Kiranas to quick commerce: How the landscape changed for retail trade

35 years of liberalisation

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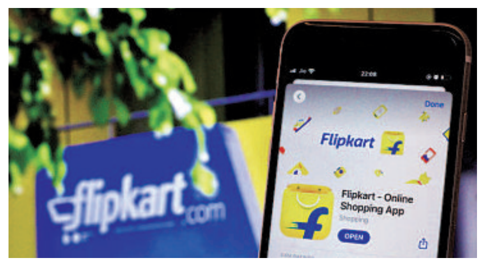

Long before Indian cities were dotted with malls and their roads teemed with delivery persons from quick commerce firms, there was the humble neighbourhood *kirana*. Here groceries came in paper packets, biscuits were sold one packet at a time, and the shopkeeper knew every family's monthly grocery list.

This was India's retail story before liberalisation: Built on trust, familiarity and the humble corner shop.

Of course, there were some organised retail outlets in the form of supermarkets — prominent chains like Spencer's in Madras (now Chennai), Sahakari Bhandar in Bombay (now Mumbai), Nilgiris in Bangalore (now Bengaluru), and Super Bazar in Delhi — but these existed in pockets.

When the floodgates were opened by economic liberalisation in 1991, Indian customers were provided a wider choice of products that significantly increased local competition.

"The biggest pivot was that liberalisation gave customers choices. Retail modernisation happened only after 1991, when consumers began gaining access to products from across the world and retailers were able to offer a much wider assortment," Kumar Rajagopalan, CEO and executive director of the Retailers Association of India (RAI) tells *Business Standard*.

However, organised retail chains had to await their turn as changes in rules in some sectors took a little longer. First, in 1997, the government approved 100 per cent foreign direct investment (FDI) in the business-to-business (B2B) cash-and-carry format. Then in 2006, it allowed 51 per cent FDI in single-brand retail trade, and in 2012 it extended that to multibrand retail, while raising the FDI bar for single-brand to 100 per cent.

Other reforms, not directly related to the sector, have helped too. For instance, changes in India's telecommunications sector paved the way for the rapid adoption of advanced communication technologies which in turn helped first build a vibrant ecommerce landscape, and since the pandemic helped in the rapid growth of the quick commerce segment.

Together, these changes transformed the sector that had grown to $1 trillion in 2024, according to a Deloitte and FICCI report, which estimates that it could touch $2 trillion by the end of the decade.

Global, gradually

For global retailers, though, it was a gradual journey. Initially, they had to partner with Indian companies to enter the market.

For instance, United Colors of Benetton was among the first prominent global retailers to establish a presence here when it entered through a joint venture in 1992. Other single-brand players, including Nike, Levi's and Reebok, followed soon, signalling the beginning of a new era in Indian retail.

On the format front, the first big shift occurred in 1997, when wholesale cash-and-carry opened up to cater to retailers, hotels and restaurants. Germany-based Metro AG was the first multibrand retailer to place a bet on the Indian market in 2003.

Arvind Mediratta, the former managing director and chief executive officer of Metro Cash & Carry India, says restrictions were placed on the full entry of multibrand retail at the time to protect small retailers. But that threw up many challenges for B2B players like Metro.

The major issue, he says, was distinguishing if a buyer was procuring only for their business or choosing to buy even for personal needs, as the law strictly stated that what it sold was strictly for resale.

"Even though we would issue a Metro card, which was only given to a person with a valid business licence, some issues cropped up that made it difficult to function," he adds.

Though Metro expanded significantly in India, it eventually sold out to Reliance Retail in 2022 for a cash consideration of ₹2,850 crore.

Walmart followed the Metro model and entered India in 2007 in a joint venture with Bharti Enterprises through the wholesale cash-and-carry model under the brand Best Price Modern Wholesale. It later opened retail outlets under the Easyday brand in 2008. However, this venture ended in 2013 with Walmart taking back ownership.

Raising the FDI cap

By 2006, the government had allowed 51 per cent FDI in single-brand retail. That allowed Swedish furniture giant Ikea to enter. It tried to enter in 2007-08, but did so only in 2012 after the government allowed 100 per cent FDI in single-brand retail to let a brand enter without an Indian partner.

