
Entrepreneurial Opportunities in Home Delivery of Vegetables

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Introduction:

It is the age of innovations, disruptions and start-ups. It is happening across the sectors and places. This phenomenon is created by technological changes, supported by the competing government policies and changing ecosystem. Today we can see the many new models and solutions to solve the human problems are brought to the practice by starting new ventures. It may be in the field of healthcare, education, agriculture, banking and finance name any sector disruptive business practices and models are adopted and the way business was done earlier is challenged. This trend has made authors to look in to the entrepreneurial opportunities in the home delivery of vegetables. Authors experience of how farmers are exploited by the middlemen and problem faced by the time poor consumers led to the thinking of developing this new business model. The proposed model tries to solve the problem faced by the farmers and consumers. Getting fare price for their produce is very difficult for the farmers. They are the only people on this earth can't sell their products at their price. It is common to witness the continuous up and downs in the price of agri commodities, both perishable and non-perishable commodities. This is majorly due to the miss match of demand and supply rather than variation in the cost of production. Farmers fall in to sever financial crisis because they even fail to cover the cost of production when prices rock bottom and this is one of the reasons for the farmer suicides in India. Few months back we have seen Ture dall prices went up to Rs. 180 to 190 per kg and now it is in the range of Rs. 60 to 70 per kg. Same is happening with many other commodities also. The fluctuations in the prices are more common in perishable items like vegetables. Few months back tomato and onion prices were more than Rs. 100 per kg and now they are at just Rs. 10-15 per kg. When prices goes up consumers suffer and when prices go down farmers suffer but in both the cases only middlemen are the only beneficiaries. This problem can be solved by managing the demand and supply mismatch and efficient supply chain management. The proposed model is based on this concept. The proposed business model will provide fare price to farmers and just or sustainable profit for entrepreneurs. Hence this paper tries to explain the practical utility of the business model and suggests the strategies for successful implementation.

Indian Vegetable Market

Traditional Indian retailers account for 12 million retail outlets all over India and more than 40 percent of them sell vegetable and grocery (IBEF, 2008). Indian food retail consists of staple commodities comprising grains, pulses, and vegetables. The Indian food retail business, especially vegetable retailing is witnessing a rapid growth in India's organised retail sectors. The traditional retailing of vegetables is not very much organized, amounts to 97% of the total market (Ernst & Young, 2006), is extremely localised and highly fragmented with large number of intermediaries. The intermediaries between the customers and farmers are traditional retailers with different outlet formats-mom and pop shops, non-permanent shops in the market, pavement vendors, roadside vendors and push cart vegetable sellers, wholesale traders, commission agents and auctioneers. The farmers themselves sell their produces directly to the end consumers in local markets, regulated and unregulated 'farmer markets', or they sell to intermediaries—agents and organised retailers. The market place is usually in close proximity to the farmland and customers accessing the market live in and around locale. **Farmers selling vegetables directly to the customer amount to very small fraction by volume.** Farmers sell bulk of their produces to agents and auctioneers. The agents buy small quantities of produces from farmers and transfer it to wholesalers directly or through another agent. The auctioneers are people who enter into buying contract with farmers for whole or partial quantity of the produce and sell the produce to an agent or a wholesaler. Auctioneers also transfer the vegetables to wholesalers directly or through another agent. Wholesalers of vegetables sell to retailers—both traditional and organised retailers, and to customers, who buy in large quantity. Cart vendors, a type of traditional retailers, buy vegetables from wholesalers or organised retailers, sell to customers in mobile carts and deliver to customers at customer's doorsteps.

