Jumbotail's Karthik Venkateswaran : S2 E3: From Major to Kirana Store Saviour

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SPEAKERS

Krishna Jonnakadla, Karthik Venkateswaran

Karthik Venkateswaran 00:00
It is it is absolutely true that we've got, you know, use price as a mechanism to attract customers. But Flipkart invested heavily in tech and supply chain. They were the first one to solve for cost, so called cash on delivery, they were the first ones to solve for in a reliable supply chain, they actually invested right? There are many, many players who today are not in the face of this earth. And they are the people who actually only discounted and they never invested any of their money. Flipkart did both. Right. They've got both. That's what I would say. And then and they were able to do and let me tell you that right every single time when you reduce the cost,

00:39
be very honest. If I was a VC, I wouldn't have funded myself, like it was how bad the presentation was, you know, to build scale, you have to think sometimes I think too much of money restricts innovation, as that's the sad part, Destiny finds you on the road that you take to avoid it. Whenever you get paid on a rocket ship. You don't ask which we will see. We actually asked ourselves like too many questions in terms of how big can we get it? It was very, very hard to explain what is UGC? He wants to implement something first 30 or 1 million to 10 million a web scale. But again, you know, we had basic teams, struggled, struggled, struggled, but every day was just learning which was just amazing.

Krishna Jonnakadla 01:18
Listen to founders about their stories, and how they built their startups. Here on Maharaja of scale with me your host, Krishna Jonnakadla, co founder of mango mobile TV and Bob. Hey everyone, welcome to another episode of muhajirs of scale. Today we have Karthik from jumbo tail, a very interesting startup. Those people that actually follow segments and the Indian economy will agree to the fact that India as India is a largely unorganized country that actually needs to be organized. And Karthik and

Ashish are doing their part through jumbo tail to actually make that happen. We will discover more about jumbo tail as we jump in. The second wave of the COVID pandemic for those of you wanting to put a timestamp on this has just ended people are talking about the third wave coming on. And the funny thing is during this these lockdowns and the pandemics people are actually discovering the, you know, advantages and the benefits of having somebody like jumbo dia, I'm sure Karthik will speak to more about that Karthik Welcome to the show. Thank you very much Krishna. Thanks for the opportunity. Awesome. So, Karthik, tell us a little bit about yourself and what you're working on right now.

Karthik Venkateswaran 02:47

I am Karthik, I'm co founder and CEO of jumbo tail. I co founded Mattel along with my Stanford classmate, Ashish, Jenna. And we graduated from the MBA class of Stanford 2011. Prior to Stanford, I served in the Indian Army for 10 years, I took voluntary retirement in the rank of Major. I was in the infantry, I served in extreme hot combat zones, including ch in Malaysia, counterterrorism and Kashmir, and many, many difficult zones in northeast. And then post that, as I was looking to the think about my life, I always wanted to create a wide impact. And food was a very, very big problem statement that I wanted to solve, because the country was, you know, really, largely dependent on agriculture, especially those days 52% of population serving in the agri sector, and about 70 to 20% of our GDP being contributed very, very unorganized. So my initial start point was to create a very small, what eventually did not take off kisaan co.com, tried to connect coconut farmers within markets, using SMS based technology did not really pan out. But a lot of learnings. The key learning Being that this isn't a problem, you can just simply connect two sides of the market with the technology platform and sit and watch and scale, right. This is even if you connect the two sides, how do you ship goods? There is no scalable way to shipping goods. And more importantly, even you could I could figure out a way to send openers to Delhi. But how would the money come back? Where is the trust system, especially in a cash based economy and this is way back in 2008. So I decided to wait until the market develops. I wasn't really sure how long will it take probably 10 years. But in the meantime, I also discovered that I was not competent enough to solve this problem. I came from the military. And I did not have any network No, no, no business knowledge. Then I applied to business school, some divine intelligence, I got admitted to Stanford. And that's when I met my co founder, Ashish post that I kept continuing to enrich my thought process in a very systematic manner. I chose many, many things post my Stanford life to help me get to this day. Namely, I chose to join eBay, to learn ecommerce, marketplaces, product technology, and then I relocated back to India at the right time, saw a huge, you know, hockey stick growth in Flipkart. I was director of products at Flipkart. And then I learned how to hire and all of these things help me you know, get ready. And in 2015, late, just when the whole world was going gaga over hyperlocal commerce and also Crosley direct to consumer ecommerce, you know, we took a contrarian position, I said that, you know, the way to modernize grocery retail in India is not displace and replace the mom and pop stores and they will, constituting nearly 95% of the unorganized all the entire trade and they were all unorganized. We said that we have to include them, we have to build the technology, what is required today, it is very obvious. In 2015, it was not obvious at all, people a lot of questions, it is pre geo, it is 2g when 3g blacks were not there. And, and then I took the the famous quote from Paul Graham, I think he said, you know, imagine five years from now, imagine a world and build what is missing. And we imagined a world in which kirana stores are front and center of the retail ecosystem. And that's what is really happening.

Krishna Jonnakadla 07:03

Very interesting. You touched on a lot of points that I'm going to jump into them. But elaborate a little more when you say you're putting the kirana stores front and center center, what's your model? And what is it that you are doing differently?

Karthik Venkateswaran 07:21

So India's current retail, grocery retail market is close to about $500 billion of fish, nearly 95% of that nearly 450 $475 billion is flowing through these 10 to 12 million mom and pop kirana stores. These people are largely are organized there are some of those people who will take like a little bit of capital take a lot of risk and invest in startups start a store. And primarily the world thought at that time, and probably for a very long time that they will be displaced by what the so called modern trade that we see the big box store experiences and supermarkets. But despite about 20 years of concerted effort, and I don't think you know, any other reason, the capital, even internal, you know, Indian conglomerates were trying to set up those modern retail stores and large companies came in, they could not succeed to make the economics work. And because the cost efficiency of the Khurana stores and the structural habits of the people. So Indian people want to buy very frequently, they don't have cars, they can take to a large big box store and buy and come back. Transportation is a problem. They don't have large kitchens. Essentially, the mom and pop was doing two very important services. What business is he in if we didn't see him as a grocery person at all. We saw him as someone who's providing storeroom as a service for all the all the neighboring households. Whenever they want, they'll go pick up pay and come back. And then they are providing shelf as a service for all the brands. And in between these two, you know, they had huge issues on procurement. And they were always looking in the back. They were they were they were not able to focus on their customers, their consumers, they were all the supply system when supply side of the things were very, very broken. There are hundreds of distribution relationships. Hundreds of you know FinTech, financial relationships, not FinTech distributors will give you a very, very unorganized sector. So what we said is that, you know, what constitutes a modern greeting? Let's take that question and break that into first principles. And let's try to modernize this particular kirana store at scale by offering them each one of them as individual, you know, bite sized services that he can try, adapt, change. All other people who are attempting to modernize the Khurana stores at that time with trivializing the solution to some point of sale software system. They said okay out of the point of sale, but you know, his problems were far far far about any kind of, you know, point of sale. So we said, okay, a modern retail system depends on very modern procurement and supply chain systems, it has to have guaranteed delivery, that's the number one. So, you should not be looking backward, you should be looking forward to your consumers, your customers, second, it should have financial systems that are digital traceable, and also it is efficient. Cash was not an efficient system. And the whole country, on the other hand, consumers are also you know, moving towards digital ecosystem, and then the somebody has to prepare these people. Third one is that, you know, they need to have some amount of inventory management systems if they really want to. But But even more than inventory management system, they need to have certain communication systems to the consumers through digital means there was no digital hook at all. Then the merchandising, the whole category management is a very big piece of the puzzle for any retail company, right? What what items to keep, how to keep, which ones to place, what to price, there was no, these guys were taking all of their own decisions. And we needed a modern system for that. And finally, what we saw is that the

millennials were choosing a lot of them, were choosing brands, over unbranded items, this was a common trend. We really understood that, you know, a lot of people attribute kirana store success to their low cost.

