Resilient Strategy to Fight COVID Impact : A Case Perspective

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Abstract

The purpose of this paper is to study and analyse the impact of COVID-19 on one of the fastest growing B2B start-up “Udaan” which attained the unicorn status in just 26 months. In recent times, all business enterprises have been severely impacted by coronavirus but still Udaan was able to sustain in the market. This paper intends to study the difference between pre-COVID and COVID business environment of the company and various management strategies adopted by it to keep itself relevant in unforeseen times. This paper also presents SWOT analysis of the firm in COVID scenario and a review of recent events that will have an impact on the organization in the near future.

Keywords: Udaan, COVID-19, Management Strategies, SWOT analysis.

INTRODUCTION

It is now widely known that the coronavirus (COVID-19) is a newly discovered viral disease that has shocked civilization to its core. In December 2019, it was first traced in Wuhan, China, and in January 2020, it was termed as a novel corona virus. It was labelled a public health emergency of international concern by the World Health Organization, and declared a Pandemic. The

pandemic was unmitigatedly irresistible and uncontrollable. The ongoing COVID-19 health issue has impacted people all around the world and has wreaked havoc on the economy. With a catastrophic second wave of illnesses sweeping the country, the situation in India is particularly severe. Last year, India adopted one of the harshest virus-control measures in the world, resulting in massive economic losses and pain for millions of people. It drastically impacted every sector of the economy, be

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it agriculture, services, or trade sector. People functioning in each of these sectors felt the heat of coronavirus in the forms of increased unemployment, low productivity rate, reduced income, and controlled consumption. Many Indians were unable to work as a result of the lockdown. Unemployment reached a new high in May 2020, with more than 27% of the country's labor force unemployed. In order to cope-up with the COVID-19 pandemic, it is observed that the companies all over the world are either adopting new business strategies or are beating the old strategies into a new shape. This research aims to look at how the pandemic has affected the company "Udaan", our business case study. This company case attempts to analyze the management strategies and business model of companies in these unprecedented times. The readers of this company case analysis will be able to see how the outbreak had a substantial impact on the company in comparison to the pre-Covid-19 era.

ABOUT UDAAN

Udaan is a Bengaluru-based B2B market start-up which was founded in the year 2016 by former Flipkart employees, Amod Malviya, Vaibhav Gupta, and Sujeet Kumar, with the aim to solve basic trade issues for India's small, medium, and large firms. It is run by Hiveloop Technology Pvt. Ltd. The mission is to provide a great equalizing platform to millions of small and medium businesses (SMBs) in India and to make B2B business more simple, transparent, and convenient. Udaan gives its buyers and sellers access to new markets by offering a rapid, low-cost, low-waste, and highly reliable shipping and delivery system across India (Figure 1). Udaan Capital, its NBFC wing, specializes in SME finance, offers financial instruments to help sellers and purchasers expand their businesses. The company deals with a variety of categories such as electronics, home and kitchen supplies, stationery, toys, as well as fruits, vegetables, and various other household items. It connects wholesalers, traders, retailers, and manufacturers on a single platform via a mobile app

and facilitates buying and selling with secure payments and smooth logistics [1].

1. Business Model

Udaan is a B2B commercial hub where manufacturers and wholesalers can sell their products to retailers through a website or other online platforms. In addition, the Udaan provides safe payments, logistics, and expert assistance, as well as quick delivery at low rates. The company does not believe in excessive marketing because it believes in word-of-mouth promotion from its customers. Being a low-resource player, its prime focus is to use its existing resources efficiently and wisely.

Udaan helps its business customers in locating clients, traders, and products across industries, as well as interacting with them to obtain the best deal. Udaan also offers book-keeping, order management, and payments facilities across the broad range of services to vendors on a subscription basis. For instance, financing working capital always remains a major headache for final merchants i.e. retailers, as a result, they end up getting their working capital needs met through the overcharging facility provided by their banks which is usually a costly affair. Udaan finances these merchants to meet their working capital needs at reasonable rates.

The firm gained a reputation of being competitive even during rough times. Despite inherent problems associated with logistics, agreements, and other odd aspects of B2B business, Udaan accepted the challenge that such terrible conditions are not uncommon at times which can be overcome by systematising its business approach and utilizing tech-enabled procedures to help eliminate inefficiencies and bottlenecks associated with B2B business [2].

