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Decoding Omnichannel: Strategies for D2C Brands



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Foreword

Over the past two years, the landscape of Indian consumer brands has embarked on an inspiring journey marked by innovation and triumph. While companies like Mamaearth, Manyavar-Mohey, and Go Colors have secured notable success in the public market, venture-backed startups such as Cult Fit, Urban company, Curefoods, BoAT, Homelane, Lenskart etc. have demonstrated the potential for consumer startups to scale, propelling momentum within the venture capital and startup ecosystem.

These ventures have adeptly tailored their offerings to meet the diverse needs of the Indian consumer.

With preferences influenced by cultural, geographical (urban/rural), religious and income disparities, Indians exhibit diverse shopping habits across various channels, from malls, multi-brand / general trade outlets to digital platforms. Therefore building trust and reliability while embracing digital trends remain paramount. This unique consumer profile presents both a challenge and an opportunity for businesses operating in India.

At the heart of this opportunity lies the omnichannel approach, pivotal for scaling consumer brands in India. While the online shift has expedited the process of digitally launching a brand (1000+ D2C brands launched in India post COVID), with some brands going from inception to market in less than seven days, offline purchases still form a significant portion

of transactions. Therefore, seamless integration and communication between online and offline channels are indispensable for any brand's success.

This fusion of online and offline presence is distinctly Indian, reflecting the unique preferences and behaviors of Indian consumers. It bridges trust and convenience barriers, accommodating a shopping journey characterized by a mix of traditional values and modern conveniences. Take the rural farmer, for example. While embracing the convenience of online ordering, they still value the tactile experience and personal interaction of in-store pickup. Agrostar recognizes and addresses this dichotomy through its omnichannel approach, seamlessly integrating online ordering with offline pickup (Agrostar has built their presence in 8K+ stores). This not only caters to the farmer's need for convenience but also ensures trust and reliability through physical interaction.

In sectors like jewelry, consumers explore online but ultimately decide offline, where factors like fit and style are accurately assessed. Bluestone has leveraged tech to build a unified experience where customers discover designs online through their exhaustive online catalogue and seamlessly assess fit and comfort in store for the shortlisted designs, thereby streamlining the entire purchase journey into a single continuum. This provides a great experience, accessibility, reassurance, and ultimately, bolstered brand trust.

While the first generation of omnichannel brands focused on building omnichannel technology, the next generation will introduce new, uniquely Indian business models and solutions. Rentomojo is an early offshoot, enhancing awareness and quality perception through omnichannel strategies. By leveraging both online and offline channels, Rentomojo aims to scale its innovative concept of affordable household rentals in India.

In "Decoding Omnichannel," our report delves into the intricacies of this retail revolution, drawing insights from trailblazing companies like Caratlane, Lenskart, and Mamaearth. By offering actionable strategies and insights, we aim to empower entrepreneurs and brands to navigate this dynamic landscape with confidence.

As India's retail market hurtles towards a projected \$2.2 trillion by 2030, the convergence of offline and online influences presents a transformative opportunity for consumer engagement. Embracing this fusion not only as a necessity but as a strategic imperative, businesses can position themselves at the forefront of innovation, driving sustainable growth and resonating deeply with the diverse needs of the Indian consumer.



Prashanth Prakash
Partner, Accel

Foreword

Truth is, we are all consumers. The more technology surrounds us, the more opportunities and intersections it creates for consumer brands. An omnichannel presence is one such set of opportunities that help a new generation of founders serve their consumers faster, better, and in an utterly original manner from traditional brands.

No single formula works for all categories, or all stages of a brand's journey. And there will always be the brand's own strategy, sometimes governed by geography, or community, or even sustainability.

In our seven-year journey of partnering with some of the country's finest new-age consumer brands, we've come across several learnings: Some of these are related to the timing of going omnichannel. Others concern blind spots and 'yellow flags' to keep in mind. And still others help sharpen your channel strategies. One thing we're convinced of, though, is that there are several opportunities to be unlocked by new-age brands offering their consumers multiple storefronts at which to shop.

This report is our attempt to share those learnings in a clear and useful manner, so that even more new-age founders can use the omnichannel route to strengthen their business. Take, for instance, Mamaearth, which went from being a mom-and-baby D2C brand to becoming a full-fledged BPC player available at your neighbourhood store, where it started gaining share over legacy brands and winning over offline-only consumers. Or The Sleep Company, which designed its offline presence to be experiential and geographically widespread, so that they could take comfort tech to a new cohort of consumers who lived beyond the metros. Or even The Baker's Dozen, which began life as an artisanal bakery in Prabhadevi, Bombay, and now serves consumers sourdough, cake, and crackers at its own stores, modern and general trade outlets, as well as every flavour of e-comm and q-comm channels.

Today's consumer brand founders are truly rewriting the rules of engagement – whether by building a community, or personalising products, or using content to guide their consumers. They walk a more agile, flexible, and responsive

journey than any of their predecessors ever have. They have an intelligent ecosystem built upon technology, insights, enablers, and new avenues of distribution to leverage. Deployed at the right time in the brand journey, and in a way that's true to the brand's DNA, an omnichannel approach becomes one more weapon in their arsenal. As investors and consumers, we can't wait to see what a new generation of founders will do with the unique opportunities of omnichannel.



Kanwaljit Singh

Founder & Managing Partner, Fireside Ventures

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Evolving consumer behaviour

Omnichannel behaviour of the Indian consumer will increase over the next decade



Scaling digital-first brands

Digital first brands are well poised to scale omnichannel, examples of new-age at scale brands



Building omnichannel businesses

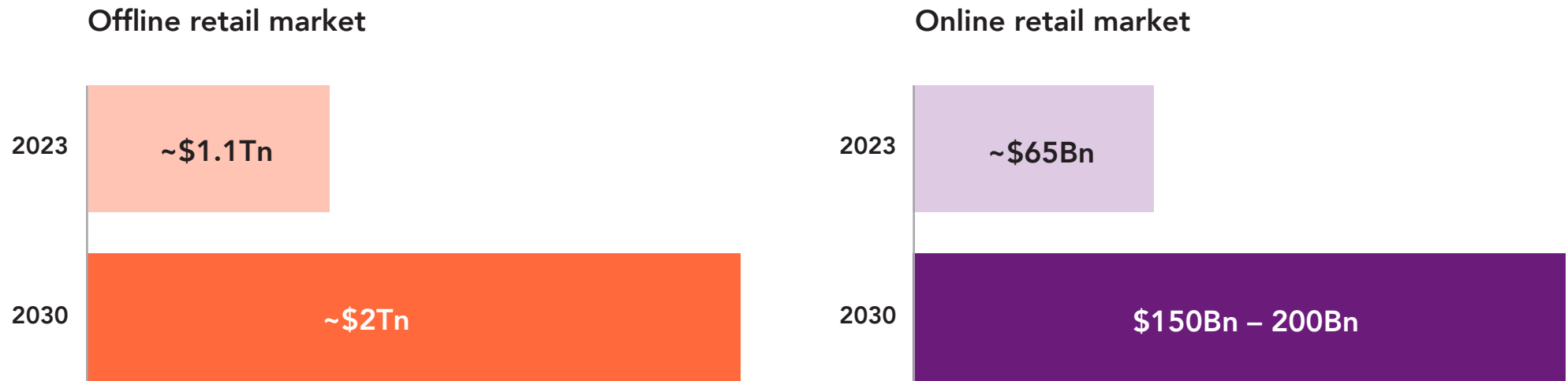
Key building blocks of an omnichannel business, launch and scale strategies for different channels

Section 1



The purchase behaviour of Indian consumers is increasingly becoming omnichannel. To build a large and sustainable brand, one must be where consumers are.

