Tier 2 Differentiation

Exploring the levers of competitive advantage

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BACKGROUND

Meesho, when started, had revolutionized the social e-commerce space democratizing its access to women who would like to run their own business but lack the funds or expertise for it. Meesho, was therefore a B2B platform catering to these resellers.

After raising $300 million from SoftBank in April, Meesho is now reaching consumers directly. Due to its unique entry point to the B2C e-commerce space, the six-year-old start up is now the third largest e-commerce player in India.

The business proposition is very clear, yet alluring. Investments for Amazon and Flipkart has dried up as they have reached certain stage of maturity where growth is expected from replicating the same model in Tier 2+ towns.

Meesho, therefore, provides a unique opportunity for the investors to be a part of building the consumer internet story in India. This also means, Meesho has the power of re-defining the entire e-commerce landscape of the country.

SINGULAR FOCUS ON TIER 2

One clear advantage of Meesho over other players in this industry is the singular focus of the company on Tier 2 needs and expectations from the very first day.

Most of the players have captured the metros and tier 1 cities first and then ventured into the next billion. While some like Nykaa has been successful in replicating, there are some of the key challenges in going from Tier 1 to Tier 2:

1. Shopping is a very real reason for meeting and spending time with friends. It is also considered a very sacred annual affair for many families who go out for shopping.

2. The context with which a purchase is made, is given love and respect. For example, there is an extra attention given by the shopkeepers for purchases made for birthdays, marriage or any other kind of celebration.

3. There is an allocated time for shopping that makes decision making easy and faster. Therefore, the process seems quicker and easier.

4. Discounts are never given but fought for and rightfully gained that gives a sense of achievement.

5. Purchases are modified according to budget and not the other way around.

COMPETITIVE LANDSCAPE

For a simpler understanding of the competitive landscape, there are two key factors that are taken into consideration while comparing and analyzing the competitive landscape
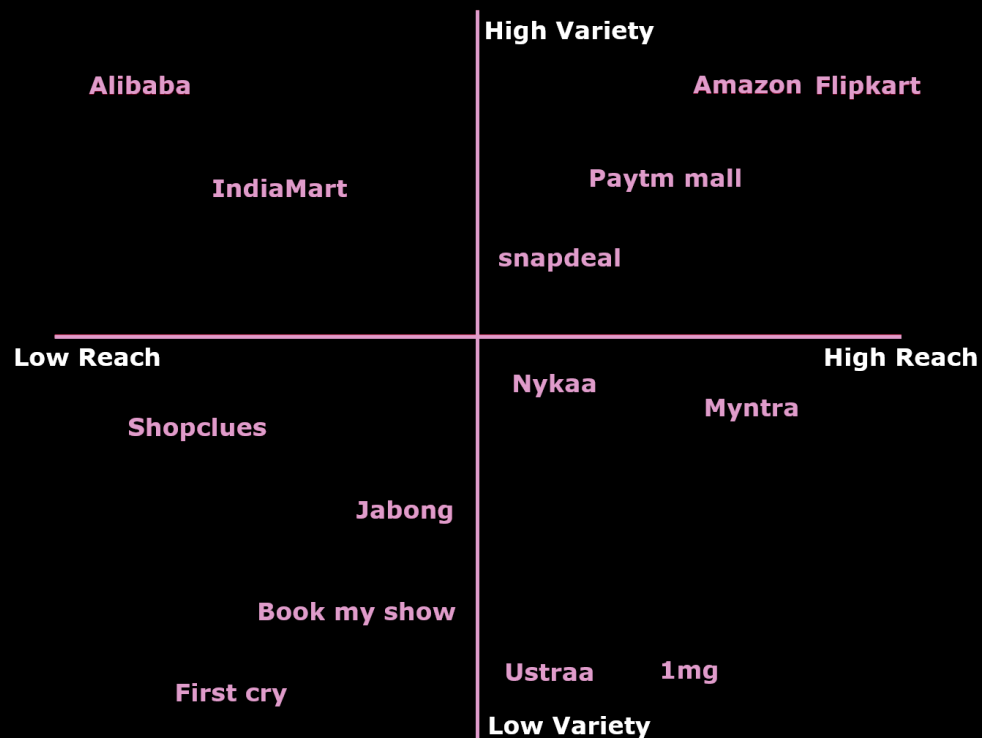
1. Reach

In an online world, delivering the item displayed on the screen to the user's home is the most important job that needs to be done correctly.