Krishna Jonnakadla 11:39
I think

Karthik Venkateswaran 11:41
that's not the case. I did not see that on the ground. I think the real reason why they actually succeeded is the deep relationships that they've built. And these deep relationships were built over years, because the catchment area population stayed pretty stable. They were not mobile, our fathers if you see, you know, 10 years, 15 years in one location, right? That's not the case with the millennials. The millennials were just not having enough time and attention to build a relation to the local grocer. And they were moving every time they were moving when they move into a new neighborhood implicitly. And through even other listing also, we saw that they were making choices based on Is there a dominance nearby? Is there a KFC nearby? Is there a coffee shop nearby and that is how they were making choices right. So now brand affiliation becomes more important, the kirana did all the things right, that was a brand but then the brand was not transferable. So we said that we have to have a brand. And that also is about model. So we broke down into these things are reliant resilient supply chain system, a great category management, merchandising, financial products, and accounting systems, inventory management, customer relationships, digital, that includes loyalty, most most modern retail chains would offer you loyalty, but the dinosaurs didn't have anybody. And then finally the brand. So he said, Why don't we now the whole puzzle needs to be resolved. You can't like just go and give some software or you know, want to take a long term, you know, asset light model and all this stuff, we were not interested in that kind of thing we want to fundamentally rethink because our goal was to always be undisputed number one, we never this irrespective of what our current size and shape and whatever in the path that we have taken. We have never ever moved away from our vision of becoming the undisputed number one in the minds of our customers. And in whatever measure that the world would measure in a sufficient in a reasonable long periods of time, we were not in a hurry. So if that is the case, then you got to go for deep solutions and focus. And that is the solution that we bought, that we are solving for the Khurana stores all of these pieces of puzzle through four pillars of geometry. First is a marketplace. This connects the kirana stores to the supplier ecosystem. And it is backed by our in house tech driven supply chain. We run our fulfillment centers distribution centers, we do our last mile delivery to the storefront within 24 to 48 hours in a very, very reliable manner. And very high fill rates, like the industry fill rates are at about 60 65%. We are north of 90%. Because of our ability to do this, we come across as extremely reliable partners to the grandmasters. If they want something tomorrow, they order and jumbo tail and we get it no matter what. Then we overlay our FinTech solution. So we have a FinTech platform that connects lenders, multiple lenders who have the capital to lend. We create this entire tech driven access to this market. So we have them under right. And then we deliver the financial services on top of our supply chain. So we have example, when we deliver the goods, based on the proof of delivery, we collect the proof of payment and post dated checks or in minus nacsw mandates and in whatever is required. And then even further, you know, collections and stuff that happens, is done on top because they already go to them, we already have these customers in our platform. So acquisition is not a problem relationship is not a problem. Credit delivery is not a problem,

credit collection is not a problem. And we run that through unique one. That's taking care of the supply side solutions of the industry. Now on the demand side, we help the learners transform their stores, into modern convenience details through stores through a unique partnership model, where we co brand our store our rj 24 brand, with the store brand of that Khurana store, the store brand doesn't go away. It's a co branded model. And these these transformation happens with very limited whatever is required to spruce up the store. That's all you don't want him to make capital investments. And we provide him with the technology with the retail operating system that has been custom built for chaotic situations for the kirana stores and Degrassi transactions. And then we help the piranhas to get omni channel demand, we have integrated with dunzo we are integrating with other platforms at this point in time and we have our own JT four dot store delivery network, we help them get omni channel online demand, which is fulfilled by the store themselves in you know, lightning fast time. Plus, it's all ubiquitous, you know, it needs to be present across you know, it's densely located within the neighborhoods, it's an omni channel store. So when the customer signs up for a j 24. Store, he gets to. So demands have three kinds. One is a walk in which he was always doing second is home delivery through phone orders. So it's a very big channel, even today, customers would like to actually use phone as a medium or WhatsApp as a medium to place in order to take orders and the customers that run so then transacts to that. And finally, there's a proper online ordering system as we understand. So this is the whole value proposition. That's

Krishna Jonnakadla 17:13
pretty interesting. Let's peel that a little bit, and then go into a little more detail. So if I got that correctly, are you trying to improve the economics of the kirana? store? owner? Or are you trying to standardize the experience that put upward potential customer or a real customer that gets from a normal kirana store? There are some issues about the economic side of it, which is about how they the cheapness of it. So are you trying to transform the economics for the kirana store owners? Or are you trying to fix the customer experience or both?

Karthik Venkateswaran 17:57
See, if you take suit of solutions that we have starting from look at a Corona stores, you can come and use our services just to compare prices. And then keep buying from wherever he wants that the starting point of the whole journey right? You can just discover what's going on in the market and then still continue to have a buying relationship with somebody all the way to Corona so that our ops our brand legitimately for brand. So the level of you can say if we can choose that he can do all of these things will be impacted. So the first and foremost thing is whatever he does his economics out imprudent. He has to increase his you know, revenue he has will faces scale, not necessarily scale, at least as profits. And he needs to, I think more important than economics and profit today is I think they know they are all going through some existential crisis in their own minds like in the world of online where all consumers are going in the world of everything is becoming modern, branded digital. I am no longer seeing the same faces for more than six months in a store. People are ultra mobile. Now where do I stand right now he needs a sense of security, a mothership, he needs to anchor to a mothership at this particular point in time. So from the sun, there is a solution. On the economic side, there's a solution on the philosophical and the emotional side. But overall, whatever we do, ultimately has to result in improved economics for him. Otherwise, why will he do it? That's the question.

Krishna Jonnakadla 19:23

Got it? Well, when I meant economics, it was more than just the top line, because many solutions can actually improve the bottom line. But we'll come back to it. You said a lot of interesting things about your personal story and I want to touch upon them. We'll come back to the model and the scale story in a bit. My god, I think is the first time we've had more than 50 guests on our podcast, but we've never had a major before especially the one from the armed forces. You know, the funny thing is I've done a lot of work for GE in the US It's one of the few organizations that has realized the methodical nature of people that come from the armed forces. So, what GE used to do, and I think a lot of companies still do that to good measure is staff, a lot of senior operations, operational leadership roles with people from the armed forces, majors, lieutenants, colonels, especially given the ability to actually sometimes go into unpredictable situations and manage large swaths of people, or even implement something that's actually in that's actually written down into some sort of a standard. And I've seen some of these people, I've had the good fortune of actually working with one of them, a gentleman called Tom pack, a Thomas Beck, who eventually went on to become the CIO of MGM resorts, which was recently acquired. So and I've seen the impact, this is the first time I've seen a major, and somebody from the Armed Forces jump into the unpredictable world of startups. So I'm, I'm going to ask you in a second, if you always had this dream of entrepreneurship, but then I think you are, you touched upon it partly by, I guess, triggering Maslow's hierarchy of needs, where you actually accomplished all the base desires, and then you're looking for self actualization, and therefore, the meaning part is where, what drove you to this? So? So Help Help me understand a little bit? Have you always nurtured a dream of entrepreneurship? Or was this just a way to deliver impact or meaning?

Karthik Venkateswaran 21:44

No, I have I come from, you know, family of government. So and So to be honest, I had never imagined to be an entrepreneur. And I joined the military to serve the nation and create impact. And I wanted to do that much more faster. And I was impatient, and I wasn't willing to wait until I become, you know, a senior rank officer, to be able to create even wider and wider and wider impact. So I wanted to, you know, have certain inorganic inflection, but to my impactful creation of impact. And I also realized, during my 10 years in combat that, you know, war is a very poor way of, of doing things, actually, it is more glorified. I didn't want India to be one of those countries, that will have to fight the war people, you know, need to people, the countries need to look at India and its economic potential. And then, you know, think wonder times before even starting a villager in conversation, and in order to get to that stage, you need to actually take our country to economic possibility. And that is what I strongly believed in. I also saw how, during my initial days, the ID, Zoo, Id growth, and as a country, we were becoming very, very important piece of the world puzzle in the global order. And I was getting an inside view. And I really, I really understood that in the war is just a means to an end, the end is no security. And there are very different ways of achieving the same goal, and in a much more stable manner. And that's why I shifted to the path of creating economic prosperity to our country to take it to the next level. It has always impacted and service to the nation.

