

ElasticRun blitz-scales operations to disrupt traditional brand networks and unlocks the \$600 bn consumption potential in rural India



A Detailed Study

Overview

India is the seventh largest country in the world, by virtue of its size, and by virtue of its population, it is second. India is also the fifth largest retail destination in the world.

While a large part of India's retail activity is centred in its metros, today, it is rural India that conducts the bulk of buying in the country. Rural India, a land area that criss-crosses the length and breadth of the country covers an approximate 2980489 kms according to a World Bank collection of development indicators.

This rural landmass is home to 65% of India's total population of approximately 1.36 billion people. When they need to buy something - anything from toothpaste to tea, they get it from the 'kirana' store nearby. '

'Kirana' is the local general store that stocks almost everything, from food to personal products to other household essentials. There are almost 10 million kirana stores across rural India and 2 million in urban India. In most rural locations, these stores form the last points of sale for most domestic essentials.

In short, these 10 million kirana stores are the ground zero where India's \$600 billion rural growth story will unfold, in the next couple of years.

India's rural landscape at the turn of the millennium

To understand what we have achieved, we must go back to where we started. At the turn of the new millennium, India was well on its way towards achieving the No 1 millennial goal of eradicating extreme poverty. Several anti-poverty programs, including income generating schemes, universal education, health and housing schemes, infrastructure development initiatives rolled out by successive governments had changed the face of India as it used to be in the previous century. From a poor, third-world country, India had become an emerging market, with new skills, new aspirations and new access to the rest of the developed world. This is true, not merely for metros and urban India, but in many ways for rural India, as well.

In the years leading up to the present, better arterial roads and highways, electrification and rural internet connectivity were three important factors that changed rural India more than anything before. Migration to urban locales also played a key role in exposing people from the Indian hinterland to life in the cities. In time, it was but natural that the rural Indian would aspire for a quality of life that was available in its cities. In addition to better facilities and infrastructure, aspirations included vehicles, electronic goods, items of daily household use such as branded food items, toiletries, detergents and last but not the least, financial inclusion.

However, while supermarkets and hypermarkets selling FMCGs dotted every nook and corner of India's cities, the same was not true in thousands of small villages, located in the remote corners of India. Often surrounded by rivers, forests, mountains, deserts or ravines, small hamlets with a population of less than 700 people did not enjoy the same amenities as the more populated parts of the country. Kirana shops proved to be the lifeline for such people living and working in rural India.

There was a huge challenge in the logistics of getting FMCGs to these last points of sale, across the last mile, in these remote rural locations.

The study

This paper will detail how ElasticRun, a startup based in Pune zeroed in on the gap that existed in terms of delivering FMCGs, pharmaceutical drugs and financial products and services to kirana stores across rural India and found a way to overcome the challenge.

The paper is a study of rural India's retail landscape, its challenges, the big solution, the technologies and platforms that have been used by ElasticRun to

implement solutions, the results have been achieved this far, and finally, a road map for the future.

The challenge

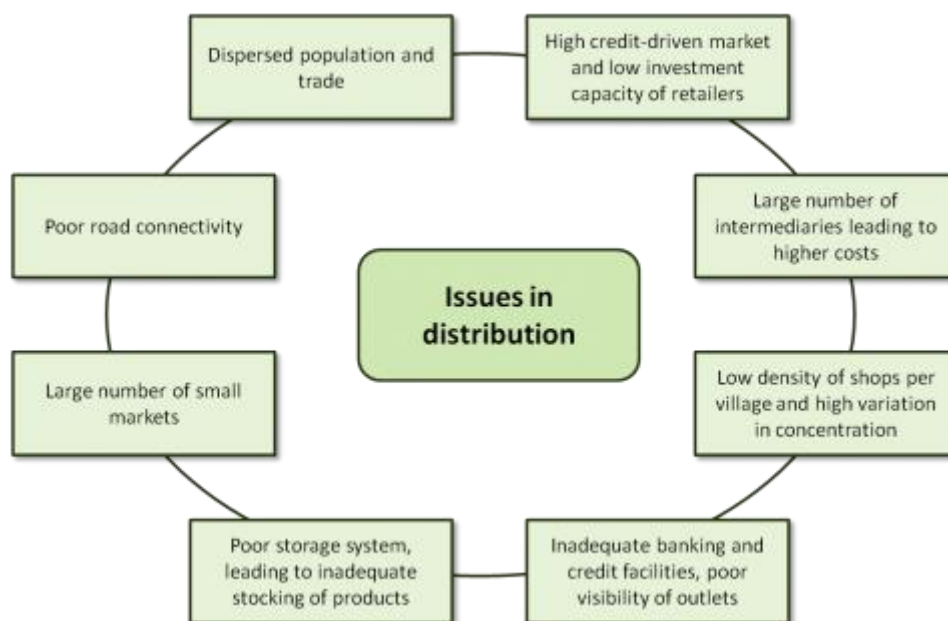
More than half the logistics companies agree that the last mile delivery – from the warehouse to the last point of sale, is the most challenging process in the entire delivery chain. In rural India, this is compounded by issues such as difficult terrain, weather conditions, lack of trained delivery personnel, faulty roads, poor route planning, dearth of storage and warehousing facilities, low profits, and the lack of adequate working capital for approximately 10 million rural kirana stores. Several villages are unconnected by rail, road or waterways, and mobile network coverage is poor. As a result, communication between kirana store owners and distributors is an issue.

