

Amazon's Rural Udaan

How the ecommerce giant is going deeper into the hinterland with a gambit it hasn't used anywhere else in the world – a unique offline-online blend

By **Rajiv Singh** | Umri, Bijnor, UP

Till last month, Mohammed Naved was leading a contented life. The 20-year-old was making the most of what any college student would crave for: his under ₹5,000 smartphone was working well, a slew of apps like WhatsApp and Facebook was keeping him engrossed, and an internet speed of 8 megabits per second (Mbps) was nothing to complain about.

By early September, there were better things on the village horizon. Naved bought a costlier Redmi 4G VoLTE smartphone,

took a Jio connection because he wanted 14 Mbps internet speed, subscribed to video-on-demand Voot to watch movies, and downloaded the Amazon app for deals and offers.

"I wanted a phone with a fingerprint sensor," says Naved, explaining his move to dump his old phone. "This phone is also good for selfies," he adds, flaunting his dual-camera phone that he bought from Amazon through a Vakrangee outlet in his village. "If anything goes wrong with my phone, I won't let him (the shopkeeper) run the store," laughs Naved, who travels 15 km every day to attend his college in Bijnor.

Saifar, who runs the Vakrangee store, is not bothered. "I will return it on Amazon," he grins.

Umri, a village in Bijnor district of Uttar Pradesh, is just one manifestation of change in the way rural India shops. No, they are not gravitating towards online, harbouring a healthy lack of faith in e-tailers. They are perhaps more comfortable with storekeepers like Saifar, who hand-holds villagers by assisting them to buy from Amazon from his laptop and gets the products delivered at the store from where



"Through Project Udaan we have increased our geographic reach to the hinterlands... Udaan is about levelling the playing field for everyone"

Amit Agarwal,
country head, Amazon India

Project Udaan
Takes Off

Amazon appoints **offline partners across retail points** like kirana stores, medical stores, mobile shopping outlets and local entrepreneurs

Store owners are **trained to help customers** find and buy products of their choice

Now, **75% of new customers for Amazon come from tier-III cities and smaller towns**

Udaan has **doubled its growth** year-on-year in terms of new customers

Mohammed Naved (left) at a Vakrangee store, which has a tieup with Amazon, at Umri in Bijnor



"More than 7 out of every 10 new customers on Amazon are not from the metros but from tier-II and below towns"

Kishore Thota,
director, customer experience and consumer marketing,
Amazon India



they are picked up. "Cash-on-delivery is a potent way to build trust," he says. Amazon, he lets on, has understood the psyche and is helping villagers shop online.

Started in May 2015, Amazon rolled out Project Udaan to expand its reach in rural and semi-urban areas by tying up with offline partners such as kirana, medical stores and mobile shopping outlets so that local entrepreneurs could assist the uninitiated in shopping online. What started with just two partners, including business correspondent Vakrangee, which also acts as a last-mile link to villages, and 15 stores across two locations in Maharashtra and Rajasthan has now penetrated deeper into the hinterland. (A business correspondent is authorised to collect small deposits and extend credit on behalf of banks.)

Wooring the Village

Udaan now boasts 18 partners, 6,000 stores, delivery in 1,700 pin codes across 650 locations in 21 states and union territories. The target for next month, before Diwali, is to scale up to 10,000 stores. The results are beginning to show: some 75% of new customers for Amazon come from tier-III cities and smaller towns and villages. That share can only grow once Amazon rolls out one-of-its-kind exclusive outlets with assisted ecommerce platform StoreKing in rural Karnataka. (Tier-II, -III and -IV comprise semi-urban centres, and tier-V and -VI rural centres.)

Through Project Udaan, reckons Amit Agarwal, country head of Amazon India, the retailer has extended its geographic reach to the hinterland. "Udaan is not just an assisted shopping initiative. It is much beyond that," says Agarwal, who was elevated to the rank of senior vice-president at Amazon.com earlier this year. Udaan, he adds, is as much about providing digital access, opening self-employment opportunities and encouraging entrepreneurship as it is about transforming the buying experience for eve-



"Exclusive stores could be a pick-up point for all Amazon orders, assisted order placement for customers and easy collection of cash"

Sridhar Gundaiah,
founder, StoreKing, an assisted ecommerce platform

ryone irrespective of age, gender, location and socioeconomic stature. "It is about levelling the playing field for everyone. Udaan is playing a key role in our effort to make Amazon accessible within a few minutes to everyone," says Agarwal, adding that the American ecommerce giant's vision in India is to transform the way the country buys and sells. This transformation, asserts Agarwal, will be impactful only by cutting across the rural-urban divide.