India retail is poised to be a \$2.2Tn market by 2030, ~90% of the market will be delivered offline, however, a significant portion of purchases are expected to be influenced online



We are seeing consumer choices being influenced by what consumers see online across categories
 Indians conduct 24Bn online searches in different categories annually to learn more about a product before purchase

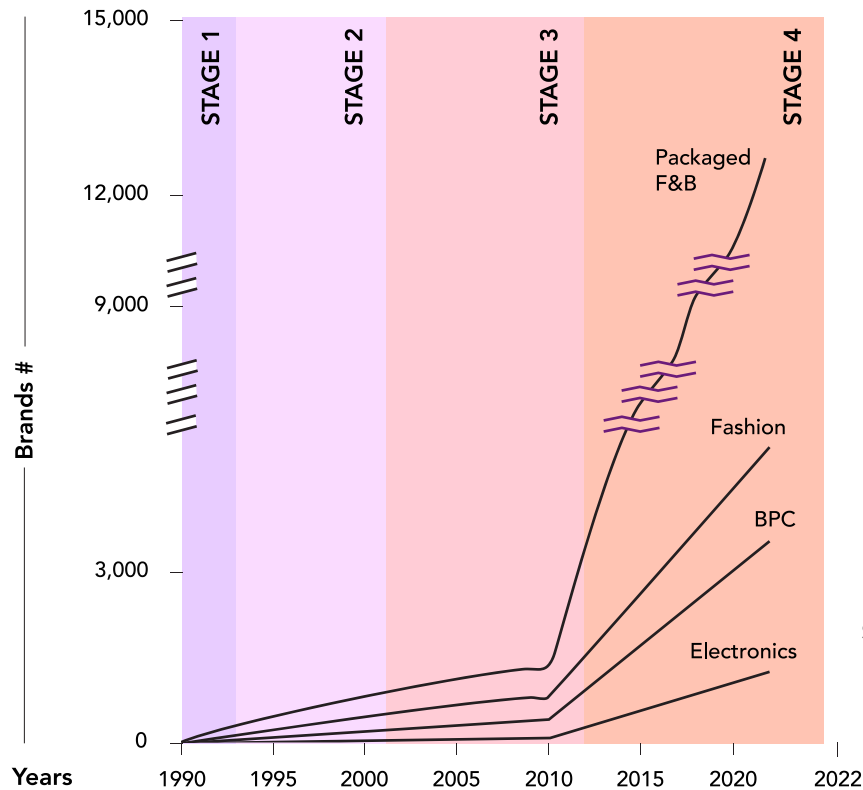


Note(s): ~60% of the total value concentrated in food and grocery, followed by fashion and lifestyle.

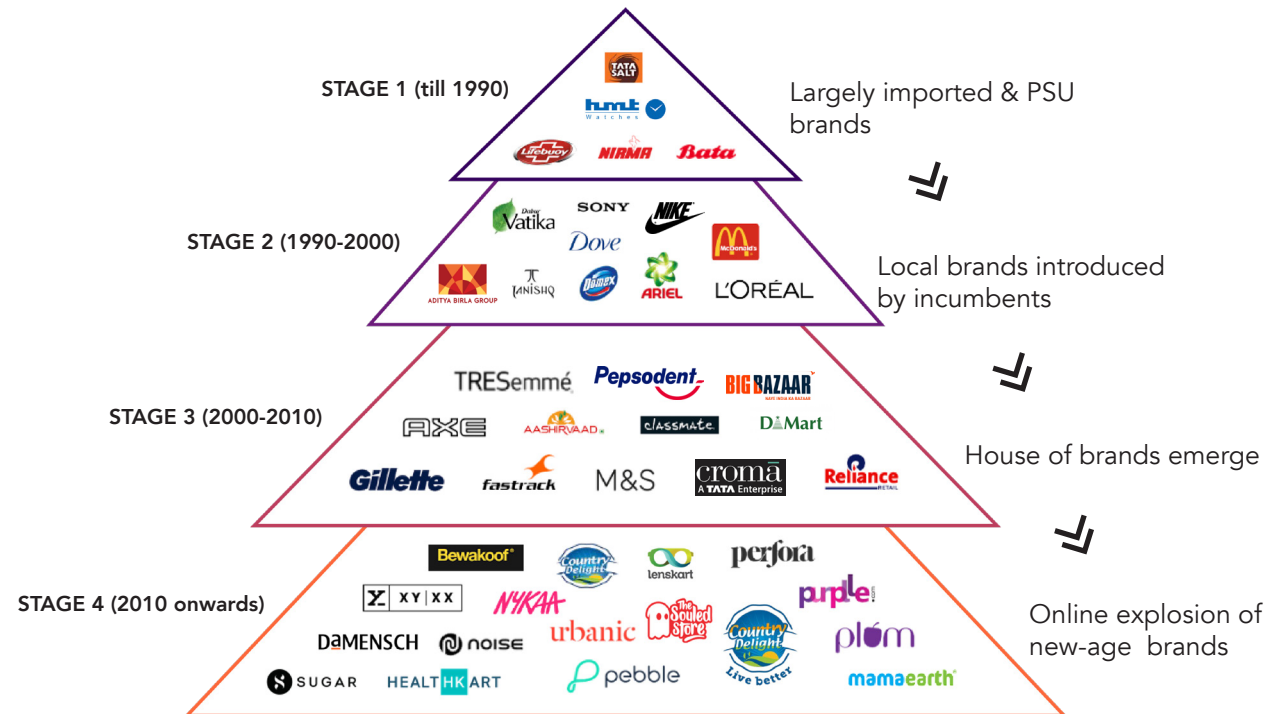
Source(s): Redseer analysis, Google data

Online channel has spurred innovation and led to the birth of many new age brands across multiple categories over the last decade

Introduction of new-age brands



Evolution of brands in India



Source(s): Redseer analysis, press articles

However, today omnichannel shopping experience is increasingly becoming the consumer's basic expectation



“ The future is frictionless. By offering an omnichannel experience, we empower consumers to seamlessly switch between online browsing, in-store consultations, or social media interactions. Omnichannel retail ensures we're accessible however our customers choose to shop.