Krishna Jonnakadla 23:37

Amazing, amazing. I, I can't believe I heard those words actually come out of your mouth. I for one, I have a slightly different point of view on wars and revolution. In fact, I I do think that, of course, it's not my place to say I was not even born back then. Everybody has got a fighting spirit. At some point in

time, if you fought for something, and you earned it, you know what it's worth. So in some sense, I believe the nonviolent struggle that actually led, although while we make it look like we actually fought for it, hundreds of countries actually got independence in the mid 40s. So they were just, they were a set of people that were there present to step in and then take charge, and we didn't go into chaos, like Afghanistan is the declining, sort of descending into right now with the exit of destinations. So I think we should have had the right words. Again, the reason why you find certain words become very important, they get etched in memory, and then you always remember why you fought and then what you fought fought. So but the second part of what you said, I absolutely agree. And in fact, I think it's a very, very, very under understood aspect, especially In India, that whatever drives, even war is actually economics. There are a handful of people, you know, that purely thrive on power. But power without the power of money is actually nothing. The biggest kingdoms on the planet, all the colonial Imperial imperial powers all of them, they did it for gold, they did it for silver, which is it's just another representation of wealth, somewhere along the way. And I keep saying this ad nauseum, especially on my podcast. We forgot what wealth is, we forgot what a nation is. We forgot the very concept of economics. And we are still suffering to this day. Because you can have 10 million soldiers in the army, those soldiers cannot eat nationalism, they cannot eat patriotism, right, they have to eat food. And then you cannot consistently tell everyone to be a nationalist, it's a very, a your economics, if you don't make economics work, especially somewhere along the way, the political ecosystem actually breaks down, which I think to a great extent, if not for 1991 liberalization, we would have possibly had much more anarchy is chaos. Right now. So I'm glad you embarked on this path. But one question, though, coming from a family of government servants, and at least there's one aspect of everything being regimented. Right, so what happens in the armed forces? It's a certain generalization, and I'll apologize in advance for that. There are, there's one place which actually tells you you've succeeded, which is school, they give you your certificate, they'll do a quarterly exam, they'll tell you you've you passed, you failed. And until you actually come out into the real world, you have this illusion of success. Because some teacher has told you a piece of paper tells you that you've succeeded. In the armed forces, you largely have controlled experiments. But obviously, fighting in hot combat zones, I don't think a lot can be actually controlled. There are a lot of uncontrolled, but the general environment in which you work, you know, there's there's regimentation, there's Okay, this is how you engage the enemy, this is the plan, nobody goes wrong. Right. So nobody goes rogue, largely while local plants might actually evolve and shift based on the conditions that you see. But there are certain regimentation, stepping out of such a regimented, or a predictable world and getting into entrepreneurship. Did that bother you? I know, you said, You touched upon the fact that you did not have a network, and you were not yet competent. So therefore, to bridge that gap. Is that what drove you to go to Stanford?

Karthik Venkateswaran 27:57
No, I, I never. ami is regimented, for sure. I don't disagree with it. But I think, you know, fundamentally, there are only two kinds of soldiers, the good and the dead. And if you want to be good, then you have to be innovative, especially in combat, so there's a lot of regimentation that you see. But you know, it's a it's a very the organization doesn't the it imposes only one thing on you success. And at every stage, if you get caught, if you get, you know, if you if you you know, get a bullet, you are a martyr, you're dead at this point. So now, then the human mind things very, very creative, on how to survive. Now, in order to do that, then what is required is a good value system, because you can do anything to survive. Now, that regimentation takes care of creating the value system that you are always falling back on, are

the boundaries that this is our history. This is what we stand for. This is what we must do. This is how we must behave. We are not tempt, we are different, we treat women well. We don't plunder, we don't do all these things, right. So then it imposes these conditions. And now it has to be translated to 1015 20 million or 10 million people, right. So now you have to have an army of your toe to toe really put the people there. I think that it actually constrains your thinking, actually, especially for those of us who have served in the combat. You know, we are very creative, because we have to survive that moment. We have to survive that moment. If this doesn't work, something else has to work because we have to achieve those results. And even orders that come from top sometimes some of them, you know that regimentation forces you to actually be so creative in order to get that order done. Right. So I think it's a mixed word. I did not see that network definitely yes, I did not know how to run a business for sure. And I did not have any friends. So, I did not have any network and I would have not if I would have not met Ashish, I don't think jumbo deal would have been possible there is no other person I know there is no counterfactual What I can tell you, there is no other person I have been searching for, you know, a full solution for nearly 10 years before the first core line of code was written. And on aashish is the is the perfect person to be the performer, I would have not found it. Because, you know, he comes from a family of farmers, these Apple farmer himself. And, you know, he, he went and, you know, he his his his journeys in a very illustrious, more illustrious than than what he could possibly see. So I think getting that network was very important from

Krishna Jonnakadla 30:56
so what drove you to Stanford there? And Was this an on, on on in the Stanford campus? full time MBA program. Awesome. And what drove you to Stanford, I,

Karthik Venkateswaran 31:09
I wanted to learn from the superset I did not think, you know, I can learn and more importantly, the admission system for an MBA program in India was heavily weighted against older students. So it was mostly people coming out within one or two years, and I was already 10 years after my graduation, so for 10 years in the military, so it wasn't the best solution for us. In fact, actually, I think that if you have more than five, seven years of experience, you get like negative marks. So it wasn't the best solution for for me.

Krishna Jonnakadla 31:51
Interesting, in fact, in a way, the, the format is not practically driven either. So to a great extent, it's mostly about conceptual depth, but it's the alumni and the network that the alumni has caught into that actually keeps it alive, as far as the Indian ecosystem is concerned. So that's where you met Ashish, in the standard program, he was my classmate. Interesting, interesting. And then and then how did how did the two of you sort of was there a wavelength match? We use? Taking the same classes did how did you decide that the two of you were going to team up and then do jumbo to see I think,

Karthik Venkateswaran 32:34
you know, I was toying around with idea for a long time I need to find people and I had been talking to a few people understanding. So, to me, the more important I think wavelength is a subset of the value system match is very important. And I tend to I tend to evaluate people based on the choices that they have made, because words are cheap, right. So, I saw this you know, she was there. First of all, you

know, he came from a family of farmers and he was very deeply connected to the farming policy. But if you if you look at it, he was you were the first person to do it daily batch, he was a graduate of IIT Delhi first and then he went to BCG. So, when you think about the big four consultants, you know, you think about in all these airlines and people moving around all these rooming with the CEOs and trying to be the presentation junkies right that those are some of the images very brilliant people nothing to talk about them less, but the world that non consultants generally have this date, but aashish if you actually take a look at it, he actually worked on solving the public distribution problem for India. The projects that he actually worked on some of them is introducing biometrics. So it became eventually the bedrock for other so biometrics for public distribution system. And he's been you is probably the project was conceived by, I think, the golf program to help Indian Government plug the leakages in the public discourse, this renewed sit in a in a truck travel also be hard to research to find out what all is happening. And that's also you know, when you make those kind of choices, when you could have made so many different kinds of other choices, then the fact that okay, you really means this is very important. And to me, this is a very long journey is a I need to know it's a perseverance is the name of the game. And times have very difficult and when times are very difficult if you don't have a very, very, very strong connection to the problem statement. Then you tend to make suboptimal choices that can cost the future. So for me, I think selecting that person was demonstrated those even at Stanford, you know, we all went to some The global study trip I went to Peru, he was solving water sanitization problem in California. And he was very deeply connected to this kind of better farming and water and these kinds of problems, he co founded a startup that helps people know when the water is going to come in the public taps. So these are kind of things that when I saw him, naturally, and then type before, so after Stanford, we sort of went our own ways. But after about nearly three years, he was actually, you know, doing his own farming for nearly a year and a half. And he was trying to organize the farmers, whatever I was doing 2008, he was trying to do too much. And he reconnected with me. And I had done a project at Stanford, on this coconut supply chain from farm to fork, under a very well famous Professor Holly. And he wanted to know, what was the finding of that research study? So then we reconnected, then we re engaged. And then we are here.