Major Players in Home Delivery Segment

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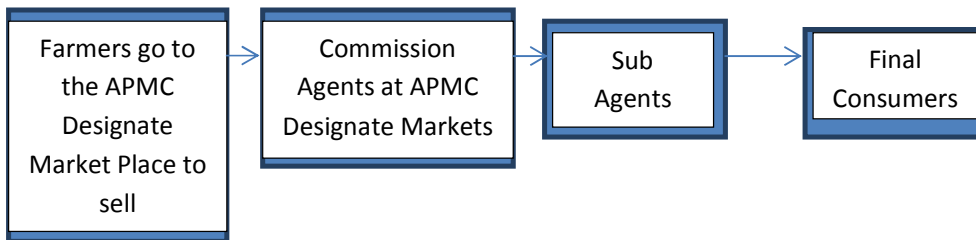
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Online grocery stores are gaining popularity in India due to sheer convenience, ease of shopping and a fast-growing market. Globally, online grocery retail is growing nearly 7 times faster than on-ground formats and the Indian market may soon catch up. For one, the Indian retail industry is estimated to be worth over \$500 billion (one of the world's top 5 markets) and 30-40% of the businesses will be in the online retail space over the next 7 years. This presents a great opportunity for any form of e-tailing, especially the e-grocery space. As of now, grocery e-tailing in India is a largely unorganised space and poses a big challenge in terms of stiff entry barriers. The traditional methods of inventory and logistics management call for intense cash-burning - a business condition most of the bootstrapped Indian start-ups fail to meet. Moreover, a Series of funding crunch also compelled companies like Mumbai-based ShopVeg to shut down operations. With a large customer base and increasing penetration of internet connectivity (partly through smart phones) and growing popularity of online shopping, some entrepreneurs have seen the potential in creating e-stores for groceries. If you understand the retail market, a bit of creative thinking and excellent customer service can help you build a great business. AaramShop.com, EkStop.com, BigBasket.com, AtMyDoorSteps.com, MyGrahak.com, ZopNow.com, Omart.in, LocalBanya.com, RationHut.com, Kada.in, kiranawalla.com, Dilligrocery.com, Vegwala.com, Veggibazaar.com, Fresh n Daily, Freshboxx Ventures are some of the online stores retailing groceries. Most of the existing e-tailers offer their service in metros and major urban centres. The proposed business model is completely different than these companies' business models. Proposed model is very less of online and more of offline booking and delivery of vegetables.

Present Business Model of Vegetables:

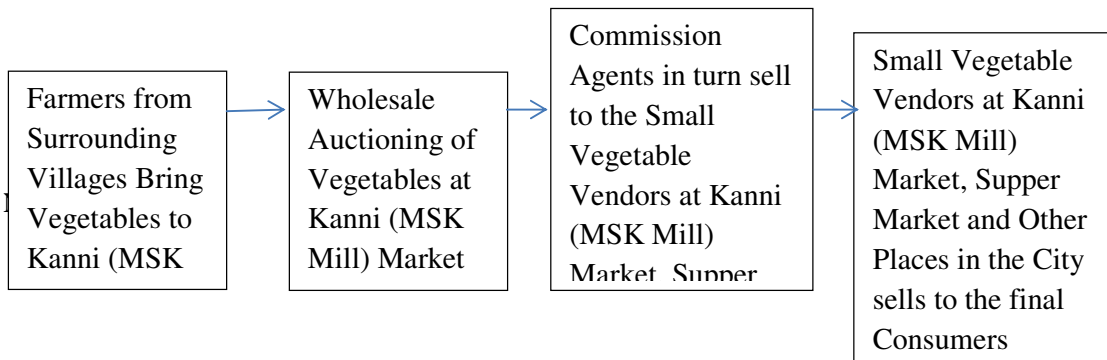
Agriculture is the concurrent subject so we have central government as well as state government policies to govern the agriculture produce marketing in India. Hence all the states have APMC Acts under which agri-markets operates. In the present system farmers bring their produce to the APMC and Commission agents will buy them in bulk and sell it to sub agents and sub agents in turn sell to final consumers (See the Figure 1).