Due to harsh commercial realities, this B2B start-up which had always resisted hiring a CEO and insisted on decentralized governance by the three co-

founders, was forced to bend in pandemic times. On September 10, 2021 Udaan announced that cofounder Vaibhav Gupta would take over as CEO, with co-founders Sujeet Kumar and Amod Malviya

joining him on the board to ensure that Udaan transitions to a CEO-led structure, with the goal of becoming a publicly traded company in 18-24 months [9].

Figure 1: Udaan Business Model

Source: <https://udaan.com/>

2. Revenue Model

Udaan earns its revenue from many sources as shown in Figure 2. Its main sources of income are [4]:

- 1. Logistics Services:** The delivery charges that Udaan collects from market participants for picking up products from the seller's premises and delivering them to the buyer's premises, are a significant source of revenue for the company. They also charge fees while collecting any sales returns from clients.
- 2. Interests on Credits:** Udaan extends credit to merchants and traders through NBFC to help them meet their working capital needs. The company's interest income from such loans is a significant source of revenue.
- 3. Warehouse services:** Udaan also offers storage and warehousing services to sellers who have

registered on the site, allowing them to deliver goods to consumers faster. For such warehousing services, sellers are charged a fee by the company.

- 4. Receivable collection services:** Fees from receivable management services include fees for collecting cash payments from purchasers on behalf of sellers or fees for accrediting accounts.
- 5. Advertisement Services:** Udaan also earns advertisement fees from sellers by pushing their product listings on the site to guarantee that they are seen by more buyers.
- 6. Value-added services:** Udaan provides a number of other fee-based value-added services to firms that have registered on its platform. These services include product packing and label printing, invoice printing, and returns administration.

Figure 2: Udaan Revenue Model

Source: <https://startuptalky.com/udaan-business-revenue-model/>

MANAGEMENT STRATEGY ANALYSIS: PRE-COVID VS. COVID STRATEGIES

1 Pre-Covid Business Strategies

- 1. Diverse range of services:** Udaan is a B2B marketplace where manufacturers and wholesalers may sell their wares to shops using an internet platform or a mobile app. To be precise, it is a mix of the marketplace, logistics, and payments. In addition, the firm offers logistics, safe payments, and technical assistance. So, before the advent of the pandemic, the company was doing decently in all these service lines. Udaan helps businesses identify clients, services, and things across categories and connects them to get the best deal for their business. The platform also provided security of transaction via its platform. Added to this, are services such as credit assistance to manufacturers and suppliers at a flexible interest rate of 10-15%.
- 2. First mover advantage:** Udaan took care of the problem of retailers as well as of manufacturers and wholesalers by providing a solution to their business problems. By utilizing technology, they

were able to provide solutions to the channel partners and create a platform where all of them could collaborate. They were able to communicate directly with one another and could conduct their business without interruptions as logistics, payments, and other expenses were minutely taken care by Udaan, thus resolving the day-to-day worries of retailers, wholesalers and manufacturers. It acted as a one-stop solution for all trade-related problems.

- 3. Resources efficiency:** Udaan from the very starting has understood the need for the optimum utilization of resources for efficient management. Unlike many, they did not spend much on purchasing capital-intensive assets and therefore, established themselves as an asset-light market player. Capital so saved, was then invested by Udaan in their logistic support for in-time & error-free deliveries which culminated into increased customer value to their clients.
- 4. Coherent business network:** By focusing only on logistics initially, Udaan was able to build a vast database of its clients and dealers before venturing into the delivery business. After an year of inception, the company did a follow-up

of its database to cash on the missed opportunities (if any) to enhance their client value [5] [6].

2 Covid Business Strategy

1. **Strategic Financial Planning:** Given the growing importance of e-commerce business in the face of the pandemic, Udaan received an additional \$280 million in funding from its existing as well as new investors in the current year. Investors such as Light speed, Yuri Milner's DST Global, and Tencent led the company's total valuation to nearly \$3.1 billion. Udaan plans to use this funding to improve its supply chain and logistical capabilities, as well as providing

services to small businesses across the country.

2. **Focus on specific product portfolio:** Amidst the COVID-19 pandemic most of the prominent product ranges of Udaan i.e. fashion, electronics & appliances, home & kitchen, footwear, and electricals, were drastically impacted. On the other hand, pharmaceuticals, food, and electronics were three sectors that increased steadily throughout the pandemic. So, as a part of their strategic move, they focused more on booming sectors by investing in them. This proved a gamechanger for this five-year-old company as its revenue expanded by more than 21X, from Rs 46.3 crore in FY 2019 to Rs 978 crore in FY 2020 (refer Figure 3 and Table 1).

