

RI MAGES

Retail

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E-COMMERCE BOOM IN INDIA

Online Retail Triggers
Transformation in Retail Industry

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IRF 2014
INDIA RETAIL FORUM
17-18 September, 2014
Renaissance Hotel, Mumbai

- 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!



THE PILLARS OF E-COMMERCE

A synopsis on few of the important e-commerce enablers, drivers and facilitators; these are the players, which are behind the smooth functioning of e-commerce business.

► PAYMENT GATEWAYS

While India's retail trade is still dominated by cash transactions, growth in online payments continues to outpace growth in other payment methods. At present, online payments constitute 4.5 per cent of the total value of card payments, a proportion that is likely to grow to around to 10 per cent by 2017.

Payment gateways allow for easy processing of a customer payment where the transfer of funds from the customer to the merchant is done securely over the internet. The following graphic depicts the process of a payment gateway.

There are many online payment gateways like Paypal, 2Checkout and Moneybookers etc, which do not require any formal agreement to be signed. Just a simple online sign up on the website and embedding of a small code. Though the setup process is very simple, these payment gateways do not accept debit cards or net banking as a mode of payment

Payment Gateway	Setup Fees (INR)	Transaction fee (in percentage)			Annual Fee (INR)
		Credit Cards	Debit cards	Net Banking	
CC Avenue	0-40,000	5.00-2.50	4.00-2.50	4.00-2.50	1200-3600
EBS	12,000-30,000	5.00-3.25	5.00-3.25	5.00-3.25	3600
PayU	6,000-36,000	4.90-2.75	1.25	4.90-2.75	1200-3600
DirecPay	10,000	6.5	6.5	6	2400
Atom	20,000	2.25	0.75-1.00	2	5000
Techprocess	30,000	2.5	2.5	2.5	5000
ICICI Bank	30,000	3.00-4.00	3.00-4.00	-	NIL
Hdfc Bank	50,000	3.50-6.00	3.50-6.00	-	12,000
Axis Bank	6,000	6	6	6	2400
Hsbc Bank	60,000	2.75	2.75	NA	2500

ANALYSIS OF 2ND PARTY VENDOR (HDFC)

Requirements for setting up a Payment Gateway with 2nd party vendors (banks)

1. Company should be registered in India
2. Company should be doing revenues/transactions of more than ₹50 lac from last 2 consecutive years *
3. Company should be banking account with HDFC bank Ltd
4. An office set up in India having business activity in place.

instantly alienating more than 80 per cent of the Indian buyers who do not have a credit card. Anish A Chuthan, Co-Founder/CEO at Zwitch Payments, recommends fethr - (<http://www.fethr.com>) which lets any merchant start accepting payments in less

than 3 days. Merchants need to register on fethr, submit the online activation form, choose their payment app & start accepting payments. Fethr currently supports all major Master & Visa credit and debit cards and netbanking of 8 major banks.

Particulars	Setup Fees (INR)
Setup fees	₹20000 + Service Tax (one time non-refundable)
Payment options	All Master/Visa credit and debit cards and Net Banking
Per transaction fee	3-10 per cent + Service Tax
Annual maintenance charges	₹10000/- (recurring yearly)
Payment (credit to current account with HDFC)	T + 1 working days

*Fixed deposit could be applicable in case the company does not meet the requirement

With the increase in e-commerce, many companies have started offering services such as payment collection and logistics to online retailers thus serving as E-commerce enablers.

Payment gateways supported in India are 2Checkout, Citrus Payments, DirecPay, PayU India, PayU Money.

India as an e-commerce market offers two prominent ways to do the business -

1. Merchant account through a major bank: ICICI and HDFC are some of the major banks which provide this service. Low transactional but high Installation charges make them suitable for big businesses but an expensive option for small ones.
2. Third party vendors: In this approach third parties open merchant accounts with various banks and also accept credit cards, debit cards and cash cards. Major companies providing this service in India are: CCAvenue, EBS, DirecPay.