Figure 1



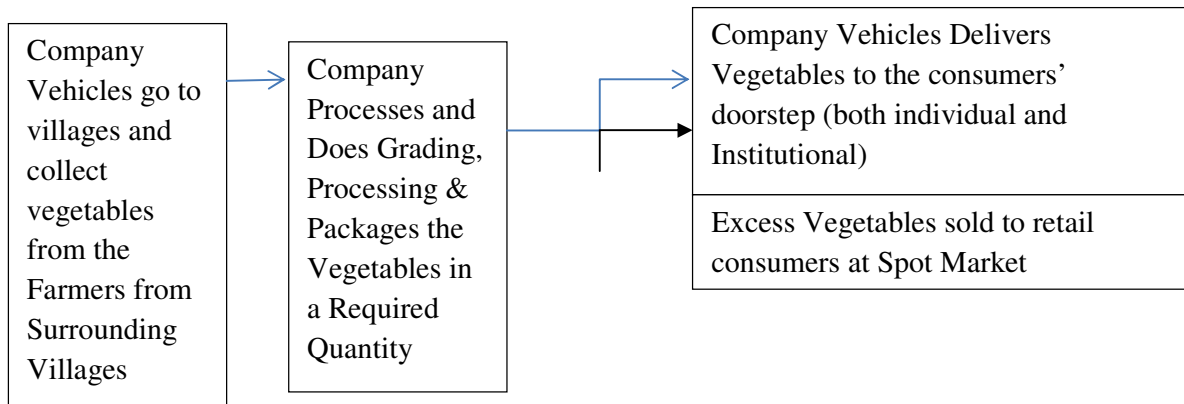
In the present system (above model) farmers don't know what the price they are going to get for their produce until they bring it to the market (APMC). If the price is less than their cost of production or the expected level they can't hold their produce till they get their price because vegetables are perishable and there is no proper warehousing and cold storage facilities at many of the APMCs. Hence they are forced to sell whatever the price they get. Otherwise also it is noticed that agents at the APMCs especially in vegetable markets buy at close to half the rate at which they sell it in turn to the sub agents and consumers (see table 1).

Figure 2: Present Vegetable Market in Kalaburagi City



On the one hand farmers are not getting the return what they suppose to get for their produced in the existing market system. On the other hand the household's of Kalaburagi (Gulbarga) city are now getting more urbanized with the improving condition of infrastructure, better access to healthcare, shopping malls, quality of education and other better alternatives available to them at par with metro cities. This has made Kalaburagians to opt for better product and better service as their fellow Indians in metros. Also with the change in their lifestyle, taste and preferences, the busy schedule of work and both husband and wife working. This is high time to cater the population of Gulbarga with home delivery of vegetables with stable and affordable prices. Hence they can enjoy the luxury of getting quality, fresh, ready to sue (processed) vegetables at their doorstep through known supplier.

Figure 3: Proposed Business Model for Vegetables Marketing in Kalaburagi City



Any one looks in to the proposed alternate model and compares with the existing system of vegetable markets they may have the following questions;

1. How farmers will agree for a price before producing the vegetables?
2. Why and how consumers will buy at a fixed/agreed price when vegetable prices vary on daily basis?
3. How to decide a fixed price of the vegetables? And how to convince the farmers to sell at that price and consumers to buy at that price?
4. Does the existing APMC Act permits for buying vegetables directly from the farmers?
5. How to manage end to end supply chain?
6. Will it be profitable venture?

Let's take these issues one by one. Regarding the question of farmers agreeing for fixed price, as we have seen today farmers are committing suicides because they are not getting the price what they deserve and falling in debt trap. There are two important reasons; number one they won't calculate the cost of production scientifically and fix their price; number two they can't decide the price at which they want to sell. The simple solution the authors propose is calculating the actual cost of production including farmers profit scientifically with the help of agriculture experts. To decide the price one more necessary component is finding the average price of a commodity in wholesale as well as retail market (authors have collected two months price of vegetables which are sold in the wholesale and retail markets in the Kalaburagi City). To find these prices authors proposes to take last year average price and last five year average inflation. This mechanism will help to decide price scientifically and farmers will get what they deserve. Here one more question may arise if the farmers get average price of the market then, what additionally they are getting in the proposed system than existing system? In existing system farmers are getting the prevalent wholesale price, but in proposed model they will get more than the wholesale price and it free them from the exploitation of commission agents. Two months survey of wholesale and retail prices at the Kanni/MSK Mill and Supper Market has shown (Table 1) that there is huge difference between the whole sale price and retail price of vegetables. This allows giving better price for the farmers in the proposed model. See the major vegetables like Tomato, Potato, Green Chilli, Onion (table 1) they are bought at half the price they are sold at retail market. Wholesalers and retailers are together getting more than what farmer is getting. It requires farmer to produce Tomato at least 40 days, it means for his 40 days labours effort is valued less than the one day labour of the wholesaler and retailers. This huge

difference in prices allows proposed alternative model to give better price to the farmers and remain profitable.