**Anurag Kedia, co-Founder & CEO,
Pilgrim Beauty**

”

“ After a while of being a fully online operating brand, we started getting calls from customers asking where they can try out the products. For digital-first companies looking to go omnichannel, the only signal needed is listening to customers. Because after a point, they won't stop telling you they want a store!

**Priyanka Salot, co-Founder,
The Sleep Company**

”

Multiple consumer brands have adopted omnichannel strategies to tap into evolving consumer behaviour and build scale



Tap into Tier 2+ customers

60%+ of Nykaa's GMV is from Tier 2+ cities. Consumers show preference for "trial" or "touch and feel" of the product before purchase.



Enable a complicated purchase

Eyewear is a complicated purchase (trial, fit, eventual look) and can need assistance. Lenskart expanded to ~1500 stores in FY23 to unlock true demand.



Grow reach by increasing distribution

80%+ Indians continue to shop BPC offline in kirana stores / other outlets. Mamaearth's products are now across 1.8 lakh+ retail outlets, 100+ EBOs.



Facilitate a high AOV purchase

Caratlane website sees 3M+ visits monthly, but majority sales happen via the 230+ offline stores. Given the high AOV purchase, consumers prefer to try, touch and verify.



Build in an unorganised market

Firstcry has been driving the shift of the overall baby category to online. 1000+ stores have helped Firstcry build trust as a one stop shop in the category.

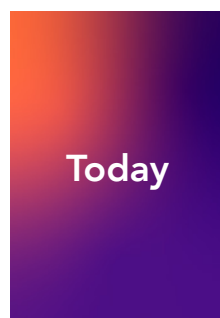
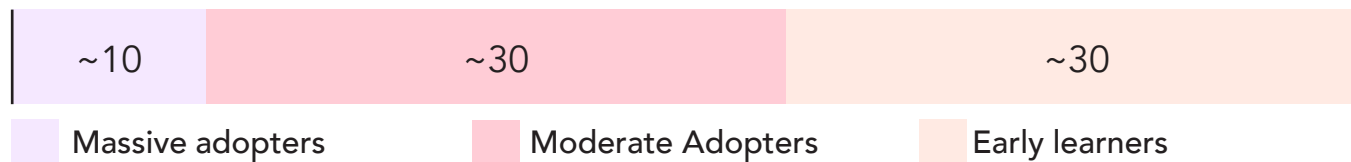


Deliver wholesome experience

While online food ordering is a growing trend, eating out is still an experience that occupies a reasonable share of consumer wallet, which Curefoods is going after.

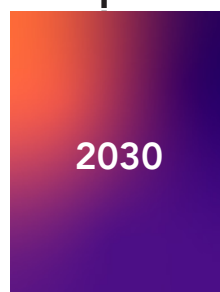
In urban India, most households will observe a significant shift towards an omnichannel purchase behaviour going forward

Urban Households in India (Mn)



How do they discover products?
Where do they conduct the transaction?

Heavy online shoppers across categories	Choose online for select categories/products	Warming to online as a channel
Largely online	Online + Offline (online browsing is popular)	Limited online
Predominantly purchase online unless the category merits offline involvement	Prefer online purchase for categories where they have made online tx before	Predominantly purchase offline



How do they discover products?
Where do they conduct the transaction?







Largely online	Omnichannel behaviour where discovery, consideration, purchase and post purchase can happen seamlessly across channels

Note(s): 1. Only urban households have been included

Source(s): Primary Research, Consumer Survey N=1600 (Mar-Apr 23), Redseer Analysis

Today, channel preferences are influenced by categories, however many of them are seeing early shifts towards omnichannel...









CATEGORIES	TODAY		
	Massive Adopters	Moderate Adopters	Early Learners
 Packaged Foods	<ul style="list-style-type: none"> Partial discovery online Majority purchase offline 	<ul style="list-style-type: none"> Limited online discovery and majority 	
 Fresh Foods			
 Beauty and Personal Care	<ul style="list-style-type: none"> Discovery online Omnichannel purchase with preference for offline for new products Repeat purchases majorly driven online 		<ul style="list-style-type: none"> Omnichannel discovery Need support/trial during purchase Repeat purchase can be online
 Fashion			
 Electronics	<ul style="list-style-type: none"> Discovery, purchase and post purchase online 	<ul style="list-style-type: none"> Discovery across channels Purchase and post purchase offline 	
 Home and Living	<ul style="list-style-type: none"> Search catalogues online Purchase and post purchase happens offline 	<ul style="list-style-type: none"> Discovery, purchase and post purchase offline 	

Source(s): Primary Research, Consumer Survey N=1600 (Mar-Apr 23), Redseer Analysis

...we expect this behavior to increase over the next few years.



CATEGORIES	By 2030		
	Massive Adopters	Moderate Adopters	Early Learners
 Packaged Foods	<ul style="list-style-type: none"> Will see a smooth omnichannel purchase behaviour 	<ul style="list-style-type: none"> Will see discovery and some purchase happen across multiple channels. Offline to still contribute a large part of the delivery 	
 Fresh Foods			
 Beauty and Personal Care	<ul style="list-style-type: none"> Will see a smooth omnichannel purchase behaviour across all stages of the funnel (discovery, consideration, purchase and post purchase) 		
 Fashion			
 Electronics	<ul style="list-style-type: none"> Will continue to show an online funnel primarily, with post purchase experiences involving offline touchpoints 	<ul style="list-style-type: none"> Will see discovery and some purchase shift towards being omnichannel 	
 Home and Living	<ul style="list-style-type: none"> High priced purchases to continue to involve a few offline touchpoints Discovery and regular purchases to shift towards being omnichannel 		

Source(s): Primary Research, Consumer Survey N=1600 (Mar-Apr 23), Redseer Analysis

Section 2



Digital first brands are well poised to scale omnichannel strategies. We are seeing this play out across consumption categories in the country today.

Being online-first has many advantages: provides quick access to consumers and multiple points of sale, enables a faster feedback loop and helps generate awareness and demand

Instant access to retail channels

Immediate access to online retail storefront v/s a lead time of few weeks - months for access to offline stores

Brands can list their products on e-commerce marketplaces (such as Amazon, Flipkart, Meesho, Myntra) in less than a week

Minimum inventory required

Can launch online with minimal inventory vs 2-3 months of inventory for offline channels with limited scope for changes

Newme, for e.g., launches 750+ designs on the app with no inventory; manufacturing is initiated when customer order is placed

Immediate customer feedback

Online reviews, comments, market/ search share information from platforms gives access to immediate customer response

Pilgrim Beauty, for e.g., scales products across channels only if their market share for a product is consistently above a threshold

Instagram, YouTube and WhatsApp can be leveraged to build brand promise and generate demand

Offline expansion by online brands can unlock scale, address consumer needs, drive overall conversions and strengthen the brand promise

Where online builds demand and influences decision making, offline can...

Fulfill demand in certain categories which need assistance/ trial/ security during purchase



Homelane sees high demand for home interior products such as wardrobes, kitchen units and living room units pan-India (Metro, T1, T2+). Given its design led, high value purchase, offline presence helps create credible leads as consumers can touch and feel the product and decide if Homelane is for them.