Banks	NET BANKING OPTIONS AVAILABLE WITH EACH PG PROVIDER				
	CCAvenue	EBS	PayTM	PayU DirecPay	Setup Fees (INR)
Andhra Bank	✓				✓
Axis Bank	✓	✓	✓	✓	✓
Bank of Bahrain and Kuwait	✓				✓
Bank of Baroda	✓				
Bank of India	✓	✓		✓	✓
Bank of Maharashtra	✓			✓	✓
Canara Bank	✓			✓	✓
Catholic Syrian Bank	✓				✓
Central Bank of India	✓	✓		✓	✓
Citibank	✓	✓	✓	✓	✓
City Union Bank	✓	✓		✓	✓
Corporation Bank	✓	✓		✓	✓
Development Credit Bank	✓			✓	✓
Deutsche Bank	✓			✓	✓
Dhanlaxmi Bank	✓				✓
Federal Bank	✓	✓		✓	✓
HDFC Bank	✓	✓	✓	✓	✓
ICICI Bank	✓	✓	✓	✓	✓
IDBI Bank	✓				✓
Indian Bank				✓	
Indian Overseas Bank	✓	✓		✓	
IndusInd Bank	✓			✓	✓
Industrial Development Bank of India				✓	✓
ING Vysya Bank	✓				
J & K Bank	✓	✓		✓	✓
Karnataka Bank	✓	✓		✓	✓
Karur Vysya Bank	✓			✓	✓
Kotak Mahindra Bank	✓	✓	✓	✓	✓
Lakshmi Vilas Bank	✓				
Oriental Bank of Commerce	✓	✓			✓
Punjab National Bank	✓				✓
Punjab National Bank (Corporate Banking)	✓				✓
Ratnakar Bank					
Royal Bank of Scotland	✓				
Standard Chartered Bank	✓				
South Indian Bank	✓			✓	✓
State Bank of Bikaner & Jaipur	✓		✓	✓	✓
State Bank of India	✓	✓	✓	✓	✓
State Bank of Indore	✓	✓	✓		
State Bank of Hyderabad	✓	✓	✓	✓	✓
State Bank of Mysore	✓	✓	✓	✓	✓
State Bank of Patiala	✓	✓	✓	✓	
State Bank of Saurashtra		✓			
State Bank of Travancore	✓	✓	✓	✓	
Syndicate Bank	✓				
Tamilnadu Mercantile Bank	✓				✓
The Bank of Rajasthan	✓				
Union Bank of India	✓	✓		✓	✓
United Bank of India	✓	✓		✓	✓
Vijaya Bank	✓			✓	✓
Yes Bank	✓	✓		✓	✓
Total number of banks supported by each					
	47 Banks	23 Banks	12 Banks	32 Banks	40 Banks

IMPORTANT PAYMENT GATEWAYS

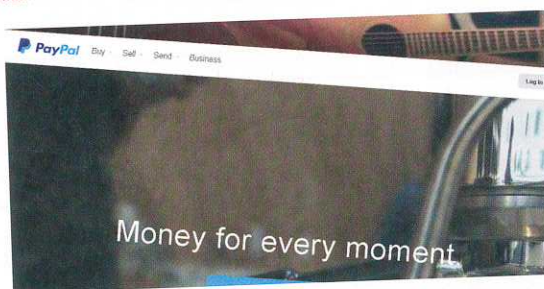
Firms such as Citrus Pay, Paytm and Oxigen are now offering innovative services including storing personal information to speed up checkout, text-message based transactions as well as making it possible to pay using a phone both while shopping online and at physical stores.



► CCAVENUE

It is the SouthAsia's largest payment gateway solution, powering 85 per cent of merchants with real time, multi-currency, multi-payment options online payment processing services. It is the only complete PG solution that has a unique ability to offer full spectrum of internet options.