Figure 3: Udaan Revenue for Financial Year 2019-2020

Table 1: Interpretation of Revenue given in Figure 3 above

Increase/Decrease in Financials of Udaan from FY 2019 TO FY 2020 Interpreted from the above Graph		
Operating Revenue	↑	21.12X
Total Expenses	↑	4.1X
Total Loss	↑	3.23X
Net Cash Flow From Operations	↑	3.25X

Source: <https://businessmavericks.org/udaan-business-model/>

3. **Cashing on opportunity:** Udaan provided information regarding the COVID safety essential supplies on its platform that witnesses a manifold increase in demand during the pandemic's second wave in India. On its portal, about 15 million COVID safety essentials were sold, catering to 23,000 orders from 400 dealers across 5,000 pin codes. Protective masks, face shields, and PPE suits saw a 5X increase in demand on the site.
4. **Improved lending business:** The number of buyers continued to be huge for Udaan, and its repeat orders from existing business clients are also high. It witnessed fast rotation of credit even during pandemic times. Its clients are buying in small amounts but more frequently since they don't want to stock up (because of uncertainty). Further, to meet the credit needs of small businesses and Kirana-store owners in the light of pandemic, Udaan increased investment in its lending business. Udaan overall, contributed more than 40 billion rupees (US\$545.6 million) in technology, production network, and various regions in the previous 1

to 1.5 years.

5. **Lay-offs:** The unicorn company laid off more than half of its workforce during the initial lockdown in the country to minimize its losses. The sales department saw the major axe on its sales staff and support staff. By 24 April 2020, they had sacked more than 200 Bengaluru staff to cut down the cost.
6. **Improvisation and Innovation:** Udaan also ventured into B2C segment through its new app Pickily. Five Bengaluru stores offer FMCG items through its Android app [7] [8].

SWOT ANALYSIS OF UDAAN

SWOT analysis is a strategic planning technique that helps organizations to identify their strengths, weaknesses, opportunities, and threats related to commercial competence or project planning. It helps to evaluate the internal and external factors as well as the current and future potential. Companies must use it as a guide and not necessarily like a recipe. The SWOT analysis of the Udaan Company in the COVID scenario is shown in Figure 4.

Figure 4: SWOT Analysis of Udaan

Strengths of Udaan

1. **Strong Foundation Team:** - The founder members of the company had the desired know-how and experience of e-business as they were earlier associated with Flipkart. As a result, many other Flipkart employees joined the start-up company, which helped them increase their performance and productivity. Engineers also unleashed their creativity under Udaan.
2. **Innovative business model:** - The organization emerged with a brand-new concept of supplying online offerings to stores and wholesalers. It provided a B2B business platform that helped them effectively compete with major retailers, brand stores, and websites.
3. **Large and Satisfied Customer Base:** - Udaan has excellent customer service, which sets it apart from its competitors in the industry. It has around 1,50,000 dealers on its platform that is increasing every day. Also the number of downloads and website visits have also increased manifold over time [10].

Weakness of Udaan

1. **Increasing Expenses:** - The expenses of the company continuously increased with income increase, but the increase in expenses have been outweighing its share of income. According to Entrackr, Udaan's income increased to Rs 978 crore in FY 2020 from Rs 46.3 crore in FY 2019. Its spending increased fourfold in FY 2020, from Rs 850 crore in FY 2019 to Rs 3,488 crore in FY20 (refer Figure 3 and Table 1). Such a wide negative gap between income and expenses can be detrimental to the survival of business in the future.
2. **Supply Chain Issues:** - The Company often finds it difficult to locate viable suppliers who can match the company's criteria in various geographic areas while also delivering the product on time.
3. **Limited internet access:** - Being an online B2B and B2C business model, the company is not

able to make inroads into many geographical areas marred by weak or no internet access[10].

Opportunities For Udaan

1. **B2C:** - In addition to its current B2B business model, the company is planning to venture into B2C (Business to Customers) segment as well. This will assist the company in expanding its client base and revenue sources.
2. **Management Consultant:** - A management consultant services can further escalate the growth trajectory of the company by giving a new direction for the future that will assist the organization in better managing its resources.
3. **Moving offline:** - Currently, the company operates solely through an online platform. Investing in the offline outlets in various geographic areas can give a strong boost to its consumer base [10].

