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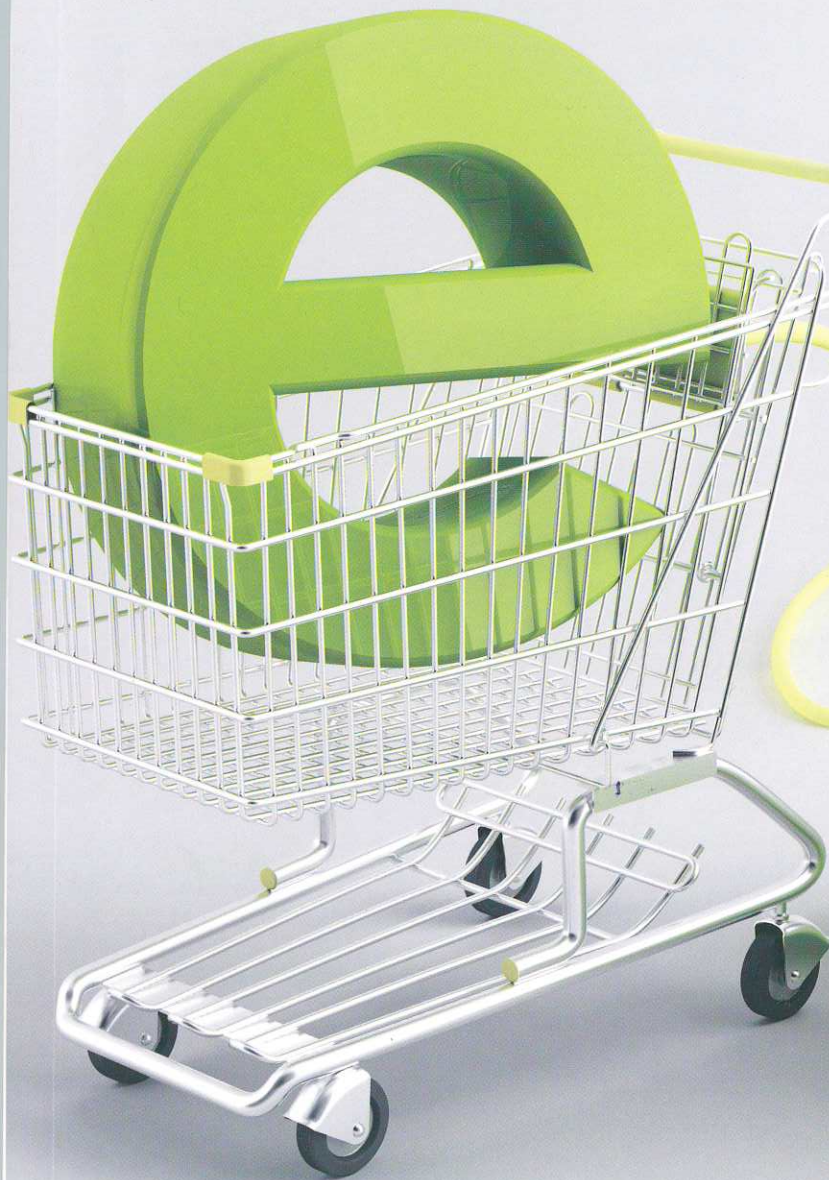
# Retail

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## E-COMMERCE BOOM IN INDIA

Online Retail Triggers  
Transformation in Retail Industry

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- THE STATE OF INDIAN E-COMMERCE - TRENDS AND OPPORTUNITIES
- IS ONLINE RETAIL A THREAT OR AN OPPORTUNITY?
- E-COMMERCE IS BIG, ITS OPERATIONAL FINANCE ISSUES ARE BIGGER
- WHEN IT COMES TO E-COMMERCE, SOFTWARE TESTING IS A MATTER OF SURVIVAL!

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# E-COMMERCE BOOM IN INDIA

By Manisha Bapna

The emergence of e-commerce has changed the dynamics of Indian retail industry. E-commerce offers faster, convenient and cheaper methods of buying and selling. The increasing number of Internet users and new mobile apps, credibility of transaction, entry of international players like Amazon, etc is accelerating the growth further.