The company has been making startup friendly moves and also came out with SNIP. In a recent development, CCAvenue has launched multi-currency payment gateway. CCAvenue bundles the new platform with features like Smart Dynamic Routing for better shopping experience, Retry for completing failed transaction and 1-Click Checkout for a quicker checkout process.



► PAYPAL

PayPal is the leading global payments provider with over 148 million active accounts in 26 currencies and across 203 markets, processing more than 9 million payments daily. PayPal is the faster, safer way to pay and get paid. The service gives people simpler ways to send money without sharing financial information, and with the flexibility to pay using their account balances, bank accounts, credit cards or promoting financing.

Q1 2014 FINANCIAL METRICS

Requirements for setting up a Payment Gateway with 2nd party vendors (banks)

- 6 million active accounts were added in the first quarter of 2014.
- PayPal revenues represented 43 per cent of eBay Inc. revenues in Q1 2014.
- PayPal revenues for Q1 2014 were \$1.8 billion, growing 20 per cent year over year on an FX neutral basis.
- PayPal's international business generated \$955 million in revenue in Q1 2014, and international revenue grew at a rate of 20 per cent year over year.
- PayPal's international revenue represented more than half of PayPal's total revenue, at 52 per cent.
- PayPal customers made 834 million transactions in Q1 2014, or more than 9 million payments every day.
- PayPal maintained a very low loss rate of 0.27 per cent.

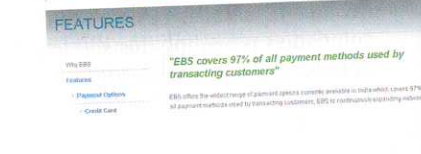
► EBS

Part of Ingenico, the leading global player in payment terminals Processes over 130 mn. transactions globally Only player in India with an extensive local network spread across 9 cities EBS offers the widest range of payment options currently available in India which covers 97 per cent of all payment methods used by transacting customers, EBS is continuously expanding network to successfully cater the ever increasing tech savvy population.

Visa | MasterCard | Maestro | AMEX | JCB | Diners - Credit Card Option

- 50+ Debit Cards Options
- 50+ NetBanking Options
- 5+ Cash Card Options
- 8+ EMI Options
- 30+ IMPS options
- E-wallet - PayPal

EBS, also offers international payments and multi-currency services through Ogone one of Europe's biggest payment provider and 80 global, alternative and local online payment.



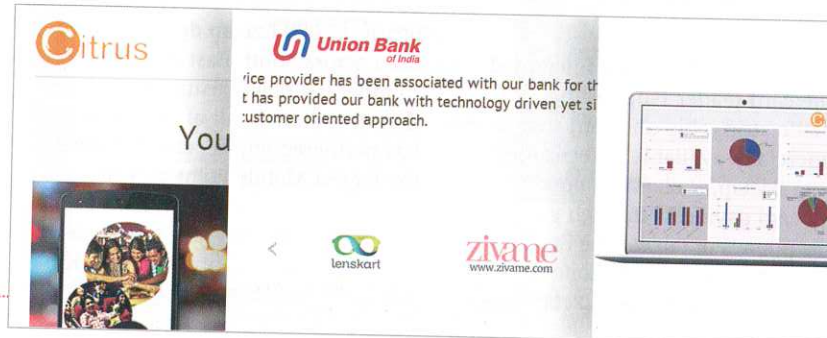
► CITRUS

Citrus controls 8 to 10 per cent of the market (Billdesk and CC Avenue together control 70 per cent of the market). Citrus has tied up with nearly 1,500 merchants and is adding 150 merchants every month. They have grown at 28-30 per cent in the last five quarters and has doubled its revenues. At the end of March 2014, Citrus will post quarterly revenue of ₹3 crore.