Drive conversions in geographies/ customer segments where online experience is broken



Many women in Tier 2+ towns find **WOW Science** products online but prefer purchasing them offline for a smoother purchase and return experience. The team has noted multiple offline sales requests through their social media posts.

Build brand salience where purchases are emotional/ involve building trust



Purchase of agricultural inputs involves multiple qualitative factors and is an important part of a farmer's life. **Agrostar** allows farmers to place orders via their app and pick the products from the store, providing a reliable redressal mechanism in case any complaints arise.

Building a true omnichannel brand requires offline and online capabilities to come together. We believe digital first brands can lead the charge here, given their agility and tech prowess

Key capabilities that digital-first brands can leverage to become leading omnichannel brands:



Digital-first brands

Omnichannel brands

Strong product innovation engine and quick feedback loop to create a wide portfolio

Leverage online product portfolio performance to scale the right products across the right channels

Data driven marketing to drive awareness and online conversions

Drive in-store traffic and conversions by utilizing online channels such as digital, social media etc.

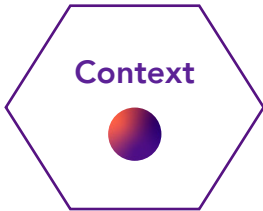
Backend tech to store and manage customer, sales and inventory data

Optimize product and tech to manage store processes, inventory and customer NPS



Case Study

Bluestone offers an omnichannel jewelry experience, allowing online product selection with in-store checkout convenience



Context

Bluestone is a fine jewelry brand that was founded in 2011. Over the last decade it has emerged as India's largest omnichannel jewelry brand with over 190+ stores countrywide.



Action

Set up stores in congruence with online activity density:

- Customers browse and select jewelry online prior to a purchase. However, touch + try are critical steps to buying jewelry; hence seamless purchase of online cart to offline checkout is enabled at stores

Leverage data across multiple nodes to optimize supply chain metrics:

- Inventory planning and demand forecasting basis online customer selection and cart addition
- Real time view on product sales across stores and inventory in-stock



Impact

Scale offline via different operating models:

- Experimentations with multiple operating models e.g., COCO/ Franchise to help identify the right mix needed to drive highest RoE

~1200+ Cr

Revenue FY24

140%+

Revenue CAGR (FY20 – FY 24)

190+

Offline stores (FY 24)

4X

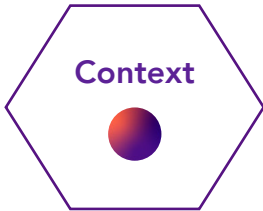
Increased online search trends (2020-2024)

Source(s): Company interviews



Case Study

AgroStar is empowering 10Mn+ Indian farmers via an omnichannel approach delivered via its farmers app and retail store network



AgroStar is India's leading agritech start up, founded in 2013 with the mission of Helping Farmers Win. It solves for the farmer by delivering personalized agri-advisory, providing high quality agri-inputs and enabling access to global markets for their produce.



Set-up retail stores to go deeper in online demand catchments

- Nearly 70% of pin codes with online demand have at least one retail store in their catchment
- 52% the transacting customers at retail stores, had previously consumed content on the Farmer App. They demonstrate an ARPU growth of 30% with a store opening in their vicinity

Drive new customer acquisition via retail stores

- 72% of the farmers acquired at the store consume agri-content on the farmers app within 5 days of transacting at store

Unlock profitable growth for retail partner's business

- 25%+ increase in retail partner's footfall and 50% increase in retailer margins post collaborating with AgroStar



~750 Cr

Net Revenue (FY24)

7,000+

Retail stores

30,000+

Farmers connect with the advisory center daily

100,000+

Farmers connect daily on the farmers app

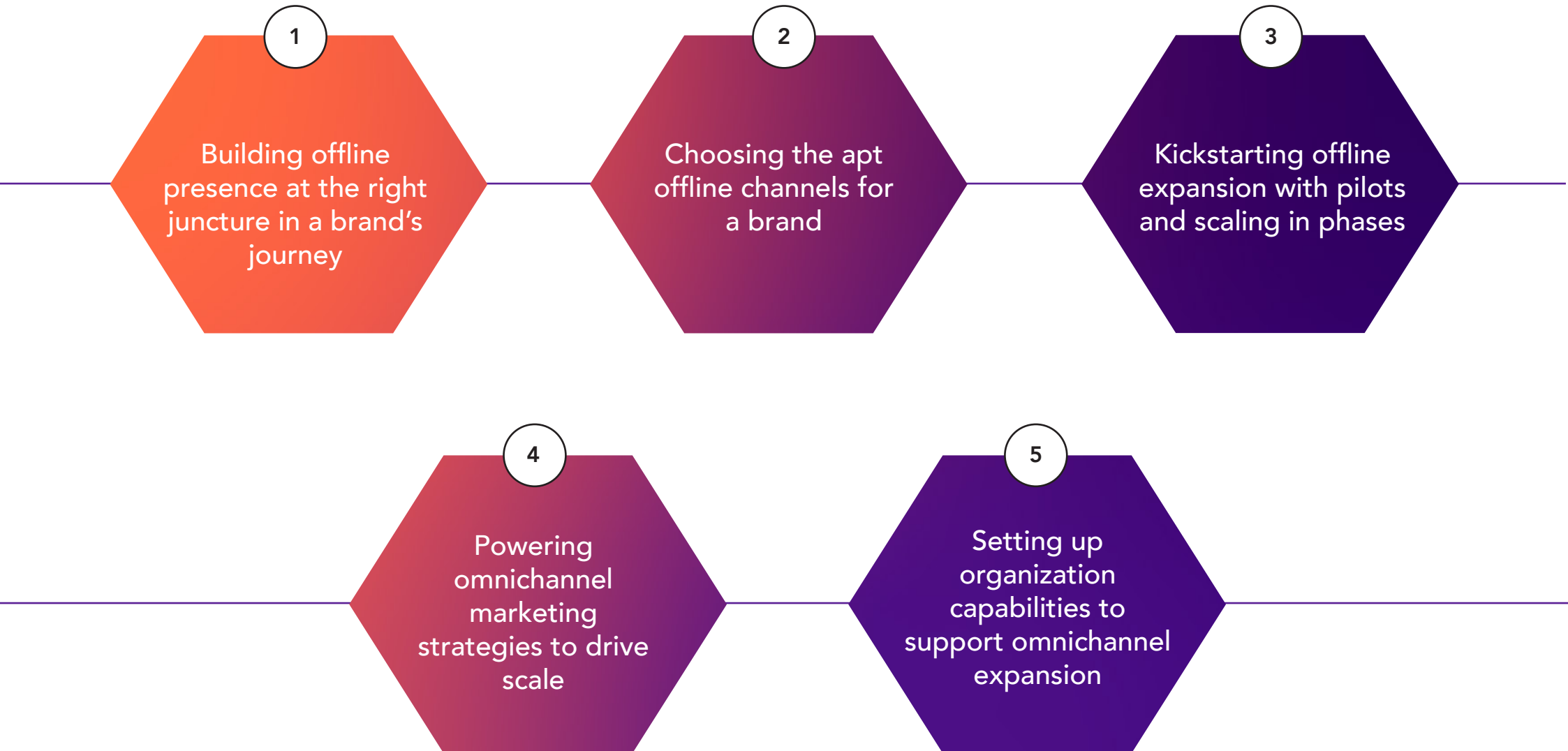
Source(s): Company interviews

Section 3



The omnichannel journey is complex, with multiple entities and factors at play. Here are some insights that can help founders be better prepared to adapt to different aspects of omnichannel.