In the age of e-commerce, it is almost criminal for a business to not sell online and more so ever, not to be omni present across channels. Businesses (like FlipKart and Snapdeal) first started as inventory based models but are now moving on to the market place models (where they do not carry inventory) to attract investments and reduce cost.

#### Online stores turning Market places

A marketplace is more like a virtual mall, which provides an established platform for sellers and buyers to connect, share, sell, buy and build ongoing relationships. Amazon was the first to introduce the online marketplace model in India last year followed by FlipKart, Quikr, OLX, Snapdeal, eBay, shopclues, etc. While Snapdeal has converted into a purely marketplace model, FlipKart converted into the hybrid marketplace model last year and hosts about 1000 retailers already. Marketplace strategy may be a boon for some retailers, and could be a bane for others. But how it affects a business depends on a number of variables like the type of products one sells, the kind of market one is operating in, intensity

of competition in a particular category, marketplace fees and restrictions etc. A majority of marketplace models are using FDI in retail of 51 per cent for setting up their businesses. But setting up the system for online retailing—supply chain, logistics and payments, electronic as well as cash—isn't an easy task and requires deeper integration for all e-commerce platforms to work in synergy. Few international players that help in smooth functioning are, Shopify.com which is a popular US-based service providers that supports a large number of payment gateways. Their e-commerce website services start from \$14 (about ₹600) per month. In India, Zepo.in offers hosted online store solutions starting from ₹750 a month. BuildABazaar.com offers similar services starting from ₹1,000 per month. Ahmedabad-based start-up-39Shops.com-is also offering a hosted e-commerce platform starting from \$10 per month.

The online marketplace is becoming a vast hunting ground for the best deals, with multinational behemoths

and Indian e-commerce giants running cat and the mouse chase to offer the best prices (at the cost of margins) to lure the excited customer.

"We chose a marketplace model in order to leverage the innate entrepreneurial spirit that we have in India. We want to provide a great experience of online selling to the millions of small entrepreneurs who sell their goods offline today and want to enable it on a device everyone has today—the mobile phone" says Pratyush Prasanna, (VP-Business) Paytm.

Most e-commerce websites are managed marketplaces where middlemen charge brands a margin for acquiring customers. If you consider the formats in which individual designers sell, it is either through retail presence where the brand

Opening up of a market place is more of a strategic decision to increase profit margins **and this helps portals expand its reach to smaller Indian cities and towns.**

mark-ups are substantial, or through a managed marketplace. Either way, the customer gets no price advantage and is forced to pay high prices. Stylista changes this format. Stylista.com is India's first collaborative platform for limited edition designer garments at guilt-free prices.

ShopClues.com and few other marketplace portals have introduced new checks to ensure that goods are packaged and shipped on time. "When we started ShopClues.com two years ago—'MarketPlace' was a concept and term we had to really sell to both our investor and customer base. Inventory-led models dominated Indian e-commerce and there were many, many ardent supporters who truly believed that was the only model

that could survive. Of course, over the last year things have changed and online 'marketplaces' have drawn much attention.

Opening up of a market place is more of a strategic decision to increase profit margins and this helps portals expand its reach to smaller Indian cities and towns.

The marketplace model gives the following two major advantages:

- Significant reduction in capital expenditure due to the absence of inventory, thus
- Providing adequate funds for essentials like marketing and promotions.
- More variety and choices of products can be offered as there is no hassle of inventory space crunch.

In a thin margin competitive environment, with standardised MRP, MOP, etc, there is hardly any room for marketplaces to make money in the categories like Electronics, Consumer durables, and even Clothing and Footwear. "The margins are only between 5-10 per cent," says Rohit Bapna, Entrepreneur. We incur a huge cost in acquiring, retaining and bringing back the customers to buy online amidst the price war competition among the offline and online players.