Krishna Jonnakadla 36:07
I see talk a little more about that coconut, SMS based solution. Why didn't succeed? And what lessons you learned from that?

Karthik Venkateswaran 36:17
No, it was way too early, first of all, so it's a Nokia SMS based in a Nokia and 70 was the smartest phone those days and SMS shortcode API based solutions. The reason why it didn't succeed, is because you know that that solution was trying to tell people who are the buyers for your produce? And what are the prices, you can transmit your prices? They could ask for prices. But you correct these two, after that? How would the transaction complete? So somebody's got to ship your product, right? In the US in Amazon or eBay? Once a transaction is completed the flow, see every commerce flow with first principles, let's break it down. It has three functions, three flows. First, is the information flow. What's the product? Who's selling it? What's the price? When is it going to be available on then it's the material flow. Once a transaction, you place an order, then it's a material material estimate, then the financial money has to go to a counter shop. And kirana store is happening right in front of you this guy standing. All three flows happen in one moment, and you don't really piece it down. In us in Amazon, you'll order

in Amazon, FedEx delivers you you pay via visa, right? If you're in India, all three done is by Flipkart you ordered and Flipkart Flipkart delivers you, you do cash on delivery of the product. So they did all that. So you have to do all the three in order to make it successful. So it was just too big problem. I didn't know how to solve it. I frankly did not know. You're talking about like I didn't even know the word called scale. At that time. My jargons are all military. And I didn't even know the simple word cost scale scale is a word that I went to Stanford and I actually encountered it.

Krishna Jonnakadla 38:04
Okay. And then that's when you bought decided, so talk about the early days.

Karthik Venkateswaran 38:11
So the early days is all 2000, late two, early 2015, late 2000. So Stanford, we didn't discuss much, you know, in 2015 2014, December, on a friend's wedding, classmates wedding, we again, reconnected and then we started discussing I at that time, I was more concrete about what we want to do. Then we then we started discussing, we spent about six months, this brainstorming, editing, talking to people. Those days, I was in Flipkart at that time. So then, then we idea pivoted to three times within our own as we learn more from our customers. Then eventually, we took up lunch in late December 2015. started operations in April 2016.

Krishna Jonnakadla 39:02
So these 2015, around that frame was when timeframe was when people like grofers, big buskerud all these guys were taking off. And you touched upon this earlier when you spoke about the fact that you were taking a contrarian bet. And so, so here's what I've always felt, do I have I come from a community of businessmen, you know, the Vice Chair of the finance, and I have had an uncle myself who used to run a kirana store, and the economics of the kirana store is many of them don't even track if they are making a profit or a loss, because all the money is actually coming from the cash box. So if you need to pay rent, you draw it from the cash box, if you need to. If you need groceries, you don't need to go anywhere else because you're running a kirana store yourself and maybe Many of these have inefficient supply side economics as well, because what they're doing is they're, they buy maybe a 200 square foot, or rent or 200 square foot space, and have a series of storage containers. And and I'm talking about this 30 years ago, you have way more branded products and pack pre packaged products today than what we used to have 30 years ago. And most of it is actually stored in large bins, you know, your rations, your grains, your pulses, your cereals, all of them are stored, and you would package them and then send it and every afternoon, you would go to the local neighborhood market to actually replenish the ones that you actually exhausted and maybe go to a little farther, which is a larger market to actually source some of the other items that are not available locally. So the net effect is that your margins are not that great, but it actually keeps the kitchen running. And the reason the margins are not that great, but the kitchen actually keeps running is because the whole family is working on it, the business the husband is working, the wife is working, if there is a grown child, past the maybe even a under the legal age, that child is also working. And none of them actually draw a salary. Right, so none of their draw salary, nobody accounts for that salary. And an added aspect to that is some of the financially prudent ones, have actually repaid their loans that they were either taken from the local moneylender or from their father in law, or whoever their relatives are. And they've stepped stepped out of that. And even today, a prevalent practice exists which is called as the pygmy. You know, pygmy

money, sailors, right? So there is a man that drives up in TBS 50, or a moped he, he or she is because they know that if they do not consciously save money on a regular basis, they will never be left with anything. So they've agreed on a daily recurring investment of 400 rupees or 500 rupees, which is which amounts to about 15,000 a month. And that's really their source of saving. And, but in to my mind, it's mostly a convenience play, which you actually spoke about. And when you said, it's actually storeroom as a service. I've never heard anybody describe it that way. And I think that's, that's fantastic. I think that's going to stick in my mind for some time now. And the 20 odd years, the real reason this industry hasn't organised I think, is not this is my personal opinion, anyway, is not because the economics don't work is because of a set of interests have long resisted, you know, direct FDI. in retail, they have stymied every move from the large big box retailers from actually coming because scores of constituents are going to face economic disruption for a short period of time. The way I contrast it is, and not that the big box retailer relate related formats have actually solved the problem in some form of fashion, because we have a perverse, perverse set of labor laws, which actually make it so draconian for any of them to really employ and then hire or fire. So you look at an average Metro cash and carry Metro cash and carry sells only to businesses because you have this law in FDI, which says that multi brand retail, especially if it is retail to end consumers is not allowed in the country. So therefore, the German Metro cash and carry giant started operations in the early 2000s. And they started selling only to businesses. And now you realize that a lot of people just want to get a business ID to go and get stuff from Metro cash and carry because it gets them access the innovators circumventing the routes, right. But the question is, there are people who work as cashiers in Metro, they're they're pickers they're stalkers, they're organizers, they possibly have a slightly better quality of life than what they would otherwise have in the kirana store. The they possibly have access to group health insurance, which I honestly have to admit I'm not aware if they have maybe some sort of worker workman's compensation. But labor laws have created a situation in such a way that even if an average Metro cash and carry store employs about 2000 people in that perhaps 90% of them are actually contract labor to actually circumvent your large labor law regulations. So the only reason a sense of chaos actually persists in the country is because of a perverse set of economic policies. That are just designed to keep things the way they are because solving some of these would mean that there is some degree of disruption because none of them want to deal with it. And that would also mean that upsetting the public distribution system applecart. Right. So some time ago, a friend of mine who works in the Karnataka government said that in one year alone, in one year, they had cancelled close to two lakh ration cards. Now, saying that they were fake ration cards, not even people that are eligible forget whether they are below poverty line above poverty line, these are fake ration cards. What it means is that there is large scale money that is being siphoned off from the system. So now, as soon as you embark with a series of economic policies to organize the system, it is going to result in, you know, four or five years of disruption. When I used to live in the US, I lived there for more than a decade, I used to load the fact that if I have to go to a Walgreens, which is a pharmacy just to buy a, you know, kind of milk, I have to go all the way to the back of the store. And the whole reason milk is designed to be placed in the back of the store is that you would walk all the way through the store. And then some of the items that are placed on the aisle would entice you. So instead of spending maybe two or $3, for that gallon of milk, you would actually spend $30, just because they managed to get you into the store. Now, the average kirana store actually doesn't work with that economics at all the average kirana store is I want milk, I go to the store, actually pick, pick up that packet of milk and then come back. So it's a convenience play. So I I think the reason it has not worked is because of this and you have from budget on doll to

swadeshi, jagaran manch, to the Congress party to BJP a wide variety of actors benefit from, you know, the system staying this way, which is why it hasn't organized. So that brings me to the question, which is now you are going to be a catalyst in actually organizing this in transforming some of these aspects. So therefore, how do you expect to succeed? And why you're expert? Why do you expect your model to succeed? So I while all the things that are what you said is true, very, very powerful observations on a life of Girona store. Very deep observations, I must compliment this Oh, they live there is no concept of profit. It's all cash box. And then they do some kind of daily savings. Everybody works also is able to put a health plan here and there. And that's how they're surviving. And everybody's like making probably no 15 20,000 rupees per month. And that's all they do. So I'm I agree to that fact. I think that the more important, there are some elements of things that even though it touched upon labor laws, yes, there is some economics out there. But it's not unsolvable. There is enough enough economics to protect organized labor and we are figuring out how to do that within a kirana store. Some observations like contract laborers, I do not believe that because you are having contract labor you are able to circumvent any labor law. In fact, actually labor law is equally enforced, whether you have own employees or contract labor, the contract labor, there is this good amount of churn in this industry. In this segment, people come and people leave. And therefore, so these people are all employed, they are not like your variable model like your swiggy or your taxi drivers. Well, if you get orders today, you get some commission and things like that. These are all things, the ones that do give example on repercussions that even though they could be on somebody else's payroll as contract workers, they are absolutely Indian Government laws mandated and I don't think any organized player in this country would be found not paying the PF or gadgety, or all of these things like there are certain comfort, there are certain structural issues. I agree but I don't think that that is actually causing any issue or any kind of you know, problems to the organized player. The real problem with Karthik there there is 90 of if you really see the contributors to gratuity and pf, it's literally under under 10%. It is actually in single digits. The remaining 90%