Key building blocks for omnichannel strategy



1 When should a brand go offline? Gauge the consumer franchise being built

	Awareness	Consideration	Conversion
Feedback from the online marketing	<p>Low ①</p>		
Key metrics	<ul style="list-style-type: none"> Reach, views, impressions Brand search & SOV Search Engine Visibility Social media relevance 	<p>Low ②</p>	
		<p>High</p>	<p>Low ③</p>
	<ul style="list-style-type: none"> Reach, views, impressions Brand search & SOV Search Engine Visibility Social media relevance 	<ul style="list-style-type: none"> Engagement rates CTRs on Meta & Google Brand search in shopping environment 	<ul style="list-style-type: none"> Conversion from cart to purchase Effort to convert (CAC)

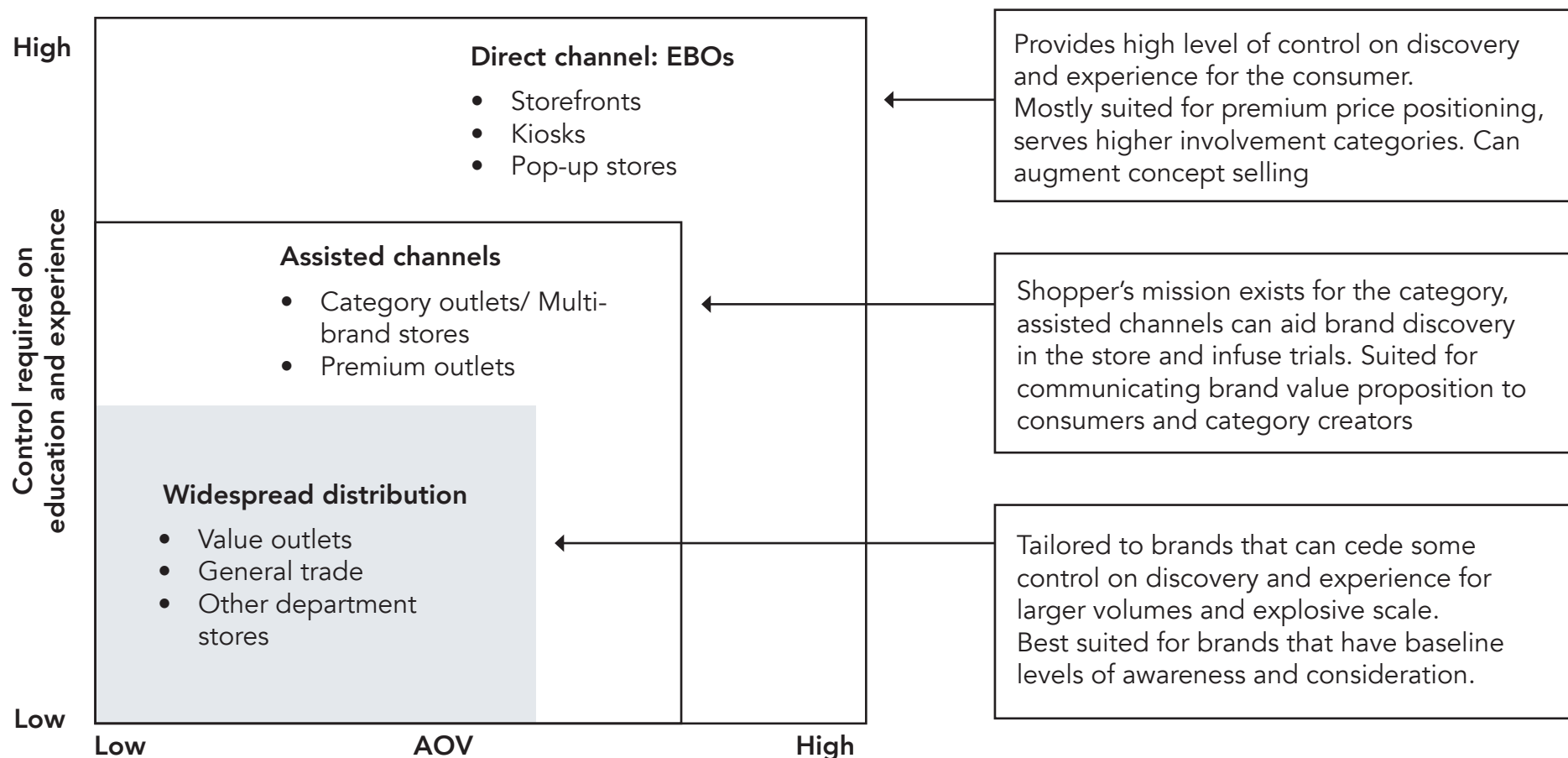
① Focus to be building consumer awareness on existing online channel first before launching offline

② High potential to go offline in controlled environment via assisted or direct channels with a focus on experience and concept selling especially for category creators / premium products

③ Strong indicators of consumer franchise getting built, right time to go offline to combine mental awareness online with physical availability for an accelerated growth

