OkCredit

All's well that ends well

A peek into what was bought and how at SMBs across India—An OkCredit annual study

Preface

India is not merely in the metros. Its heartbeat lies in the multitude of smaller towns and hubs spread from east to west and north to south. If you hail from small town India, you would notice that there are two unmissable features-- the small and medium businesses (SMBs) who enable consumption, and the consumption story itself, which is fascinating. By small and medium businesses, we are referring to the millions of standalone stores, neighbourhood shops who form a large chunk of retail in India. The chaiwala who kept you going, the kiranawala who kept your kitchen running even when there was a lockdown, the medical store guy who home delivered medicines when it was difficult to step out, and scores of others.

At OkCredit, we work with SMBs, essentially all these people to bring them up on the digital map of India. As a result of this close association and SMBs trust in us (2.3 crore merchants have used our product), we have exclusive insights on buying behaviour across geographies and across product lines. Why would that be important, you may ask? Well, fortunes of HULs and Reckitt Benckisers of the world are written on the consumption story in "Bharat". With the kind of reach we have, the idea is to really take SMBs front and centre through this report. Our data and analytics teams have put their heart and soul into it. Hoping you will like it as much as we enjoyed creating it.
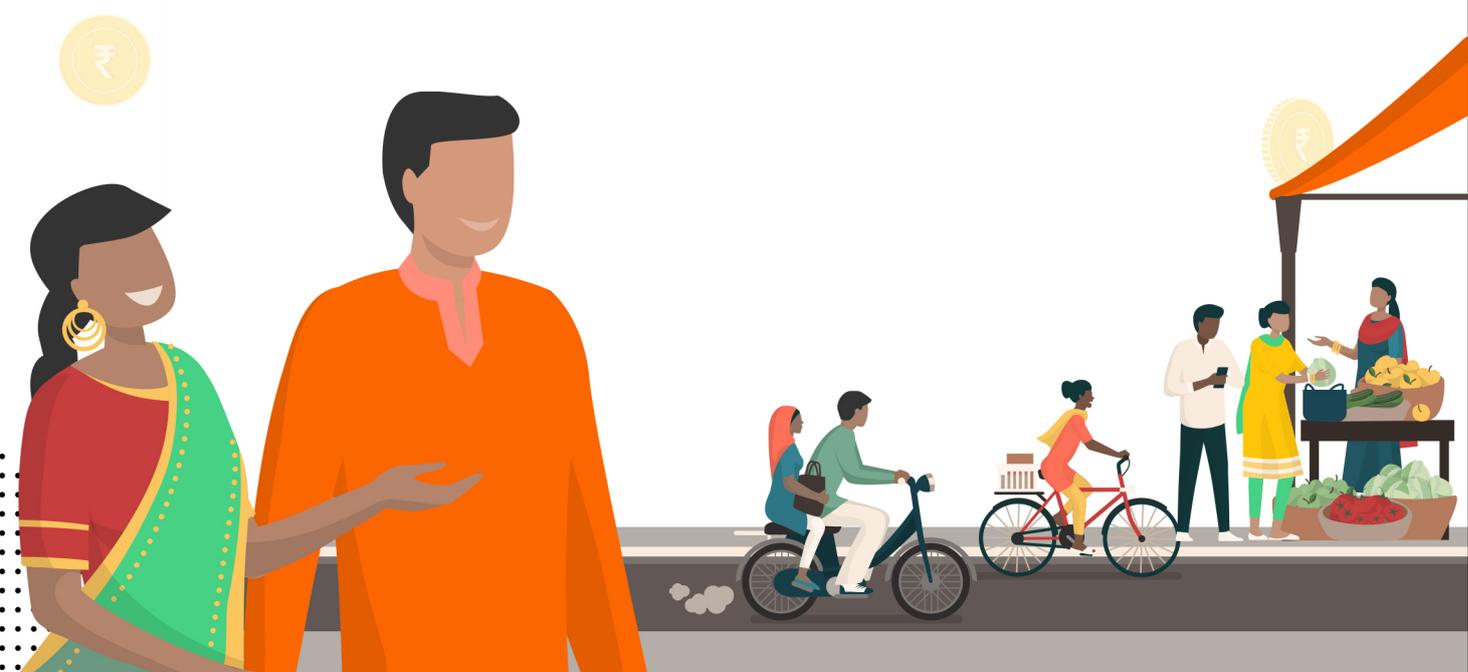
Active user since 2019

75% Loss during Covid-19

3x Growth during festive

Meet Sachin, a hardware and electronics supplier in Bhopal. Sachin has been an OkCredit user since 2019. His business has seen steady growth over the years but things took an ugly turn in March of 2020, with Sachin losing 75% of his business.