Going ahead, the big thing for Citrus will be its bank-Citrus Bank. Launched in early March, the consumer can sign up at citruspay.com for an account or download

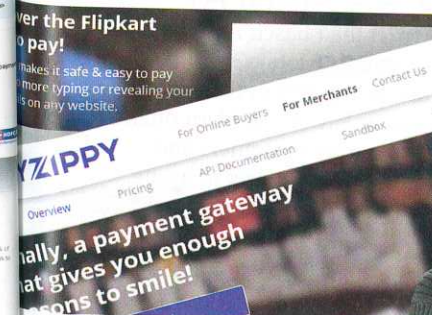
the Citrus app from the Google Play Store and load an amount of their choice via a credit card, debit card or directly from bank. This app will enable the user to transfer money to friends, colleagues and family members in just a few seconds. Apart from sending money, one can also request money.

Mumbai based payment solutions provider has collaborated with ReD, a global fraud prevention company to integrate its solution ReDshield in Citrus Pay's checkout process.



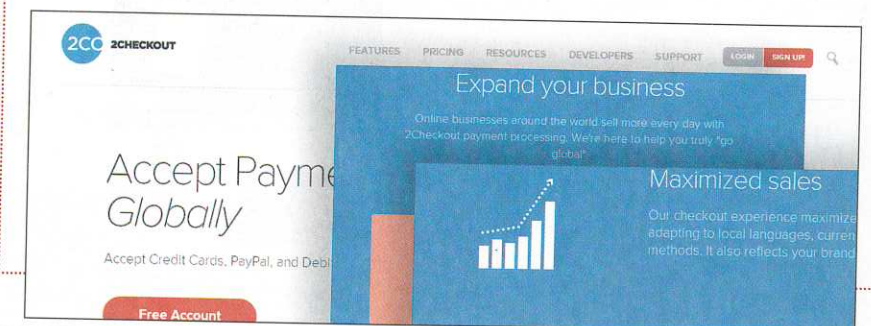
► PAYZIPPY

Flipkart has launched a new payment gateway, payzippy, for Indian merchants. PayZippy's payment systems have passed stringent security audits like PCI DSS conducted by industry specialists, to be definite that your card knowledge remains safe and protected at all times. PayZippy accepts payments from all credit & debit. Payzippy also provides customer supports to the merchants between 9am to 9pm on all day.



► 2CHECKOUT

2Checkout is an online payment processing service that helps you accept all major credit cards, debit cards, PayPal and more. 2checkout is also available for Indian merchants. Business registration documents will also be verified for fully functional of payment gateway. 2checkout is most preferable brand for Indian merchants because it offers PayPal payment and all



► FIRST DATA

First Data established its presence here in 2005 and now has more than 20 offices across the country's major cities. They offer card issuing services to financial institutions and provide card acceptance services to approximately 100,000 merchants across the country through ICICI Merchant Services, an alliance with ICICI Bank.

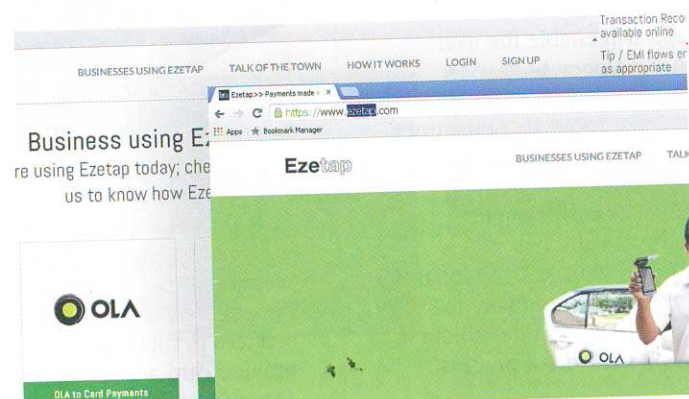
With a First Data merchant account, you'll enjoy:

- No setup fees
- No application fees
- No long-term contract—agreements are month-to-month
- Low 2.29 per cent transaction rate
- Only 19 cents per transaction

Indian cc processing. 2checkout started accepting payments from year 2000. 2Checkout enabled over 100,000 merchants to sell on-line and processed billions of dollars in e-commerce transactions. Based in Columbus, Ohio, the 2Checkout.com office is located within minutes of fine arts, great dining, museums, and over 7 million square feet of shopping and entertainment.