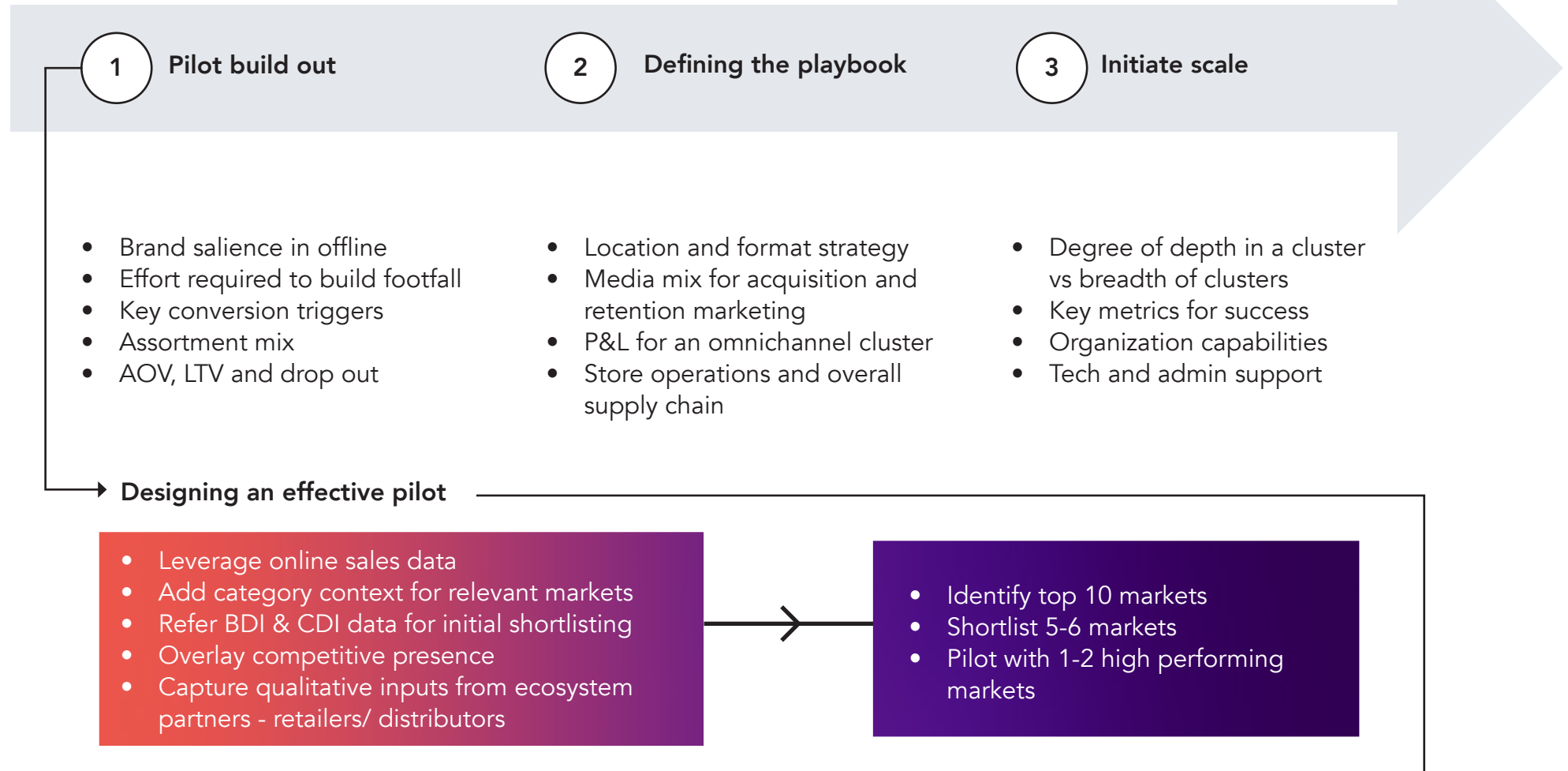
Early signs of a consumer franchise being built online paves the path for planning offline expansion. Brand track acts as a holy grail of testing out the awareness funnel and making informed decision on when to go offline

2 Consumer insights and emerging brand salience can help choose the right offline channels and unlock revenue efficiently

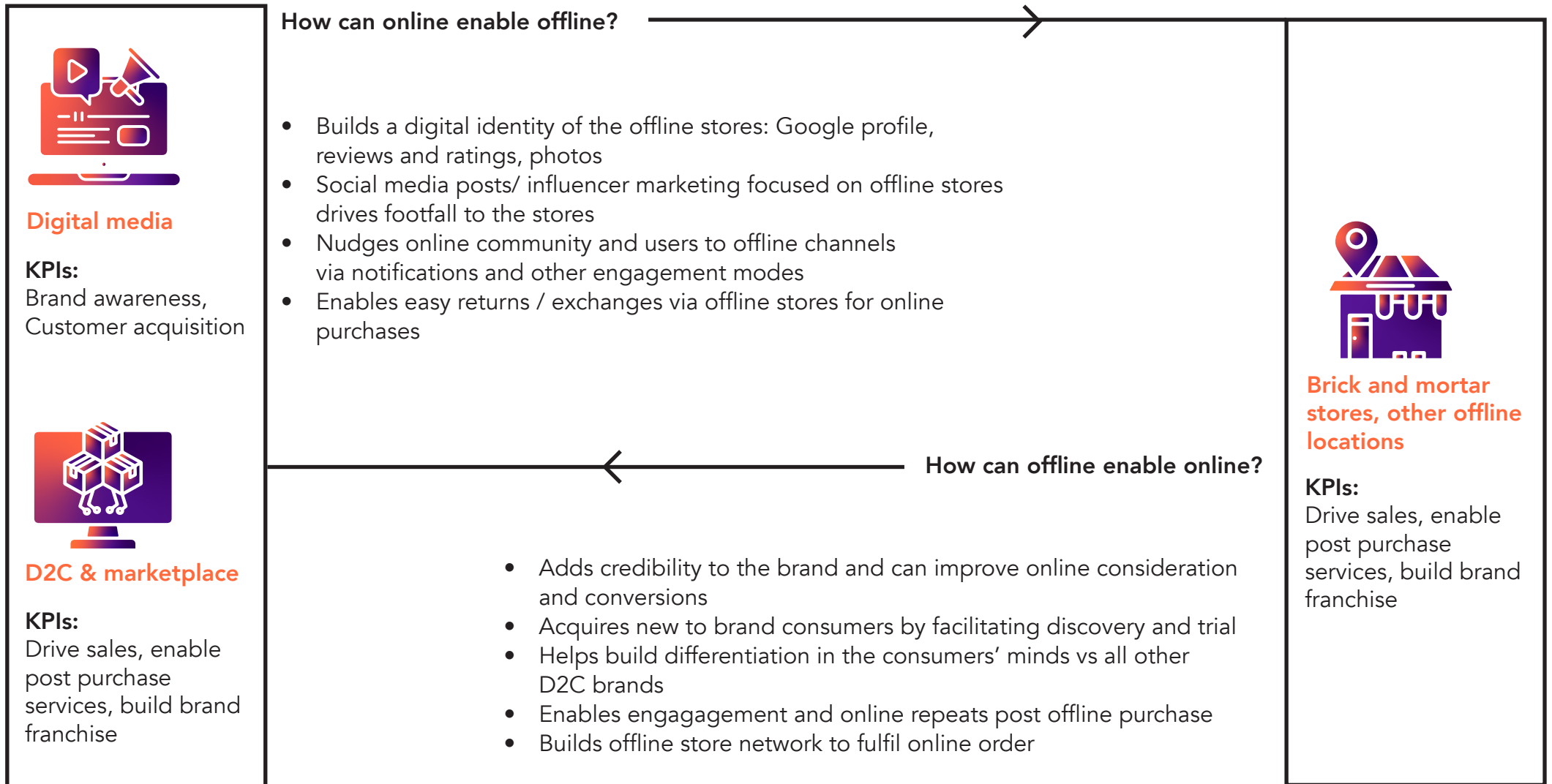


3 Kickstarting offline channel begins with running pilots to define the playbook and build an operations engine for scale

Key aspects to judge:



4 Omnichannel marketing can drive discovery and enable conversions across channels



4 Multiple omnichannel marketing techniques can be leveraged by brands to power discovery and conversions

Performance Marketing

- Store discovery ads on search including google maps
- Local ads leveraging customers's location on meta and google