Mar 2020 — 75% Loss — 3x Growth — Oct 2020

But even with the pandemic winter, how can spring be far behind? Diwali brought cheer to several merchants like Sachin, as they saw customers coming back and revenue recover. As for Sachin, his revenue shot up 3x in October as customers came in droves to buy electronics. What's more- with the OkCredit app, he could manage his finances better and get his credit back. A Happy Diwali for many like Sachin in true sense of the word!

Backdrop

Total Indian GDP 2020 $2.6 Trillion

30% MSMEs
30% of the GDP is contributed by MSMEs ie. $780 billion.

0.5% value of GDP
Last year, OkCredit captured 0.5% of the total value of GDP, ie. $40 billion worth of transaction.

A small step towards creating "Digital India".

800M+
OkCredit recorded transactions in 2020

70M+
New customers added by the merchants in 2020

User Behaviour and Attributes

2.4cr+ Registered Users

35% Transactions
Highest activity during evening 5PM to 8PM and morning hours 10AM to 12PM.

5.5 lakh users recording transactions on the platform, about 70% of these merchants record more than 10 transactions, diligently everyday. 15% of the active users on the platform are Suppliers.

5.5L DTU

70% Users

10 Transaction

15% Suppliers
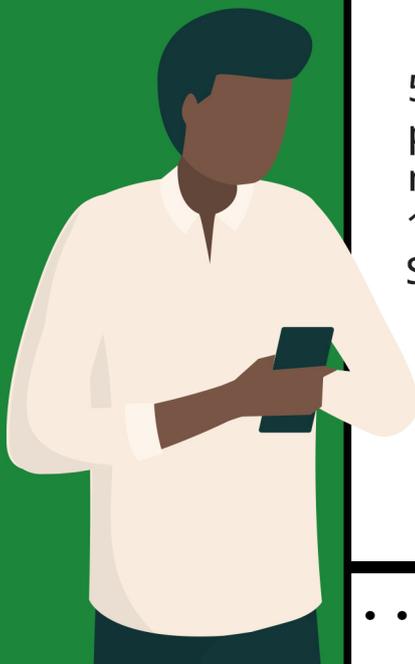
Greyhair Doesn't Stop You From Technology

31-40 Years
Middle aged merchants are the most active users of the OkCredit app. South India has more such users than north.

40-50 Years
10% users in this category. Availability of the app in regional languages has aided adoption.

Sector Wise
Electronics saw higher number of middle aged users than other sectors.
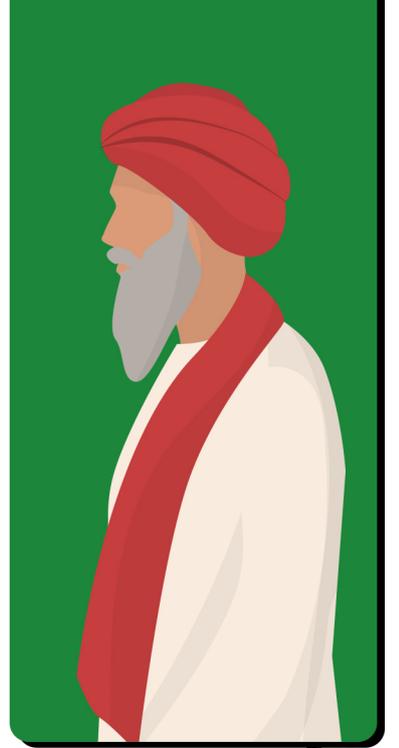
The Century of Women

7-15% Female Users
Contrary to the notion that women are usually missing from traditional businesses, about 7-15% of the users on OkCredit's platform are women.

8% Female Users From Tier 3
Across India, tier-3 towns have more women users than tier-2 and tier-1.

Women and Apparel
Apparel has a female ratio of 15%, unlike other categories where the female ratio lies between 7-10%.

The Tech-savvy Generation Z

Young Shop Owners
Mobile recharge stores have a higher percentage of young shop owners, at least 10% higher than other categories.

A Hit in the 20-30 Age Group
We see highest adoption for OkCredit in the 20-30 age bracket in tier-3 towns. For the same age bracket, it is at least 8% higher than in tier-1.

SMBs

Small business, big role

It wouldn't be wrong to say that when the world locked down inside homes in 2020, the small and medium businesses came as angels. While shopping for a lot of people now means Amazon or Flipkart, it's hard to imagine life without the neighbourhood kirana, the tailor or the sabziwala. They are so vital, not just for the India growth story but also as creator of jobs in the economy.