As a matter of practice, Kirana store owners often take weekly, fortnightly or monthly journeys to nearby towns and cities to stock up on supplies. This often proves to be a costly exercise without adequate returns.

Even for ecommerce transactions, delivery to locations bearing certain pin codes posed huge problems, when it comes to the last mile.

These challenges stand in the way of reaching branded FMCG products to the villages - products that would enhance the quality of life and convert it to be more on par with some of the benefits of urban living.

The challenge in distribution and supply to rural kirana stores



Source: <https://journals.openedition.org/factsreports/3711>

The opportunity:

The rise of rural India has opened up huge opportunities for several segments of business. With more awareness and empowerment, more income and more purchasing power in the last two decades, rural India has become a sunrise geography. Booming agriculture, the rise of small and medium businesses, modernisation of infrastructure and exposure to advertising and marketing have created a consumer whose willingness to consume is growing. Today, rural consumers demand what is selling in the urban market and they won't compromise on brand or quality.

Makers of consumer goods that will be received well in rural areas are looking for the right opportunity and method to get their products to the country's 900 million rural population. Marketers are focusing on reaching villages and creating relevance, as opposed to having to reinvent the product itself to suit the needs of a rural population. To achieve their ambitions, businesses must successfully navigate the last mile challenge and unlock the potential of India's **\$600 million** rural economy. Herein lies one of the biggest opportunities of our time.

The solution: ElasticRun technology that helps companies overcome the hurdles of last mile delivery

ElasticRun is a Kirana Commerce Platform with a highly scalable national distribution network that enables businesses to reach small Kirana stores in India's hinterland. Through its tech enabled shared economy model, ElasticRun's customers gain large scale and low-cost distribution to the traditionally untapped rural market.

ElasticRun's full stack platform, combining the power of crowdsourced fulfilment engine, transactions platform, and data analytics, enables it to act as an extended arm of FMCG companies and direct distribution networks, helping them reach the deep rural stores. The model aggregates brands and kirana stores, thereby eliminating capex requirements and reduces the cost of serving individual brands and small ticket items. This helps the company offer distributor-like control at wholesaler prices to the FMCG brands, increasing stickiness to its platform as well as improving pricing power.

Set up on a state-of-the-art AI powered platform, ElasticRun caters to industries across the board, including FMCG, Food, Manufacturing and E-commerce. By

building technology platforms for transactions, credit and data analytics, ElasticRun also intends to become the de facto channel for Indian businesses to reach the under-serviced rural markets.

Building a model that has no fixed assets, ElasticRun leverages pre-existing assets such as the abundantly available local kirana stores for delivery, small warehouses for storage and sorting and unused capacity in the trucking ecosystem for transportation. This asset light model allows ElasticRun to change capacity to bridge the supply-demand gap, increase accuracy (as locals do the last mile), expand to regions with lower throughput, and significantly cut both opex and capex.

As the company ventures deep into the data dark markets, the real time consumption data generated through its operations has become a powerful input for those interested in reaching the rural customers. ElasticRun is effectively harnessing this data to share market insights and large brands are increasingly using these analytics to enhance store and brand stickiness. This data has also enabled financial services to venture into the hitherto untapped market and extend credit through ElasticRun's existing kirana network.

The result

In fact, such is the power of shared economy, that the crowdsourced fulfilment platform has scaled up independently to become a profitable business line by itself, generating \$58mn annual revenue for ElasticRun.

Today ElasticRun is operating in 20 states with a network across 300+ towns & villages. At the current pace, the company is clocking a 30% MoM growth in its sales, generating an annualized GMV of \$250mn.

The major brands that the company works with include, top FMCG players such as HUL, P&G, ITC, Marico, Britannia, Colgate, Godrej, Nestle, Patanjali, Dabur, Himalayas etc.; e-commerce giants such as Amazon, Flipkart, Myntra, Jio etc.; and financial services players like RBL Bank, Loan Tap, Cash Kumar and Spice Money.

Conclusion

With the growing significance of the last mile delivery segment in India, the ecosystem will further expand as many of the FMCG giants are not experts in last-mile delivery. They rely heavily on delivery platforms like ElasticRun for solutions.