Social Media & Influencer Marketing

- In store influencer shoots and videos covering store experience, unboxing, and product reviews

Organic & SEO

- "Store Near Me" is very powerful
- Strong store rating and reviews help

Customer Retention Marketing

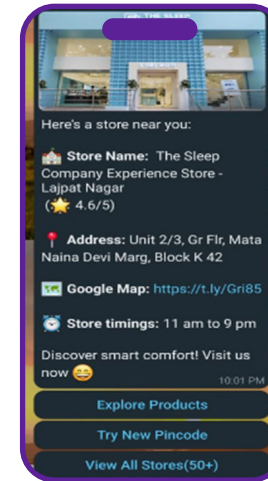
- Collecting 1st party data via e-mail, WhatsApp campaigns
- Leverage Whatsapp campaigns
- Drive local CRM campaigns

Affiliate Marketing

- Brand collabs / leverage UPI platforms PhonePe, Gpay, Cred for discovery (coupon distribution)

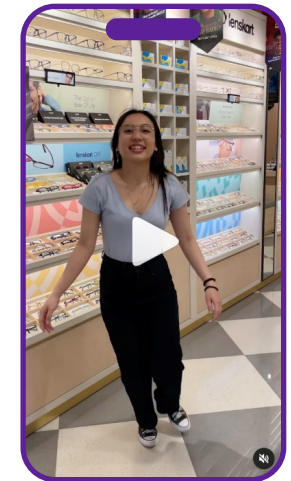
Local Marketing

- Newspaper inserts, mall collabs, feet on street to drive store discovery
- Digital signages and billboards to aid the same



Nearest store on WhatsApp

Sleep company leverages WhatsApp store locator for store discovery, driving better lead generation and traffic.



Store Influencer Marketing Reels

Lenskart leverages influencer videos to showcase store experience, and product collections as a regular practice.

5 Setting up an organization that can deliver on the omnichannel strategy entails few guiding principles

Pillars

Guiding Principles

Set up an offline team

- Hire top down (e.g. channel head prior to hiring the team) to drive ownership
- Outsource/ co-source ground roles in initial stages to understand market needs better before building an internal team

Build an omnichannel culture

- Leverage common lingo related to customer centricity and NPS to drive the team towards common goal
- Drive decisions via process and data, building transparency and loyalty
- Train across the org on brand story and soft skills to offer a unified experience
- CXOs to actively spend time on field for market feedback and consumer insights

Set common incentives in the organization

- Set up common business leadership roles across online and offline channel to drive alignment from the top
- Set up one P&L across channels – category/ cluster-based P&L - to drive one goal
- Shared customer and revenue goals between CMO and CRO. Marketing structure to shift from being segment/ channel aligned to customer journey aligned

Integrate key functions across channels

- Integrate finance, HR, marketing and supply chain across different channels to help them with one consolidated view of the business and organization
- Set up one NPD and consumer insights function with common interface across channels
- Set up tech infra to build one source of truth for all data and metrics

Set up the right practices

- Set up input and output metrics to drive consumer experience focus beyond sales. Optimize for store level NPS
- Build decision making SOPs in line with org culture for accountability and independence
- Institute a training protocol to uniformly convey brand story to the customer, maintain experience, and manage employee behaviour



Deep dive || EBO launch and scale-up

Launching and scaling EBOs has 6 core elements for brands to consider inline with their strategy and category needs



Location

Store location - mall vs high street, size and format



Store Operations

Model (COCO/FOCO/FOFO), store SOPs



Store Layout

Store design, display, merchandising, branding



Inventory

Assortment mix, shelf display, endless aisle



Store Tech

Store POS, biometric, inventory and order management solutions, reviews and ratings



Marketing

Direct footfall from offline and online to the store

Sturdy incubation and early experimentation can set up the brand well for scale

	INCUBATE 0-5 stores	EXPERIMENT 5 – 50 stores	EXPAND > 50 stores
Core objective	Deciding the format, design, store tech. Setting the SOPs in motion	Refining the playbook and scaling process. Hiring growth leaders	Growing profitably and sustainably
Key aspects	<ul style="list-style-type: none"> • Initial locations to be closer to home turf • Deciding what store size, model (COCO/ FOCO/ FOFO) and design works • Building store processes, store tech, marketing • Testing and refining store unit economics 	<ul style="list-style-type: none"> • Standardizing store designs, SOPs for execution & marketing • Hiring leadership to fire further growth • Building a view on geo depth vs breadth • Tracking store economics 	<ul style="list-style-type: none"> • Building growth team • Setting up central / region teams for mgmt. (incl. supply chain) • Strengthening tech and ops for both store and at corporate level • Setting up store audit / compliance processes
Key metrics to be tracked	<ul style="list-style-type: none"> • Footfall and growth • Footfall conversion • Store sales and EBITDA • Inventory turnover • NPS and review/ rating 	++ <ul style="list-style-type: none"> • Stockouts / OSA • Avg payback period • SSSG for mature stores • Omnichannel repeat 	++ <ul style="list-style-type: none"> • Store staff retention • Region-wise EBITDA and market share • RoCE

Key metrics for EBOs (Storefront and Kiosks)

Metrics	Typical benchmarks
<p>Capex</p> <ol style="list-style-type: none"> 1. Capex/ sq ft – Malls/ Hi street 2. Capex/ sq. ft – Kiosks 3. Payback Capex – Storefront 4. Payback capex - Kiosks 	<ol style="list-style-type: none"> 1. INR 2500 2. INR 500 3. ~2 years 4. ~6 months
<p>Revenue</p> <ol style="list-style-type: none"> 1. Conversions 2. Trading density/ sq ft – Storefront 3. Trading density/ sq ft – Kiosks 4. Offline AOV / Online AOV 5. Same store sales growth (SSSG) 	<ol style="list-style-type: none"> 1. 25-40% 2. Category dependent (BPC: Rs 2500/pm) 3. Category dependent (BPC: Rs 1500/pm) 4. 1.5 – 2X 5. 10%+
<p>Profitability & working capital</p> <ol style="list-style-type: none"> 1. Operationally breakeven 2. Store EBITDA in steady state % 3. Inventory holding period 	<ol style="list-style-type: none"> 1. < 6 months 2. 15-20% 3. < 3 months

- **Store data analytics critical to understand key metrics and course correct**
- **Kiosks suited for testing out channel market fit**
- **First few stores as COCO to understand consumer behaviour before venturing into franchisee models**
- **Pop-up stores, emerging retail formats for creating awareness in localized market**



Case Study

To serve customers around the country, Lenskart, adapted a four-phase playbook for its offline channel expansion