Karthik Venkateswaran 49:34
No, but I'm pretty sure that Gary or any other organized players,

Krishna Jonnakadla 49:38
no i i just gave that as an example what what I meant is because of your There are also the labor code is being re reorganized into four separate groups, which is mostly a reorganization which is not rewriting. So when you have, for example, the industrial disputes act of 1949, which actually says that if you have I think the number has been revised in the new labor code, which is if you have any more than 100 workers in a particular establishment, you cannot hire you cannot fire them for whatever odd reason, and you need the permission of the government. Now, I am not able to teamlease Kimberly's money Soboleva, who actually run steam Lee's supplies, these 1000s of temp staff workers to other companies, the likes of Metro cash. And so for instance, so, I don't know if Metro cash and carry is a customer of teamies. But I know teamlease plays that role. And there are a lot of companies that actually do that. The fundamental reason these players even exist, is because of the need of these organizations not to circumvent but to actually control their own economic destiny, because what you don't want to, let's say, COVID as an example, all of a sudden COVID has hit your revenues. In many cases, in many sectors, revenues actually literally dropped to zero. Most people factor in a 20 30% variation in revenues, nobody factors in zero revenue. Now, when you have to adjust to the economic

model to that by actually pruning your staff, right, so if the policy framework actually ostracizes you with, which is why you need some of these players. Now, these players have found out a model in which you can actually comply with the law, somehow keep all those balls juggling in the air, right? What I what I'm actually meaning is, if Metro cash and carry employed 2000 people, and those 2000 people became part of the metro cash and carry family, the benefits that they would enjoy the 15 20% cut, otherwise the vendor like teamlease would actually take would actually end up in the pockets of these people. So there is a whole host of you know, economic incentives. But anyway, I let you continue. We are not discussing that model. But

Karthik Venkateswaran 52:00

we'll come back my my view is that the real problem is one of the problems of modern retail in India is one of the whole idea that you have to have a 5000 to 10,000 square feet space, right in the heart of various pockets of the city and then have them operate profitably. I don't think that there's a labor yes that 15% of labor is the real cost and I think you know what, whatever reason why they are why they are maintaining or not maintaining, we will but it's that's added costs, but that said the real actual cost is the lack of efficiencies of scale of the supply chain as they understand right. So those roles are small. Now you have rent cost, rent cost in India is increasing with contiguous spaces, larger spaces, so the same neighborhood same street at 200 square feet, which is not useful to anybody only a grocer will come and take it but 5000 square feet is you is attractive for officers attractive for many different businesses. So that then actually goes up now you have to put your security guard you have to put your dissing need to have certain structures where your vehicles can come in the behind and go in the front and all of those things that are available in the Western world are not available here. Now that is not the real ponder I'll tell you the sexual concept that exists in India is called MRP. This is called maximum retail price. Okay, now right for the very same product I have to incur all the cost. Now customer apirana store is able to charge all the way dilemma. So let's take out all this positioning. Let's say a Canon has to but then he doesn't incur the cost of you know AC the security guard in front. The people. Now if you put out 5000 square feet of 10,000 square feet, you have to have an office you have to have some story have to have some 15 people right the whole model of I am going to build a 5000 10,000 square feet modern retail point in the in the heart of the city pay the increasing escalating relative real estate cost and then not be able to service with a larger truck supply. I still have to come in small effects because roads are small. Right? And I have to build a V DC of somewhere outside the city and then I have to you know come and deliver that is the economic model that doesn't work out. It is not a VA and all of those things I can tell you, you remove FDA, we all owe all people to govern invest in this country. I am telling you still the kirana will win and that is because basically you can think of a 5000 Square Feet Store get broken into 10 500 square feet, small counters and they are all located very close to the consumer. Consumer comes in zips in you don't have to entice the consumer to buy more the Carolinas economics are already making it work. His revenue per square feet is higher than your more Okay, we are not

Krishna Jonnakadla 54:56

i i agree. I'm glad you brought up the infrastructure part. I I wanted to cover it, but I didn't cover it up. The infrastructure is one more ingredient in the dish that you cook to actually keep things the same. Right, so awesome. So let's jump into the image scale story. I think we've covered quite a bit of what you're changing. I did, I want to be cautious of your time as well. So once you launched in 2016, talk

about those initial days. This is a pretty popular format. And how did you convert the first store? What were some of the initial things that you've worked on? When did you realize that you really had a game on game on hand?

Karthik Venkateswaran 55:40
See, the first one is my own grocery store Mumtaz stove. So Mumtaz my first custom ice so I went and told him Okay, that I will send you by WhatsApp. So and like few products he that he had, he had certain issues going to the main market in as well as it will give you and then we'll deliver it to you. The first delivery vehicle was my car. And then, so we were ideating ideating. One day, you know, our season, I decided enough of ideation. So September 2015, is that let's send out a WhatsApp message and take action and take the first step, we were only curious to find two things. First is those days today, it is not prevalent anymore. If you look at those days late people used to switch on and off the mobile data button, the double arrow button that is there, whenever they want, they used to switch right. And then as soon as the internet date is over, they will switch off. So we said whenever if it is off, then your WhatsApp double second tick will not come. The second tick is delivery. So he has to switch off. I said, Okay, let's do our thing. Let's see what what is the average time taken between the first tick and the second tick. And then to take some logic. So the time between delivery and rate is what we wanted to test. So we send a message at around 1040 in the night. And then 1043, we got order. So and it turns out that, you know, generally these kirana stores close the shop at 710 1015 go back and do something with their internet. And then this gentleman gave me an order. And I was personally though he wanted to support me. And then we delivered. So we got five first five customers like this one, we all have them on WhatsApp. And then we used to send them some catalogs. And then we used to get some orders. And then we we lose to go and deliver the next day and collect cash for a very good period of about one one and a half, two months. In fact, actually up to January, my car was the delivery vehicle. So every day, we used to go pick up and then deliver. But after that we hired one vehicle. And then we had more than five, five customers plus another five time or my road journal. All these are very initial pilot stages. And April is when we launched the app, the full fledged marathon started onboarding more customers.

Krishna Jonnakadla 58:01
And the app will load the kirana stores to place bulk orders of products that they would actually retail in their store.

Karthik Venkateswaran 58:09
So it just allowed them to play some orders. We know they will they will order more quantities. So therefore they'll they'll do bulk orders.