It's not hard to figure out why Amazon is betting big on its unique offline-online blend. Rural users will constitute about half of all internet users in India by 2020. Cheaper mobile handsets, spread of wireless data networks, and evolving consumer behaviour and preferences will drive rural penetration, said Boston Consulting Group (BCG) in a report titled, "The Rising Connected Consumer in Rural India", which was released in August last year.

The study said connected rural consumers would increase from about 120 million in 2015 to almost 315 million in five years. Rural growth will significantly outpace growth in urban centres and, by 2020, rural users will make up 48% of all connected consumers in India, BCG highlighted in the report. While most of the focus has been on urban users, much of the action will be in rural areas – home to some 870 million people – for the rest of the decade, the study asserted.

Sridhar Gundaiah, founder of assisted ecommerce platform StoreKing, doesn't have an iota of doubt about where the action lies: Bharat. "Rural India is a goldmine waiting to be tapped," he says.

StoreKing, one of the 18 partners that Amazon has tied up with, works with 44,000 retailers in 2,300 towns and 1.4 lakh villages in 10 states. Last month StoreKing rolled out exclusive Amazon outlets in tier-IV and -V towns in Karnataka. "The location of these outlets are such that it serves all the bordering villages," he says, adding that such stores can now be a pick-up point for all Amazon orders,

StoreKing

Last month, StoreKing opened exclusive Amazon outlets in tier-IV and -V towns

10 exclusive stores opened in Karnataka; target is 1,000 by year-end in South India

StoreKing works with 44,000 retailers in 2,300 towns and 1.4 lakh villages in 10 states

Has raised \$22 million from Mangrove capital and Axiata digital

Multiple tie-ups include those with Amazon, SBI, Indian Oil and Xiaomi

Claims to clock 70,000 transactions per day, and revenue of ₹70 crore per month

Top five frequently bought items in rural areas are face creams, mobile phones, kitchen appliances, home appliances and accessories

Vakrangee

Acts as business correspondents for multiple banks, including Bank of Baroda and SBI

Has ecommerce tieups with Amazon, Augmont, Reliance Jio and redBus

Present in 18 states and Union territories through 26,737 rural outlets and 10,951 urban ones; target is to open 75,000 outlets by 2020

Amazon's Sellers' Outreach and Logistics Programmes

Feet on Street

Launched in 2014 across metros and semi-metros to **build awareness among SMEs**

Programme **assisted sellers** who wanted to get online, but didn't have the knowhow

Sellers were **trained to use digital platforms**, take images and manage orders

Seller Cafes

An on-ground seller support channel. **24 cafes** were launched last September

Sellers can walk into cafes, set up Amazon seller accounts and receive basic guidance

Amazon to set up **45 cafes this festive season**, with key focus on smaller towns

Chai Cart

Started in April 2015 to **educate SMBs** on the online selling opportunity

Explains benefits to business owners and sellers over tea or juice

Cart travelled **15,280 km across 31 cities and smaller towns; engaged 10,000 sellers**



Service Provider Network (SPN)

Creates **virtual platform** for verified service providers and sellers to meet

Has expanded from 21 at the start of 2015 to over **400 across 75 cities**

I Have Space (IHS)

Launched in 2015, IHS partners with local store owners to **provide pickup and delivery**

Now has a network of over **17,500 local stores across 225 cities and towns**

Tatkal

Rolled out in February last year to **help SMBs sell on Amazon.in** in less than 60 minutes

Team has **travelled 50,000 km, covering 120 cities and towns**

ATES (Amazon Trained Ecommerce Specialists)

Started in late 2015, ATES has over **2,400 trained executives**

A chargeable service, executives help sellers list products and manage their account



Seller University

A YouTube channel where Amazon uploads **training videos for sellers**

Has over **700 videos in six languages: English, Hindi, Kannada, Marathi, Tamil and Telugu**



Take Me Home, Country Roads

ShopClues, Xiaomi and redBus too have boarded the bus to Bharat to reach out to a wider set of consumers

Last year, over half of ShopClues' new customers came from tier-III and -IV towns. Radhika Aggarwal, cofounder of India's third largest online marketplace, is not surprised. "The real India lies in Bharat," she says. Tier-III and beyond, she points out, have been under-represented, under-served and under-recognised. The next 100 million consumers will come from Bharat, which yearns for value for money, she asserts.