Sectors in Focus

Out of 18 sectors that OkCredit operates in, we have chosen seven where we have seen high frequency of transactions.

Mobile Recharge
49.1%

Kirana Store
16.7%

Electronics
11.2%

Apparels
7.7%

Medical Store
6.3%

Eatery
5.3%

Others
3.7%
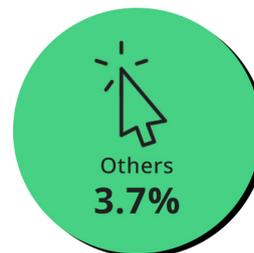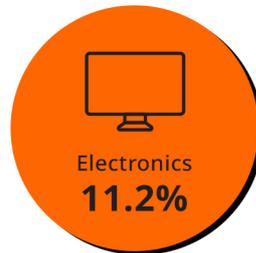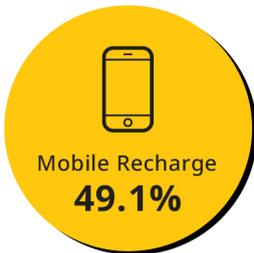
Mobile and Telecommunication

Mobile recharges is the biggest category on OkCredit, giving us deep insights on the telecom sector. It accounts for 49% of merchants on the platform.

2019

- Jio 45.3%
- airtel 20.7%
- BSNL 4.5%
- VI 29.3%

**2020**

- Jio 48.4%
- airtel 24.4%
- BSNL 5.1%
- VI 22%
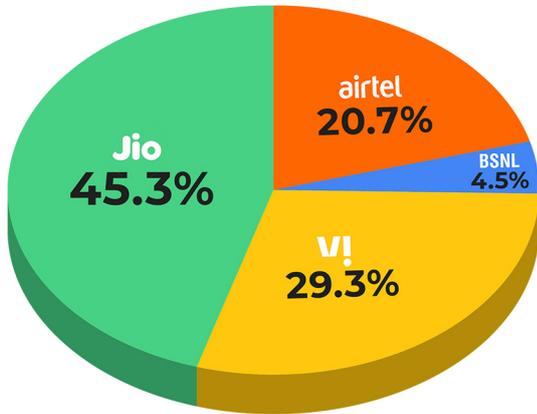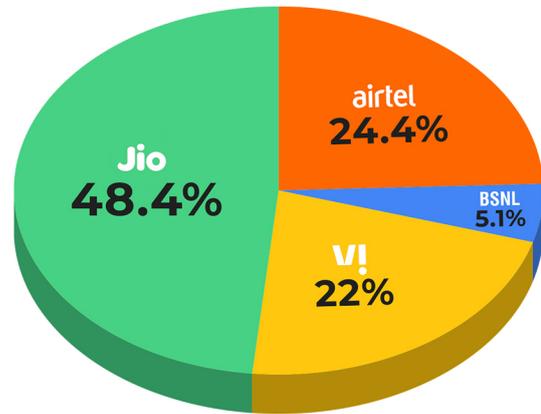
Jio is the most preferred telecom operator followed by Airtel and Vodafone Idea. Vodafone Idea has slipped from second position in 2019 to third in 2020.

BSNL is preferred only by 5% of the population as per our data and hasn't seen a sharp growth in transactions.

Jio Sweeps the Country

Smartphones

- Redmi: 26.4%
- Vivo: 23.9%
- Samsung: 18.6%
- Oppo: 15.5%
- Realme: 8.9%
- Others: 6.7%
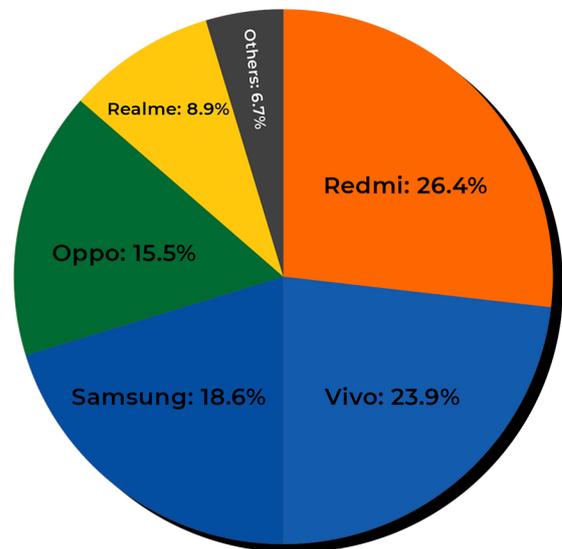
Takeaways

Mobile operators

- Jio is country's favourite telecom operator with a large part of its popularity coming from tier-3 towns. Transactions more than doubled in these towns, giving it a leap over Airtel and Vodafone Idea.