FILE POS SPACE

(POS)—that is, the point at which a customer makes a payment to a merchant in exchange for goods or services, is a critical pain-point with small and mid-sized merchants in India. The key challenges in this space are:



EZETAP

Ezetap is a Bengaluru based company that is pioneering mobile payments across emerging markets. It has launched its first integrated mobile certified Mobile Point-of-Sale (MPOS) device with a price point of ₹50—approximately one

third the cost of any other integrated mobile card reader (supporting magnetic strip, chip and pin) that is commercially available and certified.

Using Ezetap, retailers can now accept card payments through their mobile phones or tablet. The Ezetap card reader turns mobile phones into secure payment terminals. Ezetap, has

received funding of \$8 million from a consortium of investors led by Helion Venture Partners. Founded by Abhijit Bose, Ezetap was initially funded by AngelPrime and then went on to raise a series A from Social + Capital Partnership, Peterl Theil and others. Ezetap has raised ₹74 Crores till date.

The Ezetap device is priced at around ₹3,000. The technology allows anyone to accept cards. At present nearly 12,000 Ezetap devices are being used across South East Asia and Africa. Another big player using services of Ezetap is State Bank of India where it has partnered with Ezetap to launch the largest Mobile Point-of-Sale (MPOS) deployment in India. This will enable 500,000 new terminals in 5 years and will bring electronic payments to every corner of India.

works with Java, windows, iOS, Android etc.

In December 2013, the team launched the first EMV compliant mobile POS solution, Wisepad. It is bluetooth-enabled and requires no physical connection to the phone. It lets merchants accept credit and debit cards with the same security and speed as conventional POS terminals at an affordable price and competitive card interchange fees.

WISPAD

launched the first mobile POS in India in 2012 with a card reader that can be attached to any device's audio input jack. With a mobile swiper, merchants can use their mobile phones, even smart feature phones, to accept payments. The device can be activated in three simple steps: Plug it into the audio jack of the phone, launch the application and swipe. The application



ADVANCE ONLINE PAYMENT PLATFORM

INCREASE YOUR REVENUE CHANNEL THROUGH MULTIPLE PAYMENT OPTIONS

- ▶ Highest transaction Success Rate
- ▶ Fastest Activation
- ▶ Affordable Pricing
- ▶ Social Media Payment
- ▶ 99.9% Uptime



ADVANTAGE OF EMVANTAGE

- ▶ EMI Payments Option
- ▶ iFrame Payment Box
- ▶ Facebook Buy Button
- ▶ Ready to integrate 3D Secure merchant Plugin
- ▶ Payment Scheduler Option
- ▶ Capture Reminder
- ▶ Express Payment Option
- ▶ Reattempt Pay Now Button for Cancelled / Unsuccessful Transactions
- ▶ QR Code based Payment Solution