Marketplace model in India has been primarily driven by FDI regulations in multi-brand retailing. According to Anand Ramanathan, Associate Director, KPMG



REVIEWS OF ONLINE MARKETPLACE							
Marketplace	Amazon	eBay	Shop Clues	Tradus	Snapdeal	Flipkart	
Pricing	Subscription Fee	₹499/ Month	₹499/ Month (For Basic Store)	Free	Free	Free	Free
	Listing Fee	₹10/ Sale	Free for first 100 products	Free	Free	Free	Free
	Payment Gateway Fee	None	4.5% Paisa Pay Fee + 12.36% ST	None	None	None	None
	Commission (Depends on Product Category)	5%-15%	1%-7%	4%-20%	4%-20%	4%-20%	4%-20%
Shipping	Shipping Provided	Use Fulfillment by Amazon (FBA)	PowerShip				Use eKart
	Cost of Shipping	₹40 to ₹45/ 500 gms + 1% of Item Value	₹40 - 49/ 500 gms	₹45/ 500 gms for SCVB	Not Disclosed	₹40/ 500 gms (approx.)	₹35/ 500 gms (approx.)
Packaging Q1 FY '14	Packaging Provided?	Only for FBA; Handled by Amazon	Only for PowerShip customers	Provided for SVB			
	Cost of Packaging	NA	NA	INR 3 - 9/ Order	Rs 230 for 100 Tradus polybags	INR 3/ Order	NA
Payout Period		Shipment Confirmation from customer + 7 Days	On Shipment Confirmation from customer	Every Friday for all orders Completed the previous week	Product Delivery + 7 Days	Dispatch Date + 3 Weeks	Tier-1 Seller: Dispatch Date + 7 business days
Size of the Marketplace		2,500 Sellers 7 Million Unique Visitors / Month 450,000 Products Listed	30,000 Sellers 2.1 Million Active Users 1.5 Million Product Listings	12,000 Sellers 42 Million Visitors / Year 200,000 Products Listed	700,000 Page Views/ Day	20,000 Sellers 20 Million Registered Users 4 Million+ Products Listed	1,000 Sellers \$1 Billion Sales 2012-13 20 Products Sold / Minute
Payment Gateways	CC Avenue	Citrus	HDFC	Paypal	EBS	Axis	

Source: zepo.in/blog



"From the perspective of the listed brands, marketplaces offer an easy way of attracting eyeballs with website also supplementing marketing efforts from their side; however they would face competition with the other listed brands and easy discoverability of goods."

With the aim being to dish in on this fast growing market, the marketplace model offers certain advantages that the inventory based model does not offer.

**Strengths of marketplace:**

- ▶ Quicker to the market, with lesser infrastructural requirements, relatively lower operational complexities, existing technological solutions enabling connections between suppliers and portals
- ▶ Better choice for end-consumer with portals being able to offer a greater

variety of products, in both width and depth terms

- ▶ Better price discovery with portals offering a platform for a wide variety of suppliers, encouraging open competition.

**Challenges in a marketplace:**

- ▶ Controlling customer experience becomes a challenge as companies depend on the suppliers to handle fulfillment in a timely manner and to ensure product quality.
- ▶ This can be further exacerbated with rapidly growing vendor bases, owing to India's large base of SMEs.
- ▶ Marketplace operations are also complicated with the supply chain not optimised for e-commerce as it stands today.

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# MARKETPLACES

Important marketplaces in India



## ▶ AMAZON

**Amazon.com, Inc.** is a Fortune 500 company based in Seattle, that opened on the World Wide Web in July 1995. It is operated by Amazon Seller Services, an affiliate of Amazon.com, Inc. (NASDAQ: AMZN). In Feb 2012, Amazon Seller Services made its foray into the Indian market with the launch of Junglee.com, enabling retailers in India to advertise their products for free to millions of Indian shoppers and drive targeted traffic to their stores. With the introduction of the Amazon.in marketplace and launch of two new programmes—'Sell on Amazon' and 'Fulfilment by Amazon'—sellers across India now have access to unlimited and free 'virtual shelf space' and a scalable, 'pay-as-you-go' fulfilment and customer service offerings. Both programmes have successfully been used by more than two million sellers globally to sell to over 200 million customers worldwide and boost their sales.