Krishna Jonnakadla 58:20
Okay. And then when did the POS aspect and, and the supply chain and the FinTech aspects come

Karthik Venkateswaran 58:27
supply chain was right from day one on day one supply chain is a very, very, you know, we were clear that we have to build a supply chain because that was a learning that we both had our T shirt compatibility conclusions during his farming stage, he was trying to organize the apple farmers, he

aggregated all the apple farmers. But again, same problem sets up video will be very clear that we will build up. So from day one, our investments in supply chain started, credit came about about 689 months back later. And it was also sort of imposed upon us when the D monetization crisis happened. And suddenly overnight, there was no cash with kirana stores and everything was digital with them for about two months period. So we had to start lending. And we were already piloting so three, four months ago itself, we were piloting the credit, we had initial set of customers, but we accelerated that and then the point of sale and the demand side solutions came way later in 2017. November. And you know, I presented a few thought process and then later on

Krishna Jonnakadla 59:39
how many kirana stores do you have on your platform

Karthik Venkateswaran 59:41
today? I think you have bought 50,000 stores directly being served and we have a different model of serving another 30 40,000 columnar stores through in the tier three tier four town so we are touching about 80,000 stores today

Krishna Jonnakadla 59:59
to talk about some in flexion points. So the first fight, you know, out of your car, which was the supply vehicle, and then you launch the app in April 2016. And talk about when you got the first 10 first 25? And what were some of the tactics that you tried? And what were some of the things that worked

Karthik Venkateswaran 1:00:16
for you see, initially up to first 500, it was a slow, not first two to 300. It was a daily acquisition, we used to go talk to customers, because it was very early days in 2015 2016. And we were pioneers of this idea in the first place, everybody was waiting on the b2c. So and then infrastructure as a challenge, many customers would not have WhatsApp to order, sorry, mobile tech to order. So they used to call our call center, and then they used to tell us that the police take orders via phone. So we never to call for till date, we don't have a sales force. So that's one of the hallmarks of our motto. So when we told them, we will recharge you, so we used to actually run a recharge service. So they used to call us, so we used to put money through PDM and recharge their phone, and then we will collect the recharge amount from there, when we go on to the delivery. So that also became a very good, you know, service for them. So our very good initial, you know, this used to happen a lot. So people used to call us and then we became probably the perfect easy contact point for recharging. So they used to call us and say please would this is you know, 50 rupees rechargeable. So we used to put 50 rupees and then delivery boy will go and collect, we built a product for it, he has to have delivery, what needs to know that you have to collect this with ups. So we were we were doing all of this stuff. So that's how the initial one then finally, we said we were ready. And our basic product and supply side product. The next inflection point is we need a we are a marketplace. So we are sellers and we aspire. So the seller products are already and we are sellers on the platform could actually digitally transact on our platform. And at that time, we started scaling. So and then we kept scaling to the platform. And then about six months later, we were about 3000 customers. And then ever since we are growing.

Krishna Jonnakadla 1:02:04

So the the app launches, the app has some a catalog of products. And these are mostly branded or

Karthik Venkateswaran 1:02:12
unbranded. And we created catalogs for say that I think all in India call unbranded. So you have names. You have photographs, you have a site, you have a package. So we create a catalog for all right.

Krishna Jonnakadla 1:02:26
Okay, and that was available. And so the initial modus operandi of the tactic was talk to them directly Canvas, and then eventually you started vended did it at some point in time because you don't have a Salesforce, which means Was there some sort of network effects that kicked in, which is these 200 300 stores realize that hey, you know what, for my turnover of two lakhs or three lakhs this month, one lakh 50,000 is actually coming through jumbo tail, or I used to do it from the local market, what used to cost me one lakh 50,000 right now, because of the reliability that jumbo tail offers and the prices that jumbo tail offers, I'm actually saving 10,000. So I get two things out of it. One is the replenishment is faster. And the prices, I don't know are better, was that the kind of dialogue that happened and then therefore the 300 created organic growth because if you didn't have a Salesforce, I'm actually literally intrigued how you hit. You know, the next numbers?

Karthik Venkateswaran 1:03:27
No, yeah, you're right. We never could offer prices. Also, we were the highest priced of all the places. So we were not discounting at any time. So we were of all the people who are highest price, okay, because of another insight we got from the customer that most of our customers are optimizing for revenue, not profits, even though they want to claim that they are optimizing for profits, but they're actually optimizing for revenue. And to that what it meant was the because of the thing that you brought out right cash in the bank cash and that you know, cash counter, and cash in cash counter will go low, if you have no products in your shelf. So when a distributor would not come when they can't go to the retailer, they can't go to the main market, they're out of stock in the shelf, right where the customer comes, they don't want to send the customer empty, I don't know kilohana wants to send the customer empty handed he has to put some products in that particular basket. So they will just buy us they will not buy all the quantity so they will not buy. I know there was an argument that if you give a great prices, you can buy the entire week's purchase. We were okay. We know we didn't want to discount. First of all, you know, I came from a very, very discounting, you know, culture and Flipkart and I was saying that 100% there is no future for such kind of business models and you can rescale very fast so all those things at some point somebody can buy but you're basically building something to sell. So, you know, if you want to really go public and all you need to have a proper economic model and least your thought process should be very clear. So in that sense, that was at least my thought process. So in that sense, we never used to discount so therefore we will always know higher price. But the second aspect is the reliability because we were very reliable, so can be used to get business And then also the third one is customers, there was no concept of customer service. If you look at 2016 there was no single service a kirana store a person of that stature could actually call and receive a service. If you look at all airlines it like he didn't have any digital experiences first of all second is the only thing is the the phone the whatever road or phone those days, you know, those those companies existed, harsh and all of those things, right. So, you could call them but since you are prepaid customers, there was no concept of service for the prepaid customers. Okay, it was all very, very self. So now here he could

actually talk to a real person. He got like surveys he could tell merkaba daily delivery tomorrow, please give me delivery, can you give me that product, this product and we were building entire trust, based on that, like, you know, when he calls his phone, we were optimizing for metrics, like how many rings you have to pick up the phone? Those are extremely important for us, right? You can't like let anybody you know, go to the singer for example, we just service something that I I told you another thing, we innovated on returns right? Where they had a lot of problems on these returns when we buy a sack of rice. They used to go and buy like say 1020 bags of rice, they will come back to the store and discover that patch our bag may you know this warm and other things are there. Now Yes, he is weather can technically take a return but you're to lug it back to the Yard which is 3040 kilometers away on your to do it like next time when you go your capital is blocked to cancel it can pay immediate return right? Right, we took half bag returns last half used bank reserves. So when you build things that is required, because his customer gave him back half back, then the customer will take a full bag and then in the middle of the bag, you will discover there are some small lumps of inner worms or whatever. And then he will come back to the kirana store and you return it. So where will he go with that product. We will be solved all the time, if we solved all these problems. He said we are not going to give the discount, no discount. No, I will be the highest price. But I will save you from all of your losses, there will be no revenue loss for you, your customer will never go empty handed if you order in jumbo tail, you can always have a good service. So we treated him like a king trucchi.

Krishna Jonnakadla 1:07:12
Alright, when you can give him a staffline he'll let him worry about the bottom line,

Karthik Venkateswaran 1:07:16
he will figure it out like I will tell you that sometimes he used to deliver you know he used to call us and then by the time he will tell you no sir, I removed that I know a few things. And I sold it already don't worry come by it was very happy. So very entrepreneurial guy. And you know, second thing is you know you're a consumer, you have to go and find where the consumer is, first of all, they're all living in you know, small, small pockets of houses, housing societies and all delivery. For us. Delivery was a breeze. This guy is sitting throughout the day in the store, which is on the road roadside, right? So supplies, your costs are low, you know, he doesn't return he's building a relationship with you, it was Heaven, it's a great, he's a great guy to build a business

Krishna Jonnakadla 1:07:55
car, your auto can pull up right in front of the store,

Karthik Venkateswaran 1:07:57
you can you can live anywhere in Bali, if you do something wrong, you can go and talk to him. And you can get him back. You don't have to give again money, two minutes of decent conversation is good enough for him to get him back to the platform.

Krishna Jonnakadla 1:08:11
Right. Awesome, awesome. You're you prioritize for value and reliability. And I think those look intangible, but the enormous impact that they can have on the bottom line can only be felt, you know, it is not immediately evident.

Karthik Venkateswaran 1:08:26

I think there was some quote I used to live long back the bad taste of the poor taste of a bad quality product or service stays a lot longer than the you know the happiness we get buying something cheap. So we have realized, you know, I and this insight we got from a hotelier he said I asked him said 20 rupees, this you know I'll give you less price. Now he said I don't want to sell 20 rupees less price, you saying because if you don't come with our doll on the day, I can't sell water to my customer. And I have to I will not make a loss because he's having a 60 70% markup on the on the cost of food and then selling the water. So he is not only losing the cost of that thing, but also the upset of the customer is not going to come back. So they are very clear. They are they were always optimizing for him. This is what we learn. So we said build a reliable supply chain.