Dividing rural internet users in India into five categories, Boston Consulting Group had pointed out the potential of two large segments: ambitious users and next-wave users, estimated at 33% and 36% of rural users, respectively. While the typical ambitious user is a young male graduate from a less affluent household and nurturing aspirations to move to a city for work, the next-wave user is usually a young female homemaker from an affluent household who has just started going online.

Chinese mobile players are also hitting the non-urban trail. Take, for instance, Xiaomi, which crossed the billion-dollar revenue mark in India last year and plans to double the growth rate this year. In a first, Xiaomi India has rolled out 200 exclusive stores in rural Karnataka by StoreKing. The move, the company points out, is in line to achieve a strong offline presence, and thereby overall market leadership. "We are running a pilot in the villages of Karnataka," explains a company spokesperson.

With an increase in smartphone adoption due to affordable prices and internet penetration, Xiaomi sees ecommerce growth in these markets. For a company that entered India with an online strategy, having an offline presence has become the new focus area.

In addition to opening 100 Mi Homes, its flagship offline outlets, in India in two years, Xiaomi has started reaching out to tier-II markets and beyond through large format retailer (LFR) partners – like Sangeetha and Poorvika – and Mi Preferred Partner stores. It is present in 12 LFR partners across 12 states and has over 600 Mi Preferred Partner stores across 11 cities. "By the end of the year, the company plans to set up over 1,500 Mi Preferred Partner stores across 30 cities," the spokesperson adds.

"Through partnerships like the one with Vakrangee, we can make better inroads in the rural market. It allows us to reach the farthest towns and villages"

Prakash Sangam,
CEO, redBus



redBus, India's largest inter-city online ticketing platform owned by MakeMyTrip, too, is busy making rural inroads. Last March, it entered into a partnership with Vakrangee to expand its reach. Vakrangee is present in 18 states and Union territories through 26,737 rural outlets and 10,951 urban ones.

"The relevance of a service like ours is just as much or maybe more in the rural areas," says Prakash Sangam, CEO of redBus, which boasts a network of 2,000 bus operators covering over 100,000 routes. The collaboration with Vakrangee, reckons Sangam, doesn't just allow the company to reach the farthest towns and villages but also leverage years of experience in last-mile distribution and expertise in working in rural markets.

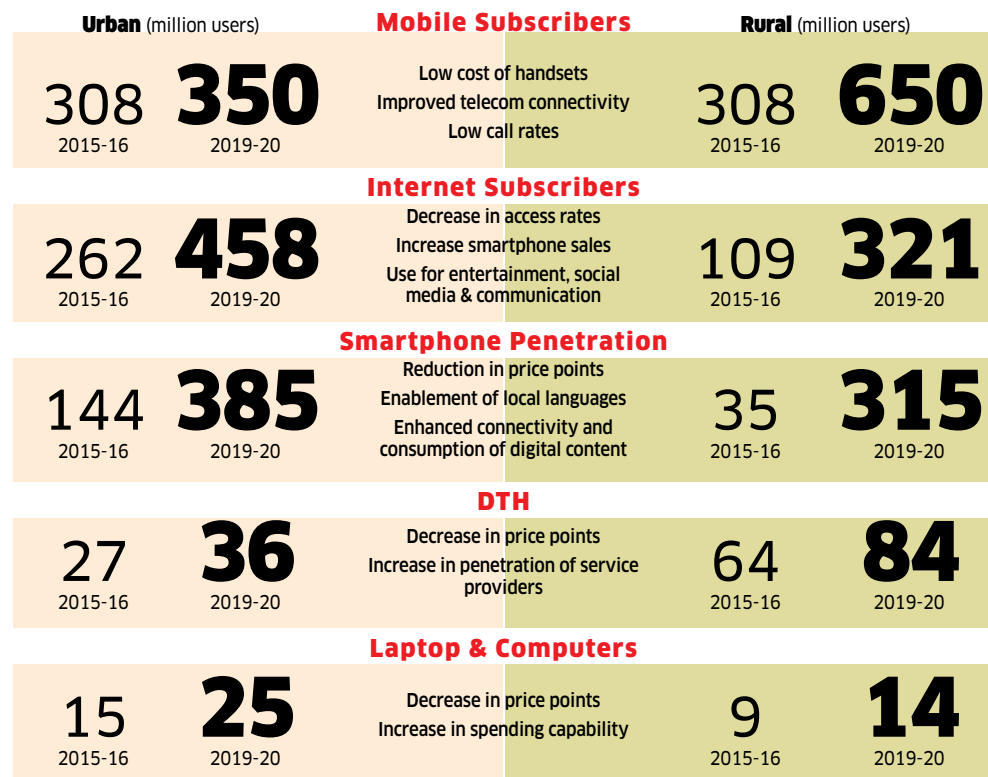
– Rajiv Singh

"The real India lies in Bharat. The next 100 million consumers will come from Bharat, which yearns for value for money"