<p>Stage I: Seed the base city</p> <p>For First 10 Stores</p>	<p>Stage II: Build depth in base cities, seed in the next cities</p> <p>10-100 Stores</p>	<p>Stage III: Invest and expand</p> <p>100-500 Stores</p>	<p>Stage IV: Expand using data and ML</p> <p>500+ Stores</p>
<ul style="list-style-type: none"> Identified top performing pin codes Clustered pin codes to identify possible markets Estimated TAM of possible markets and found potential location (malls/high street) Started building processes and systems to run the store, measure and improve performance <p><i>“Visiting the markets was hard but essential before setting up that first store”</i></p>	<ul style="list-style-type: none"> Built systems and processes to understand and fix store performance Identified gaps in existing cities and open maximum number of stores Identified 4-6 other cities to go deep in with at least 1 store each city Started experiments with franchisee models <p><i>“The store doesn’t serve a 3km catchment; it was a 10-min drive-time catchment”</i></p>	<ul style="list-style-type: none"> Identified existing best markets based on footfalls, demographic mix, online order densities across the country Understood distances at which stores started cannibalizing Scouted for look-alike markets across country Built successful franchisee stories <p><i>“Identifying look-alikes is a science. You can’t leave it to anecdotal judgment”</i></p>	<p>Identified all potential markets across cities in India for expansion where at least 2 of the following exist :</p> <ul style="list-style-type: none"> Brand clusters Online order densities Non-organized competition <p><i>“We realised with data that Bangalore was a 200 store city”</i></p>



Deep Dive || Widespread distribution launch and scale-up

Multiple channel options exist within this segment for brands to choose basis business and ICP needs

Channel options	
Assisted stores	Wider distribution
Promoter led sales in category stores (brand walls/ category shelves)	Regional MT chains/ SAMT stores
Specialty chains	National supermarkets/ hypermarkets – value retailers
National supermarkets/ hypermarkets	Distribution channels serving Class A/ B stores
Shop-in-shop format in large department stores	Convenience stores
Travel retail	Pharmacies/ wellness stores

- | Prioritization levers | |
|-----------------------|---|
| 1 | Best access to current/ potential consumers |
| 2 | Revenue size and growth potential |
| 3 | Likelihood of success |
| 4 | Competitive dynamics |
| 5 | Ease of operations |
| 6 | Long term profitability |

Launching and scaling indirect channels has 5 key elements – location, format, assortment, pricing strategy, and distribution systems

- 1 Locations**
 - Leverage online sales data to identify catchment areas
 - Add category context for relevant markets
 - Overlay competition presence
 - Take inputs from relevant retailers/ distributors

- 2 Store format**
 - Evaluate consumer profile and relevant shopping mission to identify best suited formats
 - Assess source of growth (volume/ share) for the store and display range available
 - Start with high growth potential channels

- 3 Assortment**
 - Launch samplers to enable discovery and understand customer feedback
 - Start with hero SKU launches across channels, eliminate SKUs not relevant for the channel
 - Experiment with placement to optimize conversion
 - Ensure pack sizes are commensurate to the needs of the channel

- 4 Pricing**
 - Start with attractive prices with smaller grammage + samplers + consumer promotions
 - Ensure price parity across channels

- 5 Distribution systems**
 - Set up a single distributor for a city/ master distributor for a cluster of towns
 - Define the role of the distributor and build monitoring scorecard (growth, on shelf availability, fill rate, servicing, payment terms)
 - Set up tech infra to power on-ground fleet, collect insights, drive sales and manage operations
 - Build “water-tight” reconciliation processes for inventory management and collections

Actively leveraging in-store marketing techniques can further facilitate discovery and influence sales



Plan basis consumer insights >> Launch in limited scale >> Define and measure results >> Reiterate/ repeat

Category shelves



Gondolas



Cash counters



Promoter led sales



Case Study

Mamaearth has successfully evolved into an omnichannel brand, where it recorded the highest revenue from offline channels among digital-first BPC companies in India



- During the early days Mamaearth conducted trials amongst early adopters, engaged with consumers directly and tested for product market fit
- Built an active mothers' community, efficient CAC funnel and deep relationship with ecommerce platforms
- Two years into operations, Mamaearth established a few hero products, built a strong brand recall, and expanded offline with a pilot in Gurgaon
- With constant product launches, only mature stage products were introduced in offline stores to drive penetration
- As offline grew, GT and MT channels aid Mamaerath to drive household penetration
- Today, 90% of the offline sales is contributed by a network of 8K MT stores and 180K GT stores
- Each offline format is approached differently with different product offerings and format specific promotions

Typical margin structures*

Assisted sales (Reference for 1 store)	
Parameters	INR
MRP sales (Minimum value target)	1lakh
GST @ 15%	13,050
Ex GST billing	86,950
Retailer margin (@ 25–30%)	25,000
Price To Retailer	61,950
Distributor margin (@ 8–10%)	5,000
Price To Distributor	56,950
Store visibility spends (@5-7% of MRP)	5,000
Net billing for brand	51,950
COGS (50%)	25,975
GM	25,975
Monthly salary for promoters including variable payout	15,000
Sales Force cost @2.5%	2,500
Channel EBITDA	8,475

Unassisted distribution (Reference for cluster of 50 stores)	
Parameters	INR
MRP sales	1.5 lakh
GST @ 15%	19,600
Ex GST billing	1,30,400
Retailer margin @ 20%	30,000
Price To Retailer	1,00,400
Distributor margin (@ 8–10%)	8,000
Price To Distributor	92,400
Store visibility spends @5% of MRP	7,500
Net billing for brand	84,900
COGS @50%	42,450
GM	42,450
Sales Force cost @5%	15,000
Channel EBITDA	27,450

Source(s): Expert interviews

*Varies for different categories and products

Glossary

AOV	Average Order Value	GMV	Gross Merchandise Value
BA	Beauty Assistant	GST	Goods and Service Tax
BDI	Brand Development Index	GT	General Trade
Bn	Billion	HH	Households
BPC	Beauty and Personal Care	ICP	Ideal Customer Profile
CAC	Customer Acquisition Cost	LTV	Lifetime value
CAGR	Compound Annual Growth Rate	MT	Modern Trade
CDI	Category Development Index	NPS	Net Promoter Score
CMO	Chief Marketing Officer	P&L	Profit & Loss
COCO	Company Owned Company Operated	POS	Point of Sale
COGS	Cost of Good Sold	PSU	Public Sector Unit
Cr	Crore	PTR / D	Price to Retailer / Distributor
CRO	Chief Revenue Officer	OTC	Over The Counter
CTA	Call to Action	OSA	On Shelf Availability
CTR	Click Through Rate	QR code	Quick Response Code
CXO	C-suite	RTV	Return-to-vendor
CY	Calendar Year	ROCE	Return on Capital Employed
EBITDA	Earnings Before Interest, Taxes, Depreciation, and Amortization	SKU	Stock Keeping Unit
EBO	Exclusive Brand Outlet	SOP	Standard Operating Procedures
FMCG	Fast Moving Consumer Goods	SOV	Share of Voice
FOCO	Franchise Owned Company Operated	SSSG	Same-Store Sales Growth
FOFO	Franchise Owned Franchise Operated	TAM	Total Addressable Market
GM	Gross Margin	Tn	Trillion

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