REACH is defined as number of pin codes where the business could deliver the goods either on their own or using third party logistics.

2. Variety

Variety refers to the kind of merchandise being sold. If the focus is on very specific merchandise such as Nykaa on cosmetics, Myntra on fashion then they would be classified as specialists. Amazon and Flipkart are, on the other hand, generalists since they sell all kinds of merchandise.

Keeping these in mind, the following can be inferred

High Variety

Alibaba   Amazon Flipkart

IndiaMart   Paytm mall

snapdeal

Low Reach   **High Reach**

Nykaa

Shopclues   Myntra

Jabong

Book my show

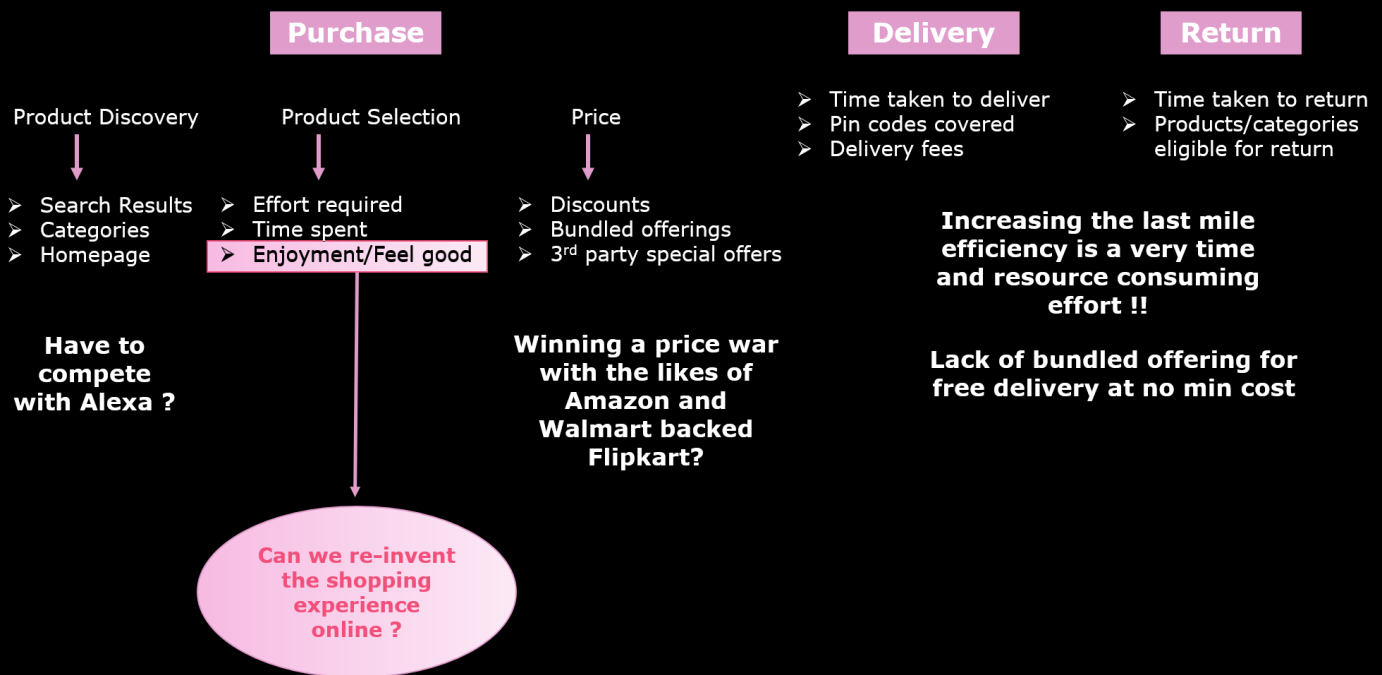Ustraa   1mg

First cry

Low Variety

CHANNELS OF DIFFERENTIATION

There are three major touch points of the user with any e-commerce channel. These are:

1. Purchase
2. Delivery
3. Return

To establish a clear business proposition that is differentiated enough from the competitors, we need to dig deep into each of these touch points to understand the areas with maximum scope of differentiation with least effort.

Scope of Competitive Differentiation

Purchase			**Delivery**	**Return**

Product Discovery | **Product Selection** | **Price**

Delivery
- Time taken to deliver
- Pin codes covered
- Delivery fees

Return
- Time taken to return
- Products/categories eligible for return

Product Discovery
- Search Results
- Categories
- Homepage

Product Selection
- Effort required
- Time spent
- Enjoyment/Feel good

Price
- Discounts
- Bundled offerings
- 3rd party special offers

Have to compete with Alexa ?

Winning a price war with the likes of Amazon and Walmart backed Flipkart?

Increasing the last mile efficiency is a very time and resource consuming effort !!

Lack of bundled offering for free delivery at no min cost

Can we re-invent the shopping experience online ?

Re-inventing the shopping experience also ties back to the DNA of the company that has been super focused on the next billion internet users and their unique needs.

Meesho, is therefore at a very good stand point of offering these values that Amazon and Flipkart would find difficult to accommodate in their replicate to scale strategy.

USER PERSONA
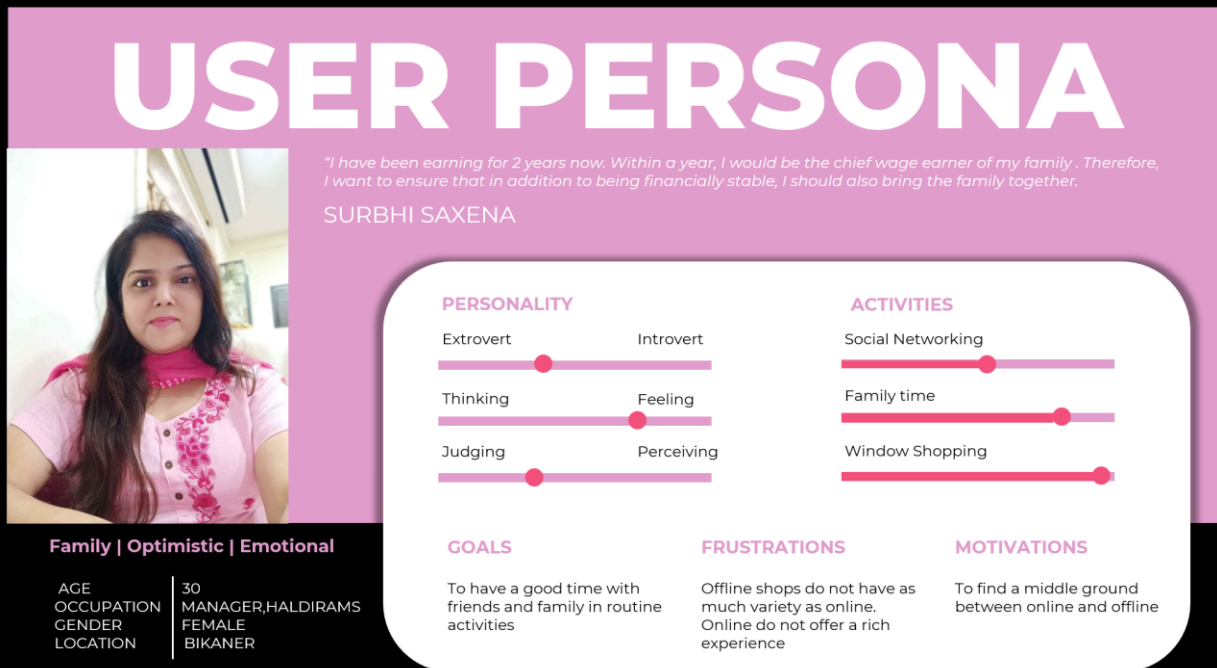
Context of the User Persona