Radhika Aggarwal,
cofounder, ShopClues



Bharat is as Aspirational as India



assisted order placement for customers and easy collection of cash.

Every exclusive store has been equipped with a trial room for the "try and buy" experience. "Building trust among rural users takes time," says Gundaiah, stressing the reasons that keep users in the hinterland away from online shopping: fear of getting scammed, lack of knowledge in accessing apps, and challenges in payments and logistics. The rural Indian's sceptical mindset, he lets on, yearns for that "physical touch" of products. "Bharat is at the cusp of online shopping explosion," adds Gundaiah.

Kishore Thota, director of customer experience and consumer marketing at Amazon India, has been doing his bit to reduce the rural barrier so that more shoppers can come on board. "More than 7 of every 10 new customers on Amazon are not from the metros but from tier-II and below towns," he claims.

Udaan, maintains Thota, helps in roping in those segments of users that don't trust or have a comfort level in directly assessing Amazon during the initial phases. Working with local businesses that already have an established trusted relationship with such users helps in achieving the objective. "We have expanded 3x this festive season compared with last year," says Thota, declining to share the units sold per store.

Add Small Town to the Cart

The ecommerce giant has also been rolling out a slew of programmes to reach out to sellers from the hinterland and smaller towns. Take, for instance, Seller Cafe. An on-ground support channel, sellers can walk into cafes, set up Amazon seller accounts and receive basic guidance. While the company opened 24 cafes last September, it plans to set up 45 more this festive season, with focus on smaller towns. Thota says it is time we did away with the stereotypes about aspirations and purchasing power of rural India and smaller towns. "The smaller towns and hinterland are as aspirational as urban India," he says, pointing out that demand for premium brands such as Under Armour, Michael Kors and Tissot have increased by about 6x from almost nothing in smaller regions of India.

Ladapura village in Bijnor bears testimony to what Thota claims. Rajat Sharma, 25, wanted a pair of Adidas shoes. The village didn't have any store and the shoes were not available in the city as well. "My friend recently bought a pair online," says Sharma, who finally shopped from Amazon through one of the Vakrangee stores rather than from the app in his own smartphone. "It's convenient to return to the store if the size is not right," he smiles.

Amazon is not alone among retailers wooing rural users, and marketing experts reckon that Bharat will determine the winners (See *Take Me Home, Country Roads*). Ecommerce players, maintains marketing expert Jessie Paul, are doing what the Unilevers and Pepsis of the world have done in India: going deeper into rural India to reach out to the bottom of the pyramid. Unilever or Pepsi, she contends, sought to cover not just all the metros but even villages without a road, because they are scale players who operate on large volumes and slim margins.

"India and Bharat reward players who can survive on tiny margins and scale," says Paul. The strategy makes sense for those willing to make ₹1 per transaction on a billion transactions. As aggregators, it's not easy for online marketplaces to have fat margins in a hyper-competitive space. While Amazon is working hard on gaining mindshare at the mass level, its next big task will be to convert that into market share and profits, adds Paul.

For the fiscal year ended March 2016, Amazon India's loss soared to ₹3,572 crore as against ₹1,724 crore in the previous fiscal year. Revenue during the same period jumped to ₹2,275 crore from ₹1,022 crore (numbers for the year ended March 2017 haven't yet been reported to the registrar of companies).

Ashita Aggarwal, head of marketing at SP Jain Institute of Management and Research, reckons that Udaan might turn out to be the silver lining for Amazon. "It might be the jinn that Amazon has been trying so hard to find in India," she says. With cities getting saturated and the same set of consumers being targeted by multiple ecommerce players, it's the hinterland that may be the promised land. "The mantra is just to dig deep and hang on for the next few years." ■



"India and Bharat reward players who can survive on tiny margins. It is ideal for companies that are willing to make ₹1 per transaction on a billion transactions"
Jessie Paul,
marketing expert