Threats For Udaan

1. **Cost:** In a market where companies must compete strongly to remain sustainable, the cost is a major consideration. Due to excessive costs incurred in the process, the company may be forced to sell its products and services at a higher price than the market, causing customers to switch to another company.
2. **Economic Factors:** The company has made a significant capital investment. A slight shift in economic circumstances can have a huge influence on the business.
3. **Declining Profits:** Though the company's revenue is increasing every year, it is still unable to increase profits. Profits are declining year after year, posing a serious threat to its future existence. This necessitates an immediate action.
4. **Monopolistic Viewpoint:** According to Amul and Parle Company, Udaan is attempting to monopolize distribution to stores. As a result, these companies have cut direct supplies to Udaan, thus posing a challenge for the company [10].

CASE INSIGHT

Organizations should develop innovations that have a significant influence on consumers. Consumers place a high value on such innovative product or service. Udaan was able to foresee that. According to them after agricultural sector, the next game changing sector was the SMEs that was witnessing a dramatic growth and is generating revenue over 700-800 billion dollars, which was more than Pakistan's GDP. They also pointed that there were hardly any technological innovations happening in small business segment, but this B2B segment has huge hidden opportunities and growth.

Udaan's name and user interface were quite client-pleasing. In order to grow quickly, they also kept an eye on their logistics to ensure that goods and services are delivered to clients in time. Udaan's business model has been working on the principles:

- Healing the pain points
- Ecosystem benefits to all
- Creating and assisting entrepreneurs
- Addressing credit issues
- Rapid expansion

Retailers were given credit by Udaan, allowing them to make purchases from wholesalers with ease. Their highly successful business plan was able to attract a huge number of retailers and wholesalers. As a result, Udaan today, delivers to almost every location in India.

In comparison to the company revival in 2020, Udaan's comeback this year has been faster. While sales target for January-February 2021 were met by June 2021 only, the company saw a dramatic surge in discretionary categories. If a third Covid 19 wave does not intervene, this trend is expected to continue, and the firm is expected to grow at a faster rate because it intends to go public in the next 18 to 24 months. It will help the organization evolve by increasing agility and efficiency, promoting innovation thus bringing them close to the customers.

Udaan's business was more resilient this time (post second wave of Covid in India), despite the fact that the outbreak's impact on individuals was worse. As a result, any company that wants to develop as quickly as UDAAN must follow its business which focused on three things viz., widespread business impact, technological disruptive innovation and catering to the distinctiveness of India's business culture. Lessons learnt from Udaan's success story can be summed up in following points:

1. **Creating and capturing value:** UDAAN has a first mover advantage in the B2B segment that links retailers and wholesalers. UDAAN fixed the trading bottlenecks in the supply chain such as logistics and money transfers, through the use of internet thereby, assisting both wholesalers and retailers. Udaan initiative helped the entire supply chain ecosystem, from wholesaler to retailer in Delhi and Bangalore area, where they sell directly to consumers and merchants.
2. **Always strives for expansion and growth:** Financing the operating capital needs of retailers and wholesalers has been another pertinent issue in supply chain which is taken care off by Udaan. Udaan has been providing a mix of services to its clients like virtual market place, logistics, and lending support in the range of rupees ten thousand to two lakh five thousand depending on the client's credit score.
3. **Scalability and sustainability:** Udaan's current scale of operation stands at 1 million retailers and 20,000 sellers in India, spread throughout 900 cities and towns. Its e-platform is patronised by retailers as there are enough wholesalers for them to choose from who are dealing a wide range of items. Similarly, access to a large number of small shops is the essential value sought by wholesalers which is provided on Udaan's platform. Udaan is also managing its logistics in a cost-effective manner. It's a wonderful platform for the small and medium businesses who can get their supplies (raw material) as well as can promote their products on this platform. In India, Udaan's mobile app

links around 150,000 traders, retailers, and wholesalers. It has also secured a non-banking financial institution (NBFI) license. The B2B e-trade agency has been steadily expanding on a daily basis especially during pandemic times. Udaan has successfully raised a total of \$1.15 billion in the capital so far [13].

4. **Risks:** To assist SMEs in their credit requirements, Udaan provides an interest-free credit in the range of INR 10,000-2,50,000. Such credit facility will also help Udaan deal with future competitors as any credit extended to its clients will require them to clear their dues before moving on to the new company.
5. **Competitors:** The retail market in India is enormous. The market was worth \$900 billion in 2020, and it is expected to increase to \$1.6 trillion by 2025, with an annual growth rate of 10%. By 2025, the retail market's digital wholesaling segment will be worth \$60 billion. India's total number of kirana stores is believed to be between 12 and 15 million today. Udaan's 3 million kirana stores on its website account for a whopping 20-25 percent of the total kirana store in existence. Udaan's major competitors include Reliance Retail, India Mart, Flipkart, Amazon, Jumbo mail, etc. Udaan's main competition and the biggest danger to its digital wholesaling industry supremacy in India today is Reliance Retail. Reliance Retail has a large retail presence in India, with over 12,000 supermarkets across the country. Jiomart's connect via WhatsApp is another area of concern. In early 2020, Facebook invested \$5.7 billion for 9.9% stake in Reliance Jio and has now access to the largest user database. Some of the strategies that currently Udaan should focus on to cope up with this situation involves [12]:
 - a. Rapidly expanding its geographic presence to gain market share in new markets.
 - b. Specializing in a few categories of wholesale goods
 - c. Focusing more on its lending operations
6. **Future plans and strategies:** Udaan's daily food business volume has reached 8000 tonnes,