There is a generation shift in the chief wage earner of the households in Tier 2 cities. The Gen X are taking a back seat and Gen Y are taking over the reins. They are considerably more tech savvy than Gen X. This generation's experiences are however rooted in the offline world and therefore there are a lot of emotions that are associated with the word shopping.

Shopping with Friends = Fun
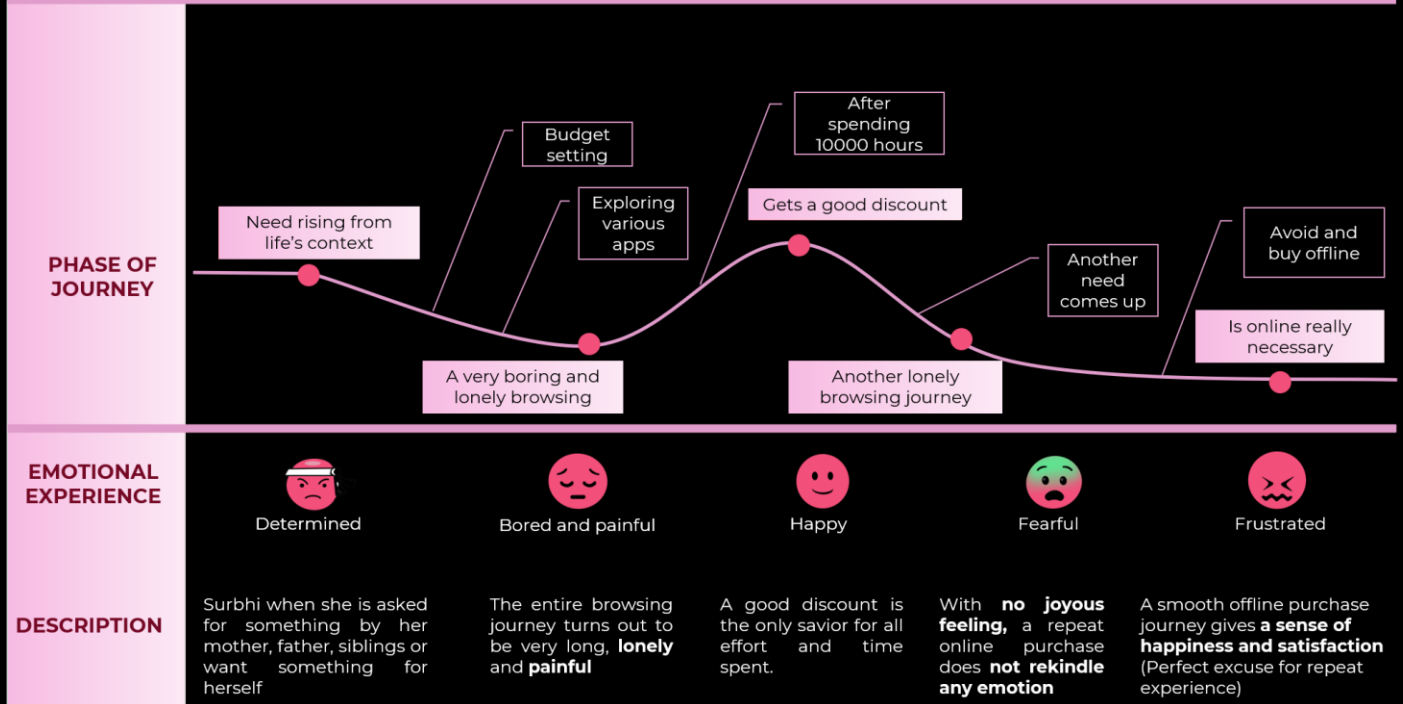
Shopping with Family = Pride

Shopping with Special Someone = Love

Shopping with Siblings = Responsibility

Shopping is therefore, never a lonely affair. Online world has still not given the opportunity to the users to make the experience richer and more fulfilled with emotional experiences.