"There was an effort made in 2007 and 2008 to come into India. We had a team in place, but at that time it was not possible to enter due to ownership… But the willingness to get into India was already there from 2007 onwards," Patrik Antoni, CEO of Ikea India, tells *Business Standard*. He explains that even though it announced its entry, foreign single-brand retailers had to source a significant amount locally, which was later changed to 30 per cent — in 2012.

"While there have been many restrictions on the entry of multibrand retail in the country, India has definitely allowed single-brand retail to come in without too many restrictions," Rajagopalan says. Most global brands have had an easy passage into the country.

Some have succeeded, while others haven't, he says.

In 2012, multibrand retailers were also allowed in the country with 51 per cent FDI. But by then they faced strong local players. Besides, brands confronted a complex landscape where rules varied by state, which meant they needed different strategies to expand. Rajagopalan says the fear surrounding FDI in retail was that international retail giants would flood the market and drive out millions of small retailers from their business, including *kirana* stores.

"What happened instead was more nuanced: Companies found structured routes, marketplaces emerged, and smaller retailers held their ground. The story is not about disruption and displacement; it is about coexistence," adds Rajagopalan. Many Indian brands learnt to play the competitive game but got no opportunity to get global FDI funds to increase competitive capabilities with scale.

According to Mediratta, Indian retail is still quite complex for foreign retailers. "There are companies that have found loopholes and created marketplaces and still entered India. It would have been better if full multibrand retail was allowed," he explains. As for the mom-and-pop stores, he says they are still getting impacted by larger players.

Enter ecom and qcom

Even as multibrand retail was making an entry, a larger challenge was taking shape: Ecommerce. India's ecommerce journey, which began with Flipkart in 2007, followed a path familiar from Amazon's early years in the United States (US), where the company had started by selling books online. What began with Sachin and Binny Bansal selling books from a Bengaluru apartment soon expanded into electronics, mobiles, fashion and a growing universe of categories, gradually changing how Indians shopped.

Amazon entered India in 2013, bringing its global might to the market and joining the race to capture a share of Indians clicking their way to filling carts.

In 2018, Walmart changed its play in India by acquiring 77 per cent in Flipkart for $16 billion, its largest acquisition ever, giving it access not only to India's online customers but also to Myntra and Flipkart Wholesale, which it later merged with its own wholesale operations in the country.

Poonam Upadhyay, director at Crisil Ratings, says no retail format has scaled up as rapidly as ecommerce. Unlike store-led formats, which expanded city by city and store by store, ecommerce reached consumers across metros and smaller towns simultaneously, enabling much faster growth.

Once Indians grew comfortable buying books, electronics and fashion online, the habit spilled on to the grocery aisle. Around 2015–16, online grocery began gaining traction, with players such as BigBasket and Grofers bringing everyday staples, fresh produce and household essentials to consumers' doorstep.

That set the stage for the next big disruption. When the pandemic confined people to their homes, in came quick commerce, which rewrote the rules of convenience as Blinkit, Zepto and Swiggy Instamart began promising deliveries in minutes. That turned the neighbourhood grocery run into a few taps on a smartphone, with the order arriving at the doorstep within minutes.

Many foreign brands, including Ikea, are doubling down on the country, aiming to grab a chunk of a burgeoning consumer market. Ikea is convinced that India is the place to be in, and this market will remain relevant in the coming 50-60 years where India will continue to be in a growth phase, its CEO Antoni says. "The population is large; it's very young. We see a lot of young people starting out new lives," he explains.

Upadhyay says the next chapter is being written by quick commerce. "Its influence is already extending beyond online sales to supply chains, inventory management and store economics," she says. As it becomes a larger part of everyday consumption, and evolves along with the regulatory framework, it could reshape Indian retail.

How the basket grew

1997 Government allows 100% FDI in wholesale cash-and-carry format

2003 Metro AG enters the Indian market

2006 Government allows 51% FDI in single-brand retail

2007 Walmart enters India in a joint venture with Bharti Enterprises; Flipkart begins operations as an online bookseller

2012 India allows 51% FDI in multi-brand retail; raises FDI ceiling in single-brand to 100%

2013 Amazon makes its India entry

2015 Ecommerce players enter grocery delivery

2018 Walmart acquires Flipkart to cash in on the burgeoning ecommerce landscape

2020 Quick commerce takes shape