ONLINE PAYMENT

MOBILE PAYMENT

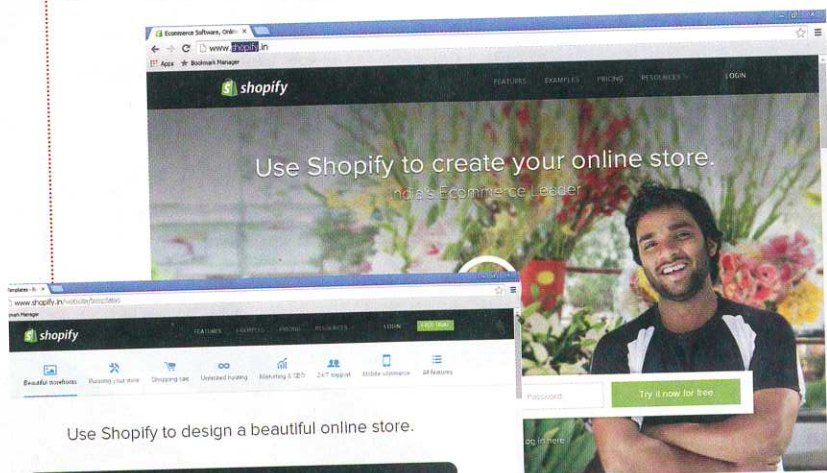
PREPAID CARD



▶ **AASAANPAY**
Hyderabad based Aasaanpay (Formerly MobileCozy) is another player in the space. AasaanPay is a modern offering that allows customers and retailers to transact in a safe, secure and easy manner. And its affordable.

E-COMMERCE PLATFORMS

Here comes the role of an e-commerce SaaS platform- an already stable platform to sell products. Instead of selling goods on a third party website, a startup can still launch its own e-commerce portals in a much reduced cost over a monthly rental or a revenue sharing basis on pay-as-you-go model.



Use Shopify to design a beautiful online store.

► SHOPIFY.COM

Shopify was founded in 2006 by Tobias Lütke, Daniel Weinand and Scott Lake. Today, Shopify powers tens of thousands of online retailers including General Electric, Amnesty International, CrossFit, Tesla Motors, Encyclopaedia Britannica, Foo Fighters, GitHub, and more.

It provides complete support from building and hosting an ecommerce website to numerous shipping and payment options.

Merchants can use Shopify to manage all aspects of their shops: uploading products, customising the design, accepting credit cards, and viewing their incoming orders.

completed transactions.

Fees- Shopify does not charge any set up fees, or bandwidth fees, neither it asks for any credit card details to be punched in. One has to pay only when the person wishes to open a virtual store and picks up a plan. All Shopify plans are month to month unless the visitor picks up for an annual or biennial plan. They offer a 10 per cent discount on an annual and a 20 per cent discount on a biennial plans, when they are paid upfront.

It also claims to provide 99.94 per cent uptime with unlimited web hosting worldwide. With Google as a partner, shopify is giving extra \$100 in advertising on spending \$25 and also gives \$50 credit for facebook to new shopify customers. Currently in India, the online stores using services of shopify are: Poster Gully, Parisera, We the PPL, Yellow Fashion, No Nasties, and The Beach Company.

They do support a variety of third-party hardware and works with .in,

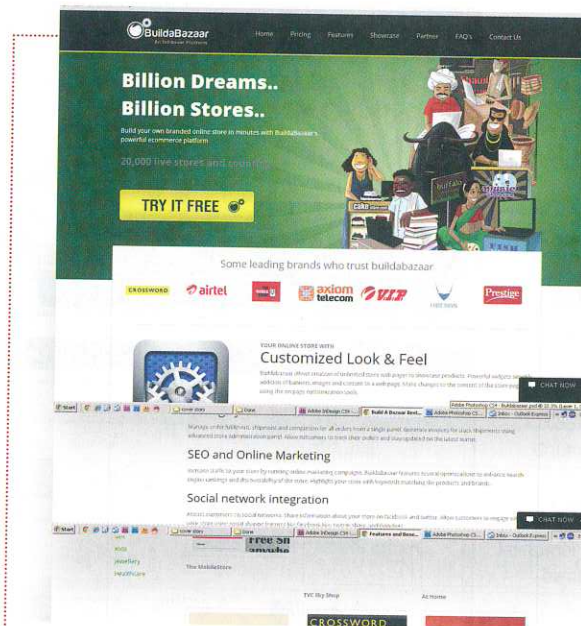
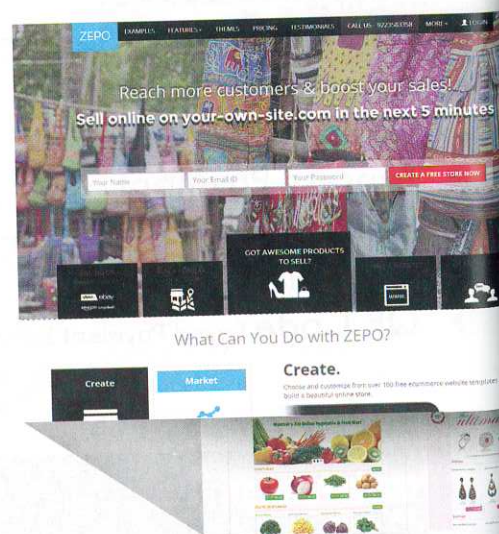
► ZEPO