USER JOURNEY

SURBHI's JOURNEY

PHASE OF JOURNEY					

Need rising from life's context

Budget setting

Exploring various apps

After spending 10000 hours

Gets a good discount

A very boring and lonely browsing

Another lonely browsing journey

Another need comes up

Avoid and buy offline

Is online really necessary

EMOTIONAL EXPERIENCE	Determined	Bored and painful	Happy	Fearful	Frustrated
DESCRIPTION	Surbhi when she is asked for something by her mother, father, siblings or want something for herself	The entire browsing journey turns out to be very long, **lonely** and **painful**	A good discount is the only savior for all effort and time spent.	With **no joyous feeling,** a repeat online purchase does **not rekindle any emotion**	A smooth offline purchase journey gives **a sense of happiness and satisfaction** (Perfect excuse for repeat experience)

The most important take away from the above is curate an emotional connect through a well curated shopping experience.

There are two approaches for achieving the same:

1. AR-VR enabled experience

The future of shopping holds great potential in implementing AR-VR for a rich online shopping experience. However, such a technology has the following challenges

  a. Requires considerable amount of effort and resources to be spent on developing the same.
  b. The usability of these by the user is also limited by the capability of the devices at their disposal.

2. Imitating the off line world

There could be certain key features of the offline world that can be included in the online app experience to make shopping a rich emotional experience. This is easy to implement by the business and can also be accessed readily by the users.

USE CASES

1. Online Bargaining

Discounts are anyway given to the users on almost every product. If online bargaining is enabled to give these discounts, user would feel they have rightfully earned it. Th feature would mimic the real-world scenario where the price is quoted higher initially, the user proposes/bids a price and the back forth stops when the price quoted by the user is within a pre-defined range by the seller.

2. Family/Friends – Group shopping

Shopping is never meant to be lonely and sad. Group shopping provides the much-needed social connect to make the experience more involved and enjoyable. As a feature, group shopping can be enabled by creating shopping rooms for particular item, for example shopping room for sarees where sarees of all varieties from different sellers can be shown to a group of users that are a part of the room. The users of the room can also chat with each other and/or simply like/unlike the item shown.

3. Reserve to keep the item aside for 1 day

There are n number of reasons for which the user wants to delay the purchase of the selected item/s. At the same time, the user is afraid that the item might stock out. To start with, user can be allowed to reserve the item for a day which is as good as a purchase. If the payment is not done within 24 hours, the order can be cancelled automatically.

4. Purchase on credit

The buy now pay later scheme has successfully replicated this model online. Therefore, it is the easiest feature to integrate and implement by strategically partnering with these third-party vendors.

5. Loyalty based discounts

Discounts based on loyalties tend to make relationships stronger and increases the retention rate of the customers. Almost 90% of the online discounts are either pre-given or offered by a particular bank/card. There is no discount provided by the platform based on the user's loyalty toward the brand/based on their usage pattern. This would, therefore, be an effective differentiation factor.

6. Ask for items to be shown, rather than searching them on one's own

The community of resellers that Meesho has built up can act as the online curators for the best picks in a particular category. Once the best picks are curated, it can be shown as an album with the images occupying the entire screen of the app. This album can be a part of the home page that can be directly tapped to explore without typing in any search keyword.