**For sellers:** Amazon Easy Ship is a delivery service for Amazon, in sellers where orders are picked up from the seller's location by an Amazon Logistics delivery associate and delivered to the buyers' location with minimal effort from sellers. Shipments can be tracked and buyers also get an option to pay for orders at the time of delivery using the Cash on Delivery (COD) feature.

## ▶ eBAY

**eBay** is The World's Online Marketplace, enabling trade on a local, national and international basis. With a diverse and passionate community of individuals and small businesses, eBay offers an online platform where millions of items are traded each day. Founded in 1995 in San Jose, California, eBay Inc. connects millions of buyers and sellers and enabled \$205 billion of commerce volume in 2013. They also reach millions through specialised marketplaces such as StubHub, the world's largest ticket marketplace, and eBay classifieds sites, which together have a presence in more than 1,000 cities around the world.

**eBay Marketplaces:** Founded in September of 1995, eBay is a global online marketplace where practically anyone can trade practically anything. eBay has a global presence in 39 markets, including the U.S. In Q1 2014, gross merchandise volume (GMV), the total value of all successfully closed items on eBay Inc.'s trading platforms, was \$20.5 billion. Marketplaces net revenues totaled \$2.2 billion in Q1 2014. eBay users worldwide trade \$2,642 worth of goods on the site every second. eBay India has over 2.1 million active users. These users come from over 4,306 cities in India. eBay India has over 2.6 million Facebook fans. Approximately 30,000 merchants sell on eBay India annually. eBay India can be accessed on the mobile web on m.ebay.in and via a suite of mobile apps for the iPhone, the iPad, the Android and Windows.



## ▶ SHOPCLUES

A comparatively newer entry into the Indian e-commerce scenario, **ShopClues** has seen immense growth since its launch in 2011. "Ever since its launch in 2011 in Silicon valley, ShopClues.com has witnessed tremendous growth and generated gross merchandise volume (GMV) of ₹350 crores FY14 alone. The company even witnessed a mind boggling figure of 55,000 orders on a peak day with an average transaction value of ₹850 per order. ShopClues, over the past two years, have done great in terms of sales and is further eyeing a target turnover of ₹1000 crore by 2015," says Radhika Agarwal, Co founder, ShopClues. About 25 per cent of traffic and 30 per cent of revenue comes from mobile, and it is growing exponentially. The company has launched their customer-facing Android app two months back and expect 40-45 per cent of their revenues to come from mobile by the end of this fiscal. The company is also planning to launch an iOS app going forward. The growth curve has risen steeply over the last 12 months and the company has also raised



more than \$15 million in funding till date. ShopClues.com has over 50,000 merchants and has 2,700 categories and 4 million unique products worth ₹22,000 crore in listed merchandise value selling on site, thus making it the second largest online marketplace in India. "We work with a variety of service providers in areas such as logistics, payments, analytics and merchandising services in order to provide the best-in-class shopping experience to our customers" says Radhika.

The company is targeting a turnover of Rs 1,000CR mark by 2015 and also plans to open factory outlets so as to allow brands to sell directly to their consumers. With major improvements in the user-experience, ShopClues has also gained considerably on the Alexa ranking and is currently the 56th most visited site in India (Feb'14). The fact that the company has been recognised as a Red Herring Asia Top 100 winner this year only reaffirms that ShopClues is well-positioned for growth in the future.

## ▶ TRADUS

**Tradus** is the Ibibio group's online marketplace, which is known for offering good discounts for customers and is growing steadily.

Launched in the September, 2010 with the purpose of redefining online shopping in India, Tradus has already carved a niche for itself in the e-commerce market. In a short span of under 2 years, it has become one of India's foremost shopping portals with over 1 million members and active users.

Tradus is funded by Naspers, a \$22B (JSE: NPN) multinational media group headquartered in Cape Town, South Africa. Tradus.com seems to have bought BuyThePrice.com (BTP), an e-com marketplace owned and operated by Hyderabad-based MyZingo e-commerce service.