- Airtel is the second largest telecom company, also validated by OkCredit's data. While its strength lies in tier-1 towns, the company has made significant progress in tier-3 centres as well, seemingly on the back of 2G upgrades.

- Although the number of transactions for Vodafone Idea is up, it has lost its momentum in 2020.

- Despite the loss in market share by VI and Jio's advances, Goa and Kerala continues to be a stronghold for Vodafone-Idea.

Smartphones

- Xiaomi's budget brand Redmi is the most used smartphone, closely followed by Vivo.

- Samsung, once a market leader has lost ground and so has Oppo.

- Samsung and Oppo's loss has been Realme's gain. The three year old brand now sits firmly with a 9% share among our user base in the smartphone market.

FMCG

When in a lockdown, eat, drink and chill!

What are indian households, without some tea, noodles and biscuits. As people remained confined to homes, FMCG consumption increased.

Our snack basket comprising of tea, noodles, biscuits and ～～～ cigarettes gives a clearer picture of which brands really rode on this consumption wave.

Noodles

2019

0.6% 6.7% 8.6% 0.1%
83.9%

2020

0.7% 7.7% 9.7% 0.2%
81.6%

● Chings ● Knorr ● Maggie ● Top Ramen ● Yippie
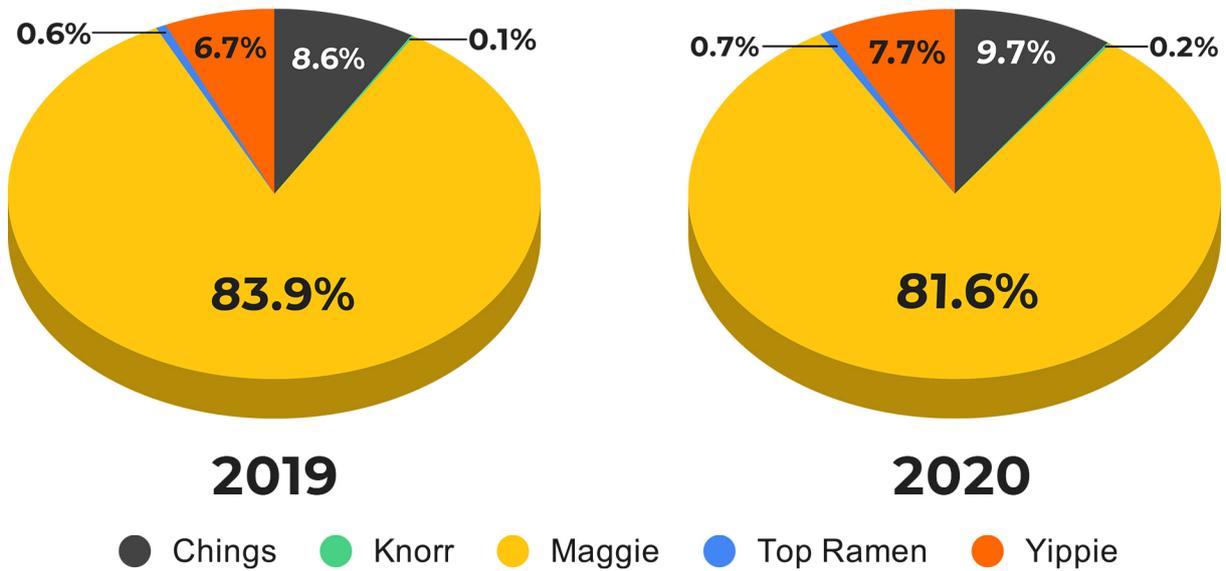
Maggi is the undisputed market leader in noodles by a far margin.

But, people in tier-2 and tier-3 towns are also beginning to prefer Ching's and ITC owned Yippie.

# Biscuit

The ultimate duo- chai & **Parle-G**

Parle is India's favourite biscuit brand, preferred by 47% of the market, followed by Britannia and ITC's Sunfeast.

Britannia's having a *"Good Day"*

Britannia's strength is in Bihar, Delhi, North- East and Southern states. It's favoured more in tier 1 centres.