The core behind the existence of Zepo is to help small businesses in their e-commerce activities by setting up their online stores and take the sales and profit to the next level.

The USP of this hosted e-commerce platform is it enables you to create an online store within 5 minutes. Along with providing the core technical support, Zepo also provides the user with most prominent dashboard features and a facility to set up an online store with user's existing domain name. It offers 30 per cent revenue sharing on a recurring basis along with free payment gateway and Fedex support making consumer save up to 20k. The basic plan starts at ₹999/- and the seller has an option to pick from a monthly scheme to half yearly, or yearly .

In India, m-commerce has picked up aggressively over the last few months with Snapdeal even claiming to have 50 per cent transactions coming from mobile while Flipkart turning into a m-commerce company within the next 2 years.

As mobile is the next growth segment for the e-commerce companies, Zepo and Mobile-enabler, MartMobi have partnered to bring both web and mobile to all Zepo merchants. While the regular development of a Mobile site or Apps would take anywhere from weeks to months, merchants can have their mobile store up and running in less than a day, with zero development or configuration efforts from the merchant end.



► BUILDABAZAAR

BuildaBazaar is an e-commerce platform which allows any seller to create an online store. BuildaBazaar offers an easy to use interface to modify and manage the store. They offer design customisation of the store and offer features like social network integration and SEO optimization to boost sales.

A product of Infibeam, it lets users use their payment gateway setup. However, the shipping logistic has to be managed by the owner of the site. It also provides the facility to collect payment on owners behalf and then pays on 16th and end of every month after deducting their transaction charges. At present, it is providing 3 membership plans viz. Silver, Gold and Platinum. Some of the brands associated with it includes Airtel, Crossword, TheMobileStore, VIP, HiDesign, Bombay Dyeing, TVC Sky shop and Prestige.

It offers a fixed transaction fees for plans ranging between 2 per cent-0 per cent and further customized if required. Buildabazaar has 35 third party courier partners integrated into the platform. They can connect sellers with one or more of them for exploring a partnership. Customers can pay on the store using one of the following cards-Visa, Master, American Express, JCB, Dinner Credit Cards both domestic and international, 44 net banking accounts, All major debit cards or by paying cash on delivery.

Pay outs-Payment against all card transactions against completed orders on any store would get remitted into the NEFT enabled account on 16th and the end of every month, after deducting for the monthly payment charges and transaction commissions.

► POWERSTORES

PowerStores is a Goa based SaaS DIY (Software as a Service Do-It-Yourself) e-commerce and website platform that allows businesses to easily create and manage content and e-commerce based websites. Founded in late 2011 by Cory York and Indrajit Chowdhury, PowerStores was started from the revenue generated by SocialLinked.

PowerStores is a global e-commerce and website platform that allows anyone to create a mobile-friendly online store in minutes. Built for ease of use but geared for advanced customisations, allowing companies to start simple and grow without having to change platforms as their business becomes more complex

Having clients like Giftcardsindia.in, Bodylinestore.com, Universalhockey.ca and Scottmorganfineart.com, PowerStores claims to provide advantages of Amazon Web Services and Data centers plus you can customize your theme any way you want with HTML and CSS. It also offers a free 30 day trