them from peddlers on the side of the road. From the hour of venturing outside of home, to when one can purchase from the comfort of home, the Indian grocery market has augmented. According to Redseer Consulting, the grocery market in the country is valued at over USD 500 billion. The share of online grocery is tiny in comparison, at 0.2% or USD 1.2 billion, but is rapidly growing at over 70% CAGR and is speculated to touch USD 5 billion by the end of 2020.

The growing start-up culture around the world was a big factor in sustaining and propelling application-based modern-age ideas like Byju's, Curefit, Flipkart and so forth. Among these, the startups in the Food and Grocery industry were Big basket, Grofers, Odoor, Godrej Nature's basket etc. Of these, Bigbasket and Grofers are the most popular ones with 100,000 and 4,00,000 orders in a day. Apart from the start-ups mentioned in the online space, there are few other giants offline. Many food and grocery retailers are increasingly branching out into online based sales eg. D Mart, Reliance etc. Furthermore, major e-commerce businesses such as Amazon and Flipkart's FarmerMart have begun to operate in this space. Along with Milkbasket, other well-known players include Swiggy-owned Suprr

## **Daily, Dunzo, Licious, and Dailyninja Factors influencing the growth of online food and grocery industry in India: Change in the behavioural pattern of consumers**

One of the most important elements that has fueled the growth of the 'Online Grocery Market' is changing consumer shopping habits. With the increased number of players, today's consumers are more interested in shopping online from the convenience of their own homes. The average monthly online transaction value for a retail shopper is between Rs.900 and Rs.1200. It is a common occurrence these days for someone with free time to spend it browsing through his or her social networking accounts or other online application-based services.<sup>4</sup> According to Anant Goel, “A change in consumer behavior is already underway. He believes, “A mom-and-pop shop nearby would have high shelf-life products such as Aata, sugar, shampoo, etc. not because someone will come and purchase for INR 2000 in one go. People come there because they run out of things. Every day you realize you have run out of certain things and you put them on a list. When that list becomes big, you order in bulk. We say there is no need to wait. You need not make that list.”

### **Convenience**

Taking time away from a hectic office schedule and long days necessitates appropriate and easy living arrangements. Online shopping is one such method that saves time and effort by allowing customers to shop from anywhere at any time.

### **Increased number of players**

The number of players in the online retail industry are growing day by day. Apart from existing players and start-ups, giant offline store-based retailers like D-Mart and Reliance are now extending their operations from brick-and-mortar supermarkets to online based selling websites.

### **Internet penetration**

In today's world, the average rate of Internet usage per customer is increasing at an exponential rate. The cost of using the Internet has drastically decreased as a result of JIO's pricing disruption. As a result, Internet usage has increased in recent years. Telecom companies are increasingly offering their customers with more modest designs, which

has increased their dependency on the Internet and related activities. Indirectly, this has resulted in a significant number of e-commerce firms benefiting.

### ***Substantial Discounts and Offers***

To attract a large number of customers, many online grocery retailers offer substantial discounts and money-back guarantees. They can also offset their losses by selling at a great discount. These players are well-funded and financially stable, as they are backed by major private value investors. As a result, they have a little more leeway.

### ***Low Cost of Establishment***

An online store saves money on various aspects like expense of setting up the store, maintenance costs and other expenditure.

### ***No-Geographical Barriers***

An offline store requires a physical location and is limited to service only that area. An internet store is not limited to serving a specific geographic area.

### ***Other Benefits***

There are no time constraints while purchasing because the applications are available 24 X 7. Apart from it, a large range of things is offered.

## **Position of Milkbasket in the online grocery segment**

Milkbasket promotes itself as the country's first online top-up need fulfilment player. There is no minimum order in this model, the frequency is high, it is on demand, and the needs are met in real time. In an interview with Techcircle, Anant Goel, CEO Milkbasket, mentions that "We have been able to differentiate ourselves in two ways, by which people fulfill their household needs. We divide that into 'stock up' and top up". Goel further adds that "stock up is planned and bought in lesser frequencies whereas top up is in higher frequency, lower volume and fulfilled more by the local ecosystem. It leans more towards perishables, but also has a lot of non-perishables. This local ecosystem has a stronger presence, accounting for 96% in the grocery space".<sup>5</sup> Goel adds, "No matter how efficiently a household is run, unplanned needs always arise. We don't need them immediately, but we need to ensure that the supply arrives before breakfast the next morning. If I run out of eggs for my son's breakfast, I would not order it instantly to be delivered in 90 minutes.

I only need it for the next day".<sup>5</sup> According to him 90-95% of grocery is consumed between 7 am -10 am, although the list of supplies to be replenished keeps growing throughout the day. Milkbasket lets users add products to their carts until midnight and delivers them at their doorstep in the morning.

### ***Milkbasket's rise***

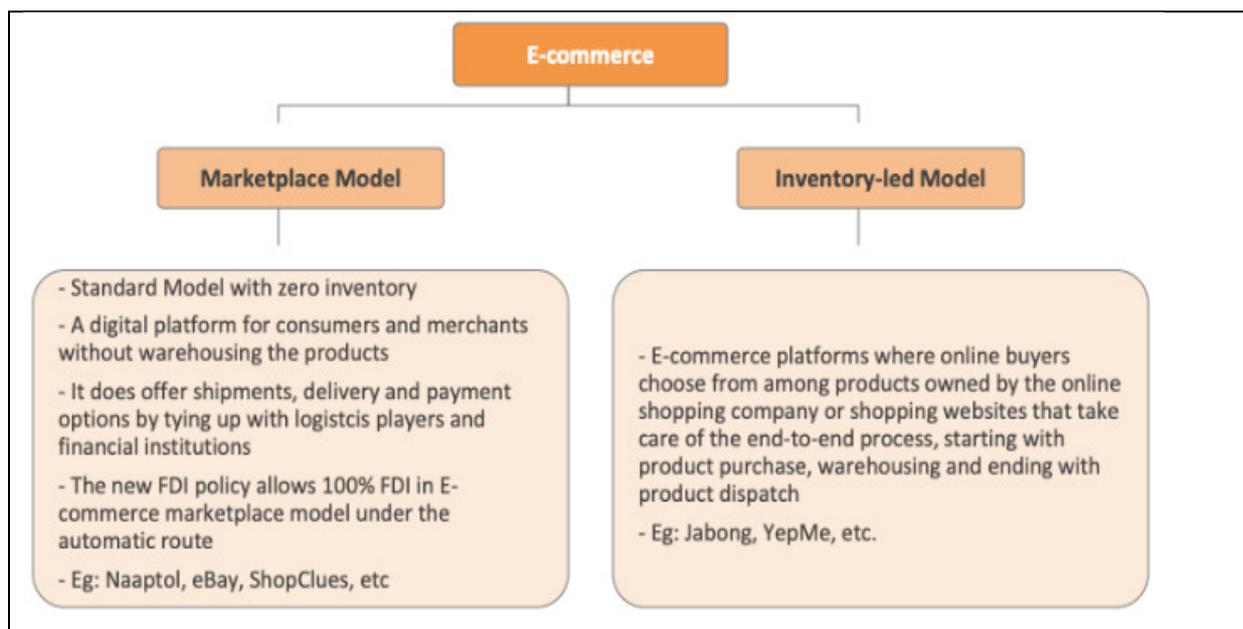
Anant Goel, an INSEAD alumni, launched Milkbasket in 2015 with his co-founders Ashish Goel, Anurag Jain, and Yatish Talvadia. The legal name of the company is Doorstep Retail Solutions Pvt. Ltd.

To encourage frequent and frictionless purchases, the company pioneered features like as one-click purchasing, flexible ordering, and contactless delivery, all of which were industry firsts. The purchase is pre-paid using a mobile wallet on the app, which a user can fill up anytime he or she runs out of funds, so there is no need for a consumer to check out or make payment. As a result, whenever a user selects an item on the app, the order is placed without the requirement for a traditional checkout or payment. Changes to the order can be made up until midnight, and delivery is free even if the order is for a single item.

According to Satyendra Singh, head of marketing, Milkbasket delivered 22 orders to three Gurgaon societies on the first day of operation in April 2015. Its staples at the time were milk, bread, and eggs. The team quickly grew to 30,000 consumers in June 2015, that too in Gurgaon. They initially concentrated on Gurgaon and Noida. Over the years, they have grown their business and Milkbasket now serves the grocery needs of over 1,50,000 families in Delhi NCR and Bangalore on a daily basis, delivering over 75,000 orders before 7 a.m.<sup>7</sup> Currently, the company delivers over 9,000 products, including everything from domestic groceries to dairy, fruits, and vegetables.

### ***Business Model of Milkbasket***

To be competitive, one must have a strategically proven and tested model that serves as a solid foundation for the business concept. Two sorts of business models fuel the idea of selling groceries online: Marketplace Model and Inventory-led model (Figure 1).



**Figure 1: Models of E-Commerce**

Source: “Online Grocery Market: Overview and Future in India”, IBEF

In conversation with Techcircle, Anant Goel mentioned that “We have created an in-house hybrid inventory model where we categorise products into three categories: the ones we stock, the ones we do as a marketplace and live fulfillment (made to order for customers), which are the ones for which we have tie-ups with the brands”.

### Supply chain

They consider themselves a full stack player in terms of the supply chain, controlling everything from sourcing to last mile delivery. They claim it to be a way of creating service standards without charging their customers. They typically follow a supply chain known as the ‘milk-run’ strategy which resembles the traditional milkman’s model.<sup>3</sup> This idea was conceptualized keeping in mind two different facets- newspapers (printed at 12 am and delivered by 7 am) and milk.

Following are the characteristics of such type of strategy:

- a) The delivery boy just drops the order at the door without any direct contact with the customer.
- b) They engage part-time delivery personnel and run the delivery vehicles in the early hours between 5 am and 7 am. This brings down the employee cost significantly. The cost is Rs 5-6 per delivery as against Rs 80-100 per delivery for the industry.
- c) They usually serve densely populated areas. As a result, a high number of orders are

fulfilled in a limited region in less than two hours. This also contributes to cost savings.

### The order flow process

Based on order flows within a five-hour window till midnight, Milkbasket is able to forecast as to which product will sell on a given day. Further, on the basis of the of the orders received, they pack individual baskets from midnight to 4:00am. “At present, we pack more than 15,000 baskets daily. The dispatch and delivery begin at 4:00 am and ends at 7:00 am. And then the orders start coming in for the next day from 7:00 am,” Anant explains.<sup>6</sup> In order to simplify the order process, the company has initiated voice-based orders via the Google Assistant. It also has an option of ‘Recurring order’ wherein a user can set recurring orders on the platform ranging from 2 liters of milk every day to a loaf of bread every two days, or a fruit basket every weekend. The company claims to have a 99.9% product delivery rate, a 95 percent customer retention rate, and a 99.9% on-time delivery rate.

### Fund raising and investment

In total Milkbasket has raised \$ 38.2 M in funding over 13 rounds. Their latest funding was raised on May 13, 2020 from a Series B round. The company is funded by 17 investors in total, out of which 9 are lead investors who have participated in the most funding rounds. They are Z-Dream Ventures, EVC Ventures, Lenovo Capital and Incubator Group (LCIG),

Blume Ventures, Unilever Ventures, Kalaari Capital, Mayfield Fund, Inno-Ven Capital and Inflection Point Ventures.

The pre-series A Funding or Seed Funding was led by Unilever Ventures, Blume Ventures, Lenovo Capital and Incubator Group (LCIG), Z Dream Ventures and Chicago-based venture capital fund EVC Ventures. As per Arpit Agarwal of Blume Venture, “they were attracted by the unique delivery chain the company has created to ensure money on every order and the strong emphasis by the founders on the unit economics.”<sup>1</sup> EVC Ventures exited Milkbasket in the first week of August 2017. It said that the investment made 200 percent returns within a year. With the exit of EVS Ventures, Milkbasket closed the pre-series A round. According to a report, the fund raised was used primarily to improve technology, supply chain and operation. The Series A round was led by MayField Fund and Kalaari Capital.<sup>1</sup>In January 2019, the company received a USD 3 million financing round, which included participation from Unilever Ventures for the Series B round. According to sources, the funds will be used to improve technology both on the back end and on the front end, as well as to grow the company's product offering and customer base, as well as to generate additional revenue sources.

The Series B round concluded with investment by Inflection Point Ventures. According to Vinay Bansal, Founder and CEO of Inflection Point Ventures, Milkbasket has a unique consumer-centric business and has extremely high levels of customer loyalty. Bansal further opines that Milkbasket has an advantage over other companies in the same category because of their understanding and application of technology, which allows them to make same-day deliveries and take orders until midnight. Bansal further adds that “Milkbasket uses a lean delivery approach based on the milk-run concept to run a highly efficient and cost-effective supply chain and this will enable them to become profitable quickly and to be top among the market's diverse competitors.”

## Challenges

### 1) Low average order value

The average basket size of Milkbasket is INR 200 which is only a small portion of what is slotted for grocery deliveries. They usually deliver frequently bought items such as dairy, fruits and vegetables. We know that a large portion of the average monthly households is bought in bulk. Households usually plan for items such as flour, sugar, oil, rice and

detergents and make bulk purchases so that it can last for the entire month. Thus, the early morning delivery model puts constraints on the order size.

### 2) No incentives

Since there is no incentive such as free shipping or discounts, consumers end up ordering only the essentials.

### 3) Delivery to limited areas

The number of items is relatively less as compared to local mom and pop store. According to Satish Meena, an analyst at market research company Forrester “Till now Milkbasket has been focusing users in apartments, who are not price sensitive. But you need to make grocery delivery work. For that it will have to move beyond, to independent houses too and that can affect its efficiency,” he says.<sup>3</sup>

### 4) Operations limited to few cities

At present, Milkbasket is operating in limited cities like Gurugram, Noida, Dwarka, Delhi, Ghaziabad, Hyderabad and Bengaluru.

## Competition

In today's crunched world, online shopping has become the way of life for many people. There are numerous online stores who deliver vegetables, fruits, cereals, packed foods, dairy products, etc. at our fingertips and right at our doorstep. Some of the direct competitors of Milkbasket are Softbank-backed Grofers, Flipkart, Naturebasket, Jio Mart, Swiggy. Another player in the space giving a stiff challenge is Sagar Yarnalkar and Anurag Gupta founded DailyNinja which is also a subscription-based platform and provides early morning delivery of everyday essentials. It onboards milkmen who already have an existing client base that they service. They cater 150 households in a couple of hours. At the same time, cash rich platform such as Bigbasket is also posing a tough competition because of its ability to scale up quickly. Big basket has come up with a similar concept known as BB Daily which delivers fresh produce led by milk. Apart from all of these, Amazon India also runs a separate network of warehouses only for its grocery business. However, the founders of the startup consider the local kirana stores as their main competitors. In an interview to Business Standard, Goel said “Our main competitors are local mom-and pop stores. In cities 80 % of grocery purchases happen at these stores”.

## Towards expansion, Towards change

In this type of business model, rapid expansion is a challenge. The start-up is weighing the pros and cons of expanding geographically. Rather than rapid state-wise growth, they intend to infiltrate smaller markets. They are not contemplating expansion into Delhi & NCR, because they are primarily based in Gurugram. However, they are keeping their hopes high in terms of expanding to the top 10 cities in the coming years.