7. Personalize for the context rather than the user

A user can behave differently under different circumstances. Therefore, the best way to personalize is to focus on use cases rather than on users such as for weddings, birthdays, get-to-gathers, Diwali, etc. Three such most popular use cases for example birthday/wedding/Diwali can be selected and a complete end-to-end experience can be curated starting from product selection, discovery, purchase and return.

8. Restocking

"Notify Me when the item is back in stock" is an existing feature. This can be modified and an approximate date can be promised tentatively. Similarly, prior intimation for new stock can be updated too. This information accessibility can be channeled either through notifications/subscribed emails for particular reseller/can simply be shown against the respective product/category.

9. Budget-friendly search results

Usually, the first thing that is asked in a purchase journey is "What is the budget?" In an online world, there are special price range filters that can be applied. These price filters are not effective because in some cases, when the lowest range is selected, the items that are shown do not either fulfill the search match criteria or minimum quality criteria. These price filters can be enhanced by revising the product-price tags.

10. Shopping Prime Time

The perception of shops getting closed limits accessibility of goods and services. The more limited accessibility is, the more involved the user is in the process. Since an online world is accessible 24*7, the concept of prime time can be introduced when there could be exclusive benefits such as extra discounts, chat rooms curated by specialists, surprise complimentary gifts etc. These dedicated slots can provide them with an occasion/excuse to experience the online shopping.

USE CASE PRIORITIZATION

USE CASES	Reach	Impact	Confidence	Effort	RICE SCORE
Family/Friends – Group shopping	4	4	4	3	4
Personalize for the context rather than the user	5	5	4	4	4
Shopping Prime Time	5	5	4	4	4
Purchase on credit	4	3	3	3	3
Reserve to keep the item aside for 1 day	4	3	3	3	3
Restocking	4	5	3	4	3
Online Bargaining	5	5	4	5	3
Loyalty based discounts	3	4	3	4	3
Ask for items to be shown, rather than searching them on one's own	3	4	3	5	2
Budget	3	3	3	5	2

WIREFRAME FOR PRIORITISED USE CASES

https://www.figma.com/file/EOKQxd2U3lgDg3QLERQCFn/Meesho?node-id=0%3A1

METRICS

Competitive advantage is established to capture the market share and increase revenue. While increasing the average revenue per user (ARPU) is also a way of increasing revenue, but it gets saturated quicker against competitors like amazon, flipkart, offline stores that forms a vicious price cartel and decides a ceiling.

Hence revenue from volume growth is a sustainable revenue source ensuring good return on investment for the investors who are betting to be a part of user internet story. Keeping this context in mind, the following metrics are important to monitor:

North Star Metric - Daily Active Users

There are two types of daily active users: Returning Users and New Users. Increase in both the cases effect a very important top of the funnel metric that is the traffic volume. This would then contribute to a subsequent increase in the number of conversions.

Leading Metric – Number of app installs/uninstalls

Since new customers contribute to north star metric, a decrease in the number of

app installs or an increase in number of app uninstalls would be a good indicator to predict the subsequent increase/decrease in DAUs.

Lagging Metric – GMV sold

Gross Merchandise Value that is sold is a direct measure of revenue. However, since purchase/no purchase decision is towards the end of a user journey, it is difficult to pivot pro-actively based on GMV. However, it is an important metric to understand whether the pivoted strategies based on leading metric indication have been successful or not.

CONCLUSION

Given that Meesho is pivoting from a B2B business to B2C model, the business opportunity that was identified was to create a differentiated online shopping experience that resembles their offline shopping very closely.

From a user perspective, the use case that was identified was to make online shopping as emotionally rich as offline is. There were a few solutions that were identified and prioritized based on RICE framework.

The top 3 use cases: Group Shopping, Context Personalization and Shopping Prime Time were taken into consideration for building the frameworks. The success of these use cases can be accessed by tracking the app installs as a leading metric and total GMV sold as a lagging metric. Daily active users is the north star metric that should grow as a result of these initiatives.