making it the largest grocery retailer in the country. The number of buyers in the food sector has increased by more than 50% in the last several months. For current financial year, the company has set the target growth rate of 80-100 percent over the previous year. Small companies and kirana stores are increasingly adopting digital technology which will fuel this growth. Added to this is its plans to reach 70 percent of India's population living in hinterlands who are served with small mom & pop shops [11].

CONCLUSION

Udaan serves as a role model for other e-commerce start-ups. Udaan is one of the few companies that dominate the market in a short period of time, which makes its success story very interesting. Udaan was formed by three former Flipkart employees. It was indeed a strong team of founders that helped Udaan succeed in its endeavours. They already had a clear plan of action, all that remained was to carry out the smooth workflow in few grey areas where minor complications arose. For instance, Udaan's founder members noticed that the company only delivered to 500 cities, and one of the founders further pointed that his home village wasn't on the list, therefore the major goal was to expand the number of places and towns served. Udaan eventually delivered to over 1000 locations, including smaller towns, which let them cover a larger market and earn more money. Small and medium-sized businesses are also able to build their own brands via this platform, which is difficult to do on other consumer platforms like Amazon and Flipkart. It is a marketplace that not only connects merchants and customers, but also handles logistics and payments. In the last 12-18 months, Udaan has invested over Rs 4,000 crore in technology, supply chain, category, credit, staff, and compliance.

Udaan anticipates a higher rate of adoption of its platform by merchants and other business organisations, particularly during the COVID pandemic, and is also open to collaborate, whether

technologically or financially, with supply chain partners and other companies. In the following 18-24 months, Udaan plans to go public. Vaibhav Gupta has been named as the company's new CEO. Udaan has devised an aggressive development strategy that includes capturing 10-15% of the overall B2B retail industry in seven years, up from its present proportion of roughly 0.3-0.4%. It is a future oriented start-up that intends to take advantage of the immense development potential that the Indian e-commerce market offers. Its business model has evolved over time in response to market demands and has gotten more refined. The B2B market (excluding industrial items) is about \$780 billion, and Udaan has been able to generate \$2.4 billion in terms of gross merchandise value on an annual basis. For FY 2022, Udaan projects for itself a growth target of 100%.

Udaan's objective is to expand its services to every city in the country. With the support of core technology and competent management, the company's focus is to have more buyers and sellers on its platform. Added to this are the factors like catering to large and diversified market, sound logistics and distribution network, value proposition offers to clients, resolving middle-class retailers' issues, charging competitive low interest rates on loans to its client company, culminates into giving Udaan a competitive edge over its competitors. Udaan's business strategy has been sharper over time as it has evolved in response to market demands. As we all know, a good team can do anything in any field, and the same is true for Udaan. Its core management team is incredible, and it is a significant contributor to its success mantra. The business concept of Udaan and its creator can teach us a lot.

During the COVID-19 crisis, we all modified our ways of working. Some adjustments were forced upon us, while others reflect the pinnacle of crisis ingenuity. Similarly, a rethinking of the workforce and work itself, as well as the employer-employee relationship and the business environment, has been

witnessed across all businesses as well. For many, the pandemic had a negative impact on business; but for some, it proved a blessing. In fact, the pandemic has wiped the slate clean of existing business strategies and demanded a resilient approach not just to fight the current scenario but also to look-out and harness the opportunities for growth for business. Now is the moment to for the core management team to exhibit out-of-box thinking, rethink their business, learn, unlearn and relearn their business models in light of the new realities. Some businesses may be reduced or phased out while others might be able to downsize or reinvent themselves, yet some may be able to return to the pre-pandemic scale of operations in the near future. Business leaders must make strategic decisions to a rejuvenate the business so that a transition from reaction to recovery to resilience continues, no matter how paralysing the uncertain picture may appear. Each business will then take its own path to the new horizons [3].

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