Asked about number of manpower, Goel asserted, "We are also significantly expanding our headcount from about 300 now to about 2,500 people in the next 12-18 months. These people would be primarily engaged on the delivery side. We are looking at making about 50,000 deliveries a day in the next year or so".<sup>8</sup> Recently, the company has been in acquisition talks with Amazon India.<sup>18</sup> Amazon had launched its online grocery store-Amazon Fresh in 2019. Through it, it delivers fresh fruits and vegetables, dairy and meat items and other packaged food items to customers in a time span of 2 hours. In case the deal with Amazon gets finalized, it will mark further strengthening in the area of milk delivery start-up. Besides Amazon Should Milkbasket has likewise been in some early discussions with a couple of retailers for potential synergies. Should Milkbasket scale up or sell out to Amazon?

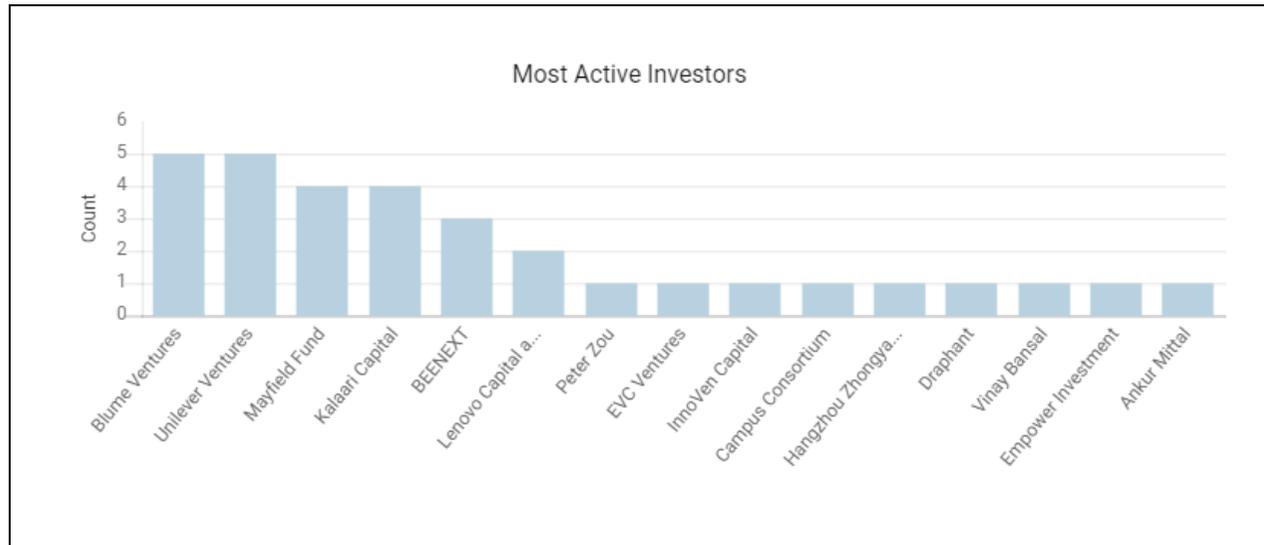
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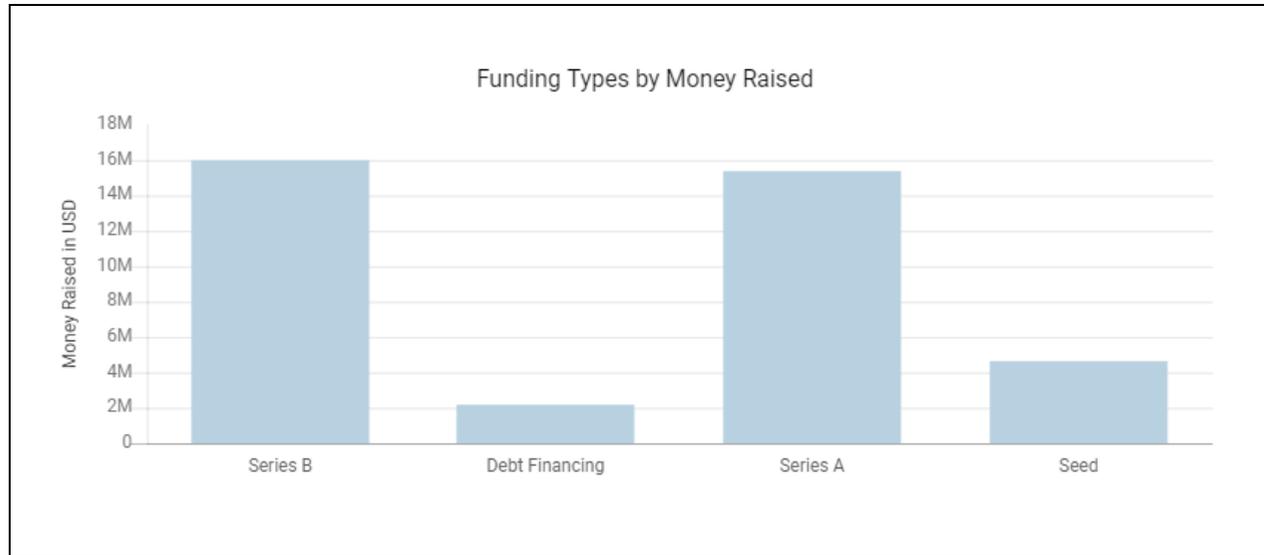
### Annexure I