BRITANNIA

BRITANNIA

BRITANNIA

PARLE

BRITANNIA

● Anmol ● Britania ● Cremica ● ITC ● Parle ● Patanjali

2019
- 1.4%
- 6.7%
- 40.6%
- 45.7%
- 5.5%
- 0.1%

2020
- 1.3%
- 5.8%
- 46.9%
- 41.1%
- 4.9%
- 0.05%
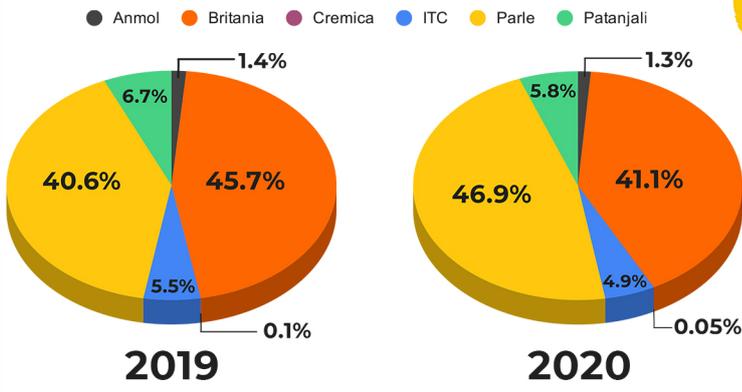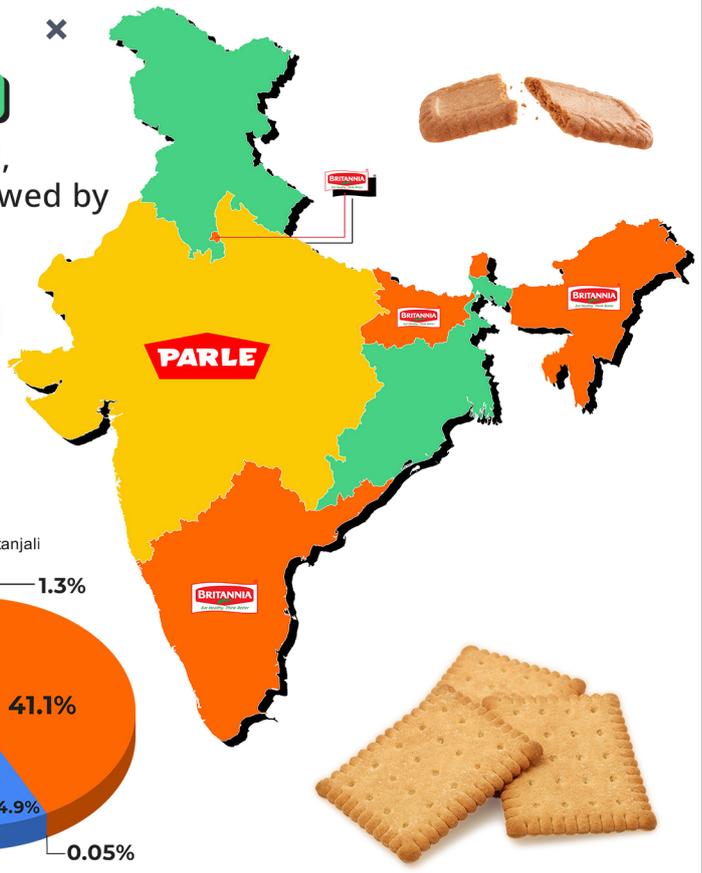
Tea

Tea means Red Label

Red Label is the most popular choice among tea lovers, preferred by 62% people, followed by Tata Tea and Taj Mahal.

Red Label

WAGH BAKRI
Strong & Refreshing
PREMIUM LEAF TEA

Small is beautiful

Wagh Bakri, although small, is gaining traction in tier 1 locations.

● Red Label ● Taj Mahal ● Tata Tea ● Wagh Bakri ● Others

2019
- 0.7%
- 0.3%
- 7.6%
- 26.5%
- 64.9%

2020
- 0.5%
- 0.3%
- 27.3%
- 9.6%
- 62.3%
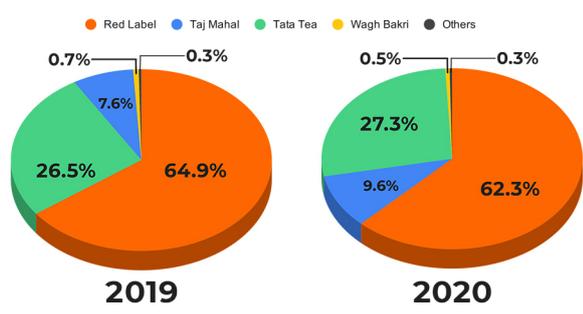
Cigarettes

Cigarettes are most commonly sold at Pan Shops and Eateries. GoldFlake being the most popular cigarette brand sold in India.

GOLD FLAKE

80% drop during lockdown

Bidi Market Share

Bidis contribute to 10% of total smokes sold at these points, and had gone up to 18% in May. Currently, bidi's share is nearly back to pre-lockdown levels.