Krishna Jonnakadla 1:09:19

So value and top line focus and reliability. I'm I'm actually super amazed at the fact that How long did it take? So let me go back to the fact that you had something like this in your mind for 10 long years. I know the contours of what you eventually put in place evolved because you yourself talked about the pivots that you went through. But at what point in time, did you discover that this reliability because there are two things two questions actually popped up in my mind. One is How long had you do you have this concept? Second one coming from Flipkart, which was a, in effect, the last man standing kind of a model, right? So let's just discount our way. As long as we're buying the market, we are buying future consumers, you know, there's all sorts of labels on that particular model. To a certain extent, you were steeped in that philosophy, right? I don't know at what point you worked at Flipkart to develop a degree of skepticism.

Karthik Venkateswaran 1:10:29

No, no, no, no, I would say that I know, I would, you know, correct. Here, it is, it is absolutely true that we've got no use price as a mechanism to attract customers. But we've got invested heavily in tech and supply chain. They were the first one to solve for costs or cash on delivery, they were the first ones to solve for in a reliable supply chain, they actually invested right. There are many, many players who today are not in the face of this earth. And they are the people who actually only discounted and they never invested any of their money. Flipkart did both? Right? They've got both. That's what I would say. And then and they were able to do and let me tell you that right, every single time when you reduce the cost to the customer demand will increase. But if you're not able to increase the demand, if you're not able to serve the demand, if you don't have a reliable supply chain, how will you actually grow? So it's a myth, right? Unless you have the supply chain, customers actually won't come? Even my case, also helping consumers Also, if you order something, and if it doesn't even come to you, in a reliable manner, even if you do 100 by 100 rupee discount next time, why will you come? So I learned that from Flipkart, like I think the importance of higher already learned in eBay, when I was in the US that eBay was like fighting a losing battle against Amazon. And Amazon was upping the game, you know, two day delivery today, there are two hour delivery or something like that. And you know, on eBay was like if you had fast and free shipping, and it was four days, there was no way you could actually compete against that might have the fast supply chain instant gratification, right. So I was clear from that time, that having a reliable supply chain is very important.

Krishna Jonnakadla 1:12:16
So that's where the foundational aspect on Let's bet on reliability, reliability and speed came in and

Karthik Venkateswaran 1:12:22
got it liberty and speed. Because I have seen in in Flipkart, when you're there, when your delivery windows are long, you get lots of returns. I've seen that data. And that also informed me that you know speed is very, very important.

Krishna Jonnakadla 1:12:38
Very interesting. When delivery windows are long returns are great. Because customers have changed their mind especially returns or cancellations

Karthik Venkateswaran 1:12:46
returns customers not even mind canceling, you will just say I don't want this item after you reach there are some customers or you know, they will they will go take the effort of canceling or otherwise you will just say I don't call you and He will not even come to pick up the item in a cash on delivery.

Krishna Jonnakadla 1:13:00
Right. Right. You want to show that right. Interesting. Interesting. So then let's go back on to the scale journey. So you have so that whole conversation when did it sort of if you didn't have a Salesforce and which you still don't have and and I'll come to the J 24. Store format in a second when you actually see

Karthik Venkateswaran 1:13:27
that has a proper business development team because it requires that level of effort. The j 24 has a proper business development team.

Krishna Jonnakadla 1:13:36
Yeah, yeah, no, I want to talk about the format and why you actually decided to start it I'm sure you want to give that level of standardization that comes from the the J 24th. level to the customers. But then what drove it from 3000 to 50,000? If you don't have a Salesforce, and how did the Cyrano's end up coming to jumbo tail? Is it word of mouth amongst the kirana themselves that you were jumbo tail was the company that was actually changing, touching a miniscule part of their lives. And therefore they were talking amongst each other. And then there is also another aspect of competitiveness, right so to Cyrano's in the same neighborhood may not actually, you know, actually recommend jumbo tail to kirana in two separate neighborhoods who are not competing with each other. Because in some sense, some of these are zero sum games, right? So if I improve my economics, if I have a little more reliability, I'll do more business. So how did that happen? That growth happened talk about what worked for you.

Karthik Venkateswaran 1:14:42
Yeah, so let me let me qualify, you know, a Salesforce does two things right, acquire customers and then God keep taking orders. That's a Salesforce job like you know, your revenue. Let's say today, in this month, if you sold let's say under course a product You know, all of how much of that is coming from somebody physically going visiting to the shop and taking orders. Right? That is, that's a sales

force, that's definitely, you know, is we don't have, there is a aspect of app installation. So each and every customer requires to install the app, it's about a six to eight minute process, if the customer is having a form, so that we have different models of you know, going and installing the app to a basic set of initial in dangled, what we initially did was we just installed the app with the first 1000 customers like 2000 customers after that, they will they will install, then what we did was because supply chain is very important, and we didn't want to actually, you know, run a loss making business. So we were very clear on surgical customer installation acquisition. So we had a team of about three, four people who would be not like we used to say that they're gonna be like a ink sprinkled in, in a map of Bangalore. So that is how the customer will be there. No, you have to make it like completely blue. Right. So now we'll say again, that orders are coming from this pocket, let's go into those trees. And just installed, whosoever is having an Android phone, because there's a cost of insulation is pretty much zero is weakened by order, there is no sales involved here you can order. And then whenever we went there, what we saw was everybody was already aware of jumbo tail from their friends and family, even the people. So they were aware. So we say, okay, I've done a good job. So you are, you're just basically helping them. The only reason why that is also required is because in order to download app, you need a Play Store and Play Store requires, you know, email id, all of those things were there, these guys used to go and buy the phone. And the person who's actually buying it selling the phone actually installs everything and give including some default email id and including a place for activation actually sideload many apps and use them. In fact, if you actually look at the phone sales techniques, these people go to these local mobile shops because they will give you all their aside loads of movies and new sideload and give because if you buy from Flipkart, you have to do all your installation, these are the single pitches for them. So many times we realize that these people are not even aware about what email ad was used to register for the Play Store. So we had to go and help them with even such know basic stuff. And that is all we have done. But once the app is installed, right after that, you know there is no contact, it's all and that is one of the biggest complaints our customers have. Sir, I am giving you a lakh rupees of business a month. And you're never even sent a human being to me. And that's a that's a that's something that we are trying to address right now at least for, you know, top customers, you know, there's any account management that is required and all that stuff. But these guys are just to grown on their own. And we have we've just only invested in making the app easier and easier and easier.

Krishna Jonnakadla 1:17:49
Interesting, amazing. Amazing. I'm glad you touched upon it. And then this brought in the first 3000 10,000 or this is something that has already taken

Karthik Venkateswaran 1:18:00
no about I think so about first one came up to first 1515 to 20 15,000 also would come and then then the lateral expansion started. So now we are expanding to all the cities. Right? So different different cities, right now we are present in all the cities now. Major cities in the country. So now each of these are all laterally expanding. So whatever happened in Bangalore, 2016 2017 is now getting repeated in all of those places. And now we are looking at much faster customer acquisition, the reason because there is enough people in the ecosystem who have installed payment apps in all of these merchants. So there are third party agencies who can just simply help you go and install your app also, for a small charge, and you can like organically scale your network. They are pitching to us that they can do it for us. We have never used them so far. So why should you pay for customer acquisition when the

customers are naturally coming to your platform? So we don't want to do that. But you know, these people come and say we already have the databases and you know, we can do all of those things. Yeah, we haven't tried any of that yet. It's been

Krishna Jonnakadla 1:19:07
amazing. Amazing. I Karthik, I think I'm a fan of what you guys are doing. And I think you're playing the long game here to be to be honest, because you're actually doing the grunt work of organizing. And let me ask you this, you because there's a certain degree of scale that you've achieved 50,000 is no mean number. In the grand scheme of things when you have 10 12 million kirana stores across the country 50,000 feels like a drop in the bucket. But even at 50,000 there is some and I'm using this choice of words very carefully muscle you have acquired, right, which means there are some produce and some brands that you've been able to streamline. You actually bring in some sense played God or be a market maker right first Have them Has that happened yet, where you're starting to see different tastes in different neighborhoods, you're starting to see. So for instance, let's say you're serving, let's say, for example, in Bangalore, the northern Bangalore, or a little more of the Cosmopolitan neighborhoods, and you are seeing that some products are not being stocked by the retailers, and therefore you can approach a certain brand and say, Hey, I think you will so well here. So have you. Is it too early? Or have you started seeing some of those things happen