Which investors participated in the most funding rounds?



Source: [https://www.crunchbase.com/organization/milkbasket/funding\\_financials/investors](https://www.crunchbase.com/organization/milkbasket/funding_financials/investors)

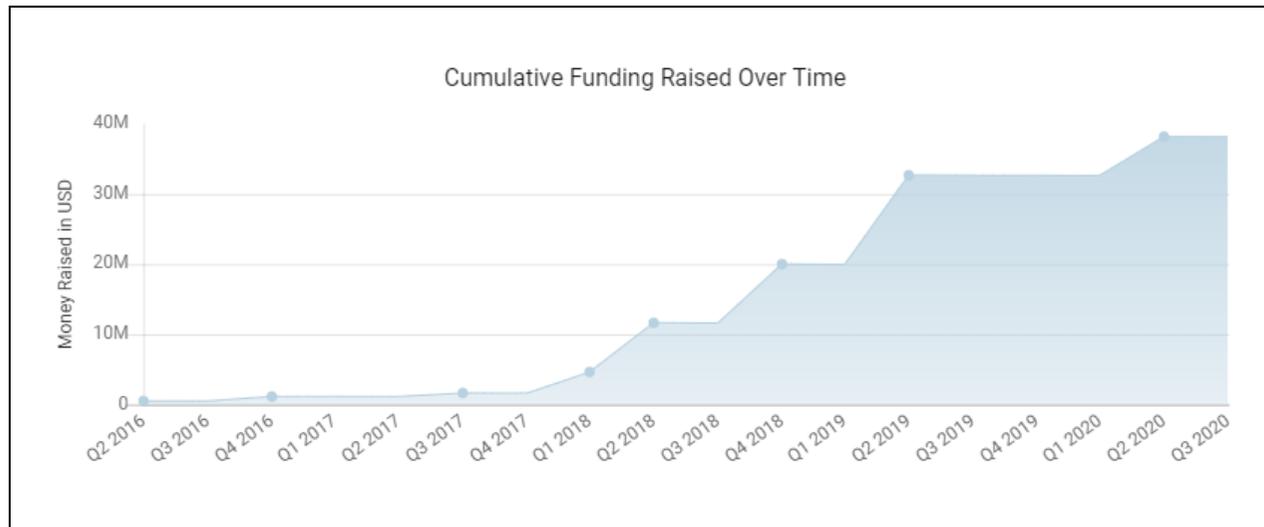
**Annexure II**  
**Which funding types raised the most money?**



Money raised in Series B Funding- 16M USD  
Money raised in Debt Financing- 2.2 M USD  
Money raised in Series A Funding- 15.4M USD  
Money raised in Seed -4.6 M USD

Source - [https://www.crunchbase.com/organization/milkbasket/funding\\_financials/funding\\_rounds](https://www.crunchbase.com/organization/milkbasket/funding_financials/funding_rounds)