Takeaways

- Chings and Yippie are finding increased acceptance in tier-2 and 3 geographies.

- When looked through the prism of state, Uttar pradesh, the most populous state in India showed a high consumption of biscuits, the most bought brand being Parle.

- Punjab, being the home of Cremica biscuits, shows a higher affinity towards the brand. Gujaratis love Parle and Anmol biscuits. Anmol is also quite popular in the eastern part of the country.

- And while there are wide ranging variations in biscuits and noodles, India's tea tastes are more uniform across geographies. Red Label is the de-facto favourite tea brand, be it tier-1, tier-2 or tier-3 locations.

- Tata Tea and Taj Mahal are second and third respectively, however Wagh Bakri, another tea brand, seems to be getting popular in tier-1 locations.

- Cigarettes are another ubiquitous consumption item across the country. COVID and consequent lockdown led to cigarette consumption dropping to 20% of the pre-COVID level, owing to shutdown of the pan and eatery shops where these are mostly sold.

- The country having a high concentration of Bidi smokers as well, Bidis contribute to 10% of the total smokes sold at pan shops. Interestingly, Bidi's share went up to 18% in the month of May as supply of cigarettes suffered in the lockdown. It's back to the pre-COVID levels of around 11 %.

Payment Modes

Cash reigns supreme as the most preferred mode of payment at neighbourhood stores. This is followed by digital payment methods such as UPI.

Tier 1
- 37.4%
- 59.2%
- 3.4%

Tier 2
- 38.3%
- 59%
- 2.7%

Tier 3
- 34.2%
- 63.4%
- 2.4%

● Cash   ● Cheque   ● Digital payments
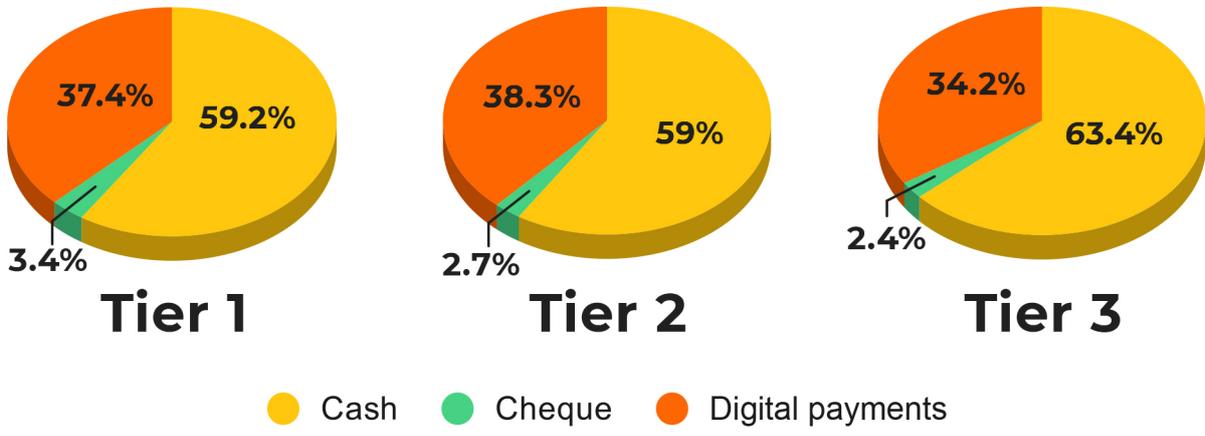
A limitation with digital payments is the upper limit on total transaction amount. Therefore, businesses with small value transactions have a higher percentage of digital payments.

However, mobile recharges, despite being low ticket size, have higher cash payments as the customer set is not very digi-payments savvy.

In high value categories such as hardware and jewellery, demonetisation and digital payments have hardly made any difference. **Cash continues to be the king.**

- 3% airtel money
- 5% amazon pay
- 13% PAYTM
- 17% BANK TRANSFER
- 25% G Pay
- 37% पे
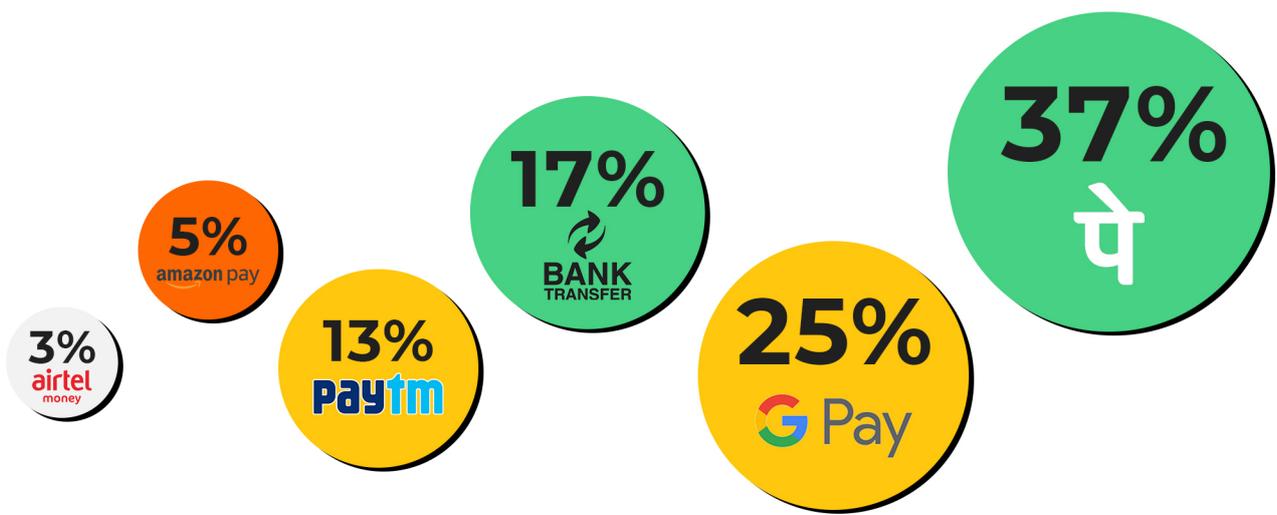
Within digital payment methods, PhonePe is the favourite, followed by Google Pay and Paytm.

The Year of Coronavirus

Coronavirus has impacted every human being on earth, directly or indirectly. For us at OKCredit it was disheartening to see how businesses had come to a standstill.

44% 44% decline in number of transacting merchants.

51% 51%* transactions decline on platform.

Transactions across sectors
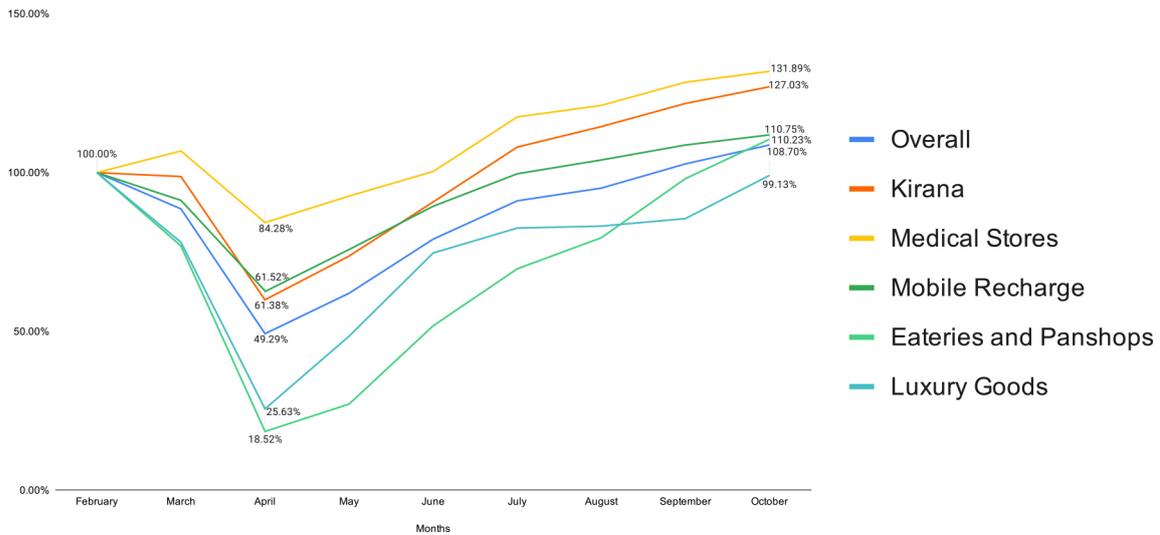
However, the economy showed a fast K shaped recovery. The transactions are outperforming the pre-covid levels. Medical Stores are leading the recovery pack followed by kirana stores.

Recovery across tiers
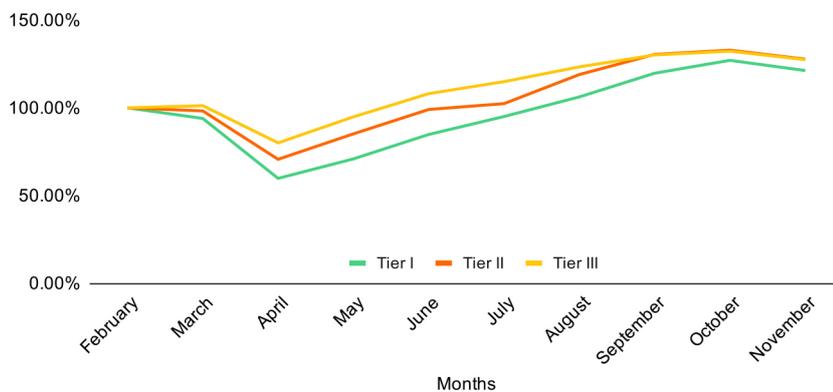
The above graph shows recovery of transactions per merchant, a sign of uniform recovery of individual businesses.

The credit size has dipped by 22%, since merchants are cautious in lending products on credit, which will take a while to recover.

The Power of Three

We were a single product company till November 2020, pointedly focussed on replacing traditional ledger books with a bookkeeping application. And however much you despise single tasking, we did a great job of it, reaching 95% pincodes in three years. But sometimes, circumstances shape new ideas, innovations that you originally hadn't thought of. That's what happened with us. As Napoleon Hill says, "Every adversity, every failure and every heartache carries with it the seed of an equivalent or a greater benefit." Multiple business books tell you, never to waste a crisis. So how could we?

The pandemic was a gamechanger for us, pushing us to step up the gas and branch out. Now, we are an SMB solution company, the idea being to stand up for every need of a small business, through an ecosystem of apps. We launched OkShop and OkStaff last year to fulfill SMB's e-commerce and staff management ambitions. We will launch more products that fill the gaps experienced by small businesses. India's true digitisation and thus growth will be realised when these businesses come on the digital pathway. And, thanks to network effects,we are effecting this change without burning a big hole in our pocket.

OkCredit

OkShop

OkStaff

Ok Network

✕

To illustrate this with an example, we have taken four lesser known locations across India. Not only is OkCredit present in these locations, our merchants have been able to create a long tail of network. This is despite the fact that these locations are far-flung and do not have a very high technology adoption.

Balrampur (UP)
Connected with as many as 95 merchants through OKCredit

Population
81K

Taranagar (Rajasthan)
Connected with as many as 62 merchants through OKCredit.

Population
27K

Yeola (Maharashtra)
Connected with as many as 54 merchants through OKCredit

Population
43K

Tohana (Haryana)
Connected with as many as 55 merchants through OKCredit.

Population
63K

The OKCredit data shows that the trade network expands beyond geographical boundaries.
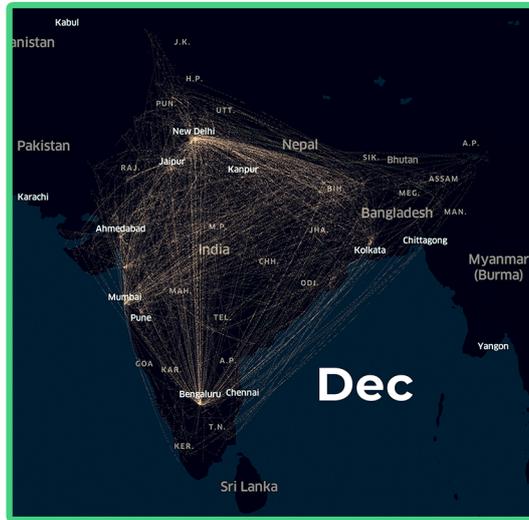
Tier 1 cities show double the inter city and inter state activities, compared with Tier 2 and Tier 3.

Overall Uttar Pradesh is the most penetrated state, in terms of transactions and network effects.

As a result of a strong network of interlinked merchants, 40 out of every 100 new registrations, post the lockdown, came from existing merchants.

Keeping the Faith

"One clear lesson that we can learn from this year is that digital bookkeeping has become more mainstream than ever. The overall growth story of our industry has also been very bullish this festive season with actual transaction figures surpassing our expectations comfortably. We expect the new year to unfold with small businesses embracing digital bookkeeping more than ever before as slew of measures taken by the government this year has built hope of V-curve recovery"

Harsh Pokharna, Gaurav Kunwar, Aditya Prasad

Founders

Author:
Purwaj Tiwari | Senior Business Analyst

Collaborators:
Bhargava Reddy | Data Scientist

Sachin Yadav | Data Scientist

Vandana | Lead, Content

Mohit Uppal | Lead, PR & Partnerships

Book Design:
Ankit Goel | Brand Designer