Karthik Venkateswaran 1:20:33
already? No. So it's not too too early, we have our category management teams work with all the brands in joint business plan and are a word, you know, helping them sell more effectively. But one thing that we are extremely careful about is, you know, we are the guardians of our customers data. So there is no, there's no question of sharing information to the, to the brands in

Krishna Jonnakadla 1:20:57
Oh, no, no, that's not what I meant. Yeah. So for instance, let's say there is a serial serial brand called yoga bars. And then yoga bars is present only in a handful of, let's say, and with your data, you can definitely say, hey, yoga bar says you're going to benefit that, you know, Jumbo tail can actually put in another 500 stores, and therefore, yoga bots works with you, you're not passing on any data, you're just giving them insights of those rights, so

Karthik Venkateswaran 1:21:22
democratically, every, every seller, so every seller, every brand, you know gets access to the opportunity to plan their business in our platform, we have we have capabilities to share the insights, first of all generate the insights, we generate billions of data points on transactions on batches, you know, even you know, supply chain, and you know, waiting, waiting times and who's good customer, bad customer, so many different things, not just around product. The second one is that the brands have certain goals, some brands have, you know, they want to introduce a product to a particular market, some brands want to deepen their existing relationships, some brands have certain structures with which they work, they already have a Salesforce, some brands have nothing, they only have a great selling product, just in a different region. And they they are open to trying out and they want to experiment, even whether to invest in this particular region or not, they want to try by putting out something in Japan, right? So we have a capable team of category management teams and you know,

brand management teams that deals with these brands and their managers help them solve their goals. And we have technology product for targeting what you said is absolutely right, we have you can you can target using our our targeting tools, to a very specific handful of retailers that you want in this geography, who has done that who's not done this was viewed the chips packet and who has not purchased us chips, all of those things we can target and we will be able to target. And and second one is that, you know, this is not something that they can do in the current distribution system. Second, is we ensure that there's no revenue leakage. So today, there are many schemes that they actually conceived for the offline distribution system that they have. But the distributor is making a claim or a CNF is making a claim and there is no way for them to actually factually check whether this actual sale to the drama happened, you know, it is it's quite possible that somebody dumps in the wholesale and then still claims and there is no way right. So here that that you know thread doesn't exist, they are 100% guaranteed that these small stores actually saw their products talk them up we delivered them so we are taking that responsibility as well are delivering. So the the truth and the maximization of the outcomes that they're looking to achieve for the train marketing schemes is very, very high on which we are helping them do almost you know, all the brands are in are benefiting from

Krishna Jonnakadla 1:24:00
trade marketing, the hidden leavers with which some stores actually make money on margins. So trade marketing schemes, so I can talk a whole day about tech. But amazing. So now, your foray into the rest of the country. India is not necessarily a homogeneous market, it has regional differences. I think you've definitely found the right footing. Do you expect to see where do you go from here? What's the next destination?

Karthik Venkateswaran 1:24:37
So, we will be a national player by end of this year we should be you know, north of 15 to 20 cities. We are seeing that yes, there are definitely market nuances but the core problems faced by the kirana stores are pretty safe. In all the cities wherever we have gone. We pretty much got a red carpet from the corner stores so far. It's also that you know, we hunting is the see there are two levels of shift that has to happen. One is I have to buy from, instead of going to a Monday or a distributor I have to buy online, that's the first mental model shift, then among online, I have to buy, you know, from player x or player, why is he with a lot of, you know, large players also taking a favorable view of this market opportunity and investing their marketing dollars, you know, we are able to hit on top of many of those, you know, good work already done in conditioning and educating the mom and pop stores about the values of being disturbed. Second is the COVID has really accelerated when COVID really strikes rate, many of these Salesforce driven model just vanishes from the scene completely, like for sales, people come to your shop, there is movement restrictions, goods, vehicles are allowed, but sales people are not allowed. So kirana sorts of completely answered even the big ones. And those days, those times the online and including jumbo tail, you know, many of the markets that we are present, we were the last man standing to that and, and we were fortunate to know what it means to be a Last Man Standing platform. So we were able to serve them and then these canisters became even more, you know, valuable, you know, evangelists for us, because they saw serving them through these these tough times. And putting our own lives in danger our people on the ground, you know, they endanger their lives to ensure good delivery so that he doesn't talk to the store owner doesn't have to go to the Monday and get into danger. Because Monday is an aggregation point of so many different people from

the city now your chances of getting a COVID is very high at that place. So if you're getting a storefront delivery, why not. So COVID has, again helped us what would have taken three to five years to make a mental model shift in the kirana stores, you know, they are hearing stories from their from their other clan as I make your call who are using these can even if they are not using about the benefits of purchasing from online platforms. So we are very happy. And we are very fortunate to be able to serve the mom and pop stores during this tough times.

Krishna Jonnakadla 1:27:11
Awesome. What doesn't kill you only makes you stronger, right? Yeah, I think the market is very large. We're all going to survive and thrive. Right? Awesome. Fantastic. Karthik, this has been an amazing conversation. Do you? Do you read? I didn't get what do you have reading habit? Yeah. Do you have a reading habit? Do you read or read? But yeah, what kind of out? What's the most interesting book or a book that really tickled your imagination that you read recently?

Karthik Venkateswaran 1:27:44
Everything I believe I am recently restarted reading a book called Black Swan. It was presented to me nothing because it was presented to me by my school principal, in 2000 2010. And after that I did once at that time, because 2008 was the Black Swan event. And then I read once and then I'm reading it right now. So now that the world has undergone one more black swan. And I saw I see that how some of the people like you know, they're not conforming, and then they know consciously. The Black Swan event like this, they're doing the right things like especially talks about not traders, who make it very, very big, extremely big in these black swan events. And all of those things that he talks about.

Krishna Jonnakadla 1:28:37
Yeah, yeah, well, D monetization, GST and COVID three blasket Black Swan events under five years, literally. I mean, it's a black swans are becoming white swans now, it's just that you don't know what to expect. So if you can expect something's gonna be around, and maybe some other event. So, anti fragile is another great book by Nassim Nicholas Taleb. Okay, as a follow up to Black Swan, okay. And then there's another book he wrote called skin in the game, all outstanding, literally contrarian and lateral thoughts in each one of those books. So amazing. So Karthik, this has been a fabulous conversation. We loved having you. I know this can go on for at least an hour, another hour or so. But I think we'll leave it here and come back and revisit and have you on our platform again, when you skill the next week, which I think is going to be in about a year's time, where you transform some more cities, and looks like you're the technical DNA, you have the value system right? And you're touching, making the right moves in the system. I can definitely see a lot of big things happen. down the line. And before we before we say any closing comments before we sign off,

Karthik Venkateswaran 1:29:53
I know it was a refreshing refreshing to hear a two way conversation In this podcast, rather than a q&a style, I enjoyed learning from your perspectives and many things that you that you shared around the life of a store or the FDA policies or your perspectives on other things. So thank you very much.

Krishna Jonnakadla 1:30:16

Thank you Karthik. We wish jumbo till the very best. And if Mahara is of scale can help in any way, please to let us know. Sure. We wish you the very best. Thank you. Thank you for listening. If you enjoyed listening to the show, and want to help support our show, please leave us a review by visiting our website Maharaja subscale.com forward slash reviews. It helps other people like you discover the show. like totally appreciate your support. If you're a founder or an entrepreneur or for anyone interested in or working with startups, this show is where you see discussions in depth about founder stories, their playbooks and learn more about growth strategies. Visit our website for regular updates, or wherever you get your podcasts and discover more awesome episodes. I'll see you on the next episode. Click on the bell icon and hit subscribe to get the latest episodes.