**Annexure III**  
**How much Funding has Milkbasket raised over a period of time ?**



Source [https://www.crunchbase.com/organization/milkbasket/funding\\_financials/funding\\_rounds](https://www.crunchbase.com/organization/milkbasket/funding_financials/funding_rounds)

**Annexure IV**  
**Funding raised by Milkbasket over time**

Announced Date	Transaction name	Number of investors	Money raised	Lead investors
May 13, 2020	Series B- Milkbasket	7	\$ 5.5 M	Inflection Point Ventures
May 13, 2020	Series B- Milkbasket	1	-	-
May 13, 2020	Series B- Milkbasket	1	-	-
June 27, 2019	Debt Financing- Milkbasket	1	Rs 150 Million	InnoVen Capital
June 4, 2019	Series B- Milkbasket	4	\$ 10.5 Million	Unilever Ventures
December 19, 2018	Series A- Milkbasket	5	\$ 7M	Mayfield Fund
November 12, 2018	Series A- Milkbasket	1		Mayfield Fund
May 22, 2018	Series A – Milkbasket	4	\$7M	Kalaari Capital
January 23, 2018	Seed round Milkbasket	1	\$3 M	Unilever Ventures
August 23, 2017	Seed round Milkbasket	2	\$500K	Blume Ventures, Lenovo Capital and Incubator Group (LCIG)
December 1, 2016	Seed round Milkbasket	1	\$634.9K	-
April 26, 2016	Seed round Milkbasket	5	\$ 500K	EVC Ventures
January 1, 2014	Seed round Milkbasket	1	-	Z Dream Ventures

**Source**

**[https://www.crunchbase.com/organization/milkbasket/funding\\_financials/funding\\_rounds](https://www.crunchbase.com/organization/milkbasket/funding_financials/funding_rounds)**

## Teaching Notes

### Asynopsisofthecase

The case charts the genesis and growth of Milkbasket, a daily micro-delivery service, offering grocery and household needs for customers, launched in early 2015. It also discusses about the reasons for the growth of online grocery shopping and the challenges faced by it. The company has been in acquisition talks with Amazon India and has likewise been in some early discussions with a couple of retailers for potential synergies. Milkbasket needs to decide whether it should scale up or sell out to Amazon.

### Thetargetlearninggroup

Executive training programs, upper-level undergraduate and graduate students in marketing management, supply chain management and Entrepreneurship.

### Thelearning/teachingobjectivesandkeyissues

Students will indicate ability to:

- Structure a general plan for opening a new venture
- Understand different business models
- Understand the nuances of supply chain and order flow process.
- Practice raising funds for a new venture.

### Theteachingstrategy

#### **Step 1: Trigger questions to open the case discussion**

1. What are the Key learnings of the case?
2. What were the reasons for Milkbasket's rise?
3. What were the challenges posed by the company?

#### **Step 2: Video**

Show in class the following video about Big basket's success story

(Link:[https://www.youtube.com/watch?v=6ehV\\_e9F-JY](https://www.youtube.com/watch?v=6ehV_e9F-JY)) and compare it to the case here.

Discuss the differences between Milkbasket and Bigbasket's business model.

#### **Step 3: Group work**

Divide the class into three- five teams (depending on the strength of the class).

Each team to share a success story of a start-up. Have each team include points like understanding the market and the competitors, understanding the business model, funding and key investors; and the challenges faced by

the start-up while presenting.

#### **Step 4: Consolidation**

Summarize the discussion of all the teams. At the end of the case session, ask all the teams to come up with their own business ideas and submit a group project.

### Questions for discussion

1. Which business models were discussed in the case?
2. How funding was raised?
3. What are the other business models? (With examples).
4. What should Milkbasket do?

### Background reading

Students should understand the basics of marketing management, supply chain management and entrepreneurship before undertaking to analyze this case.

### Additional reference

- [Mundra Shivani, "Online Grocery Market: Overview and Future in India", https://tradebrains.in/online-grocery-market-india/](https://tradebrains.in/online-grocery-market-india/)