Table1: The Wholesale and Retail Prices in Kanni Market and Super Market, Kalaburagi

Sl. No	Vegetable Name	Kanni Market Wholesale Price	Kanni Market Retail Price	Percent age of Difference in price	Super Market Wholesale Price	Super Market Retail Price	Percentage of Difference in price	
1	Ladies Finger	25.13	32.84	47		34.73	53.31	
2	Fenugreek (Methi)	2.21	3.27			3.54		
3	Spinach (Palak)	2.31	3.43			3.46		
4	Corriander	2.53	3.91			4.37		
5	Matki Phalli	21.44	36.14			38.94		
6	Cucumber	20.44	28.85			31.27		
7	Tomato	6.22	11.39			5.2		10.47
8	Potato	10.31	20.37			10.13		20.96
9	Green Chilli	21.19	38.62			20.16		41.66
10	Bell Pepper(Shimla Mirch)	21	33.53					34.44
11	Indian Sorrel (Ambada)	2	3.45					3.69
12	Onion	6.52	13.36			5.55		13.24
13	Brinjal	19.86	27.67					28.94
14	Beetroot	23.11	37.96					39.59
15	Turrai	40.66	43.79					45.78
16	Binis Phalli	33.82	41.78					41.63
	Total	258.75	380.36			396.71		

Source: Field Data collected during March-May 2014 for 58 days

The next big question is how to convince consumers to buy at a fixed price when prices in the retail market vary daily. Here also the same solution, what the average price paid by the consumer in the last year for the vegetables let him pay the same this year plus inflation added. Take an example from the table 1 consumers on an average paid Rs. 20.37 per kg for Potato. If he/she has been shown the what an average retail price they have paid last year then there is high probability they will agree for the fixed price which is equivalent to average dynamic price . This will help to convince the consumer, whether they are buying at every day price or at a fixed price they are going to pay the same price. Hence it doesn't make any difference to them buying at a fixed price though price in market change every day.

The above two paras will give answer to the third question. Regarding the fourth question Government of India has asked the states to amend their laws to allow farmers to sell their produces outside the APMCs and it is considering improving the APMC Act to benefit all parties involved. Because, the present APMC system makes farmers more vulnerable to traders' and marketing agents' price manipulations. And in July, 2016, the Maharashtra State Government removed fruits and vegetables from the purview of the APMCs. The state government has urged the farmers to directly bring their produce for sale in Mumbai. The government has granted 148 Direct Marketing Licenses of which 91 are for fruits and vegetables. The Pune APMC, meanwhile, appealed to the farmers from the state as well as from outside to bring their produce to the market and sell those directly. However farmers in Karnataka cannot sell produce outside the APMC mechanism. However, the government is now encouraging direct selling through 'Raita Bazar' or to supermarkets directly.

Regarding the end to end supply chain management, as usual farmers will bring their produce to the warehouse of the proposed firm and they will get return at the agreed price. Then these vegetables are

processed and packaged in different quantity based on the requirements of the each family of 2, 2+1, 2+2, 2+3, 2+4 members. This quantity will be based on the advice of the expert nutrition and doctors. The special delivery packages will be designed based on the family size and requirements. The frequency of the delivery will be weekly twice, weekly once, fortnightly and Monthly based on the perishability of vegetables and requirements of the consumers. Payment collection will be monthly in advance.

Authors' calculations are positive and it will be a disruptive business model. Exact calculations can't be provided because venture not at started. The profitability of the model differs from cities to cities due to change in the consumers profile, purchasing power, farmers efficiency, non-availability of certain commodities in some cities, etc.

Challenges:

Every business has its own challenges hence this also. Some of the challenges this business model may face are as follows;

1. Convincing the farmers and consumers
2. Forecasting the prices because no accurate tool is available
3. Efficient management of supply chain
4. When it become bigger and existing traders start losing business, they may agitate against this kind of business practices

Conclusion:

Though the proposed business model has some challenges, they can be solved or either manageable. This is very good opportunity for the one who want start the business and for the farmers, because both will gain from the proposed business model. Now days direct selling is common phenomenon and it is largely practiced in the state of Maharashtra. But the proposed model is different than what the farmers associations in different parts of the Maharashtra are doing. They won't process the vegetables and deliver to the consumer doorstep. They come together and put a weekly bazar in specific location and consumers come to the bazar and buy the vegetables. The proposed model can be adopted by the any individual or the farm community or cooperative association. Presently the proposed model is under pilot stage and authors are collecting the one year price data at different vegetables markets of Kalaburagi to understand the impact of all the season on the price movement. The success of the model is also depending on the receptiveness consumer. Authors strongly believe that given the life style and the time poor working couples and elderly people who can't offer to go the market will prefer this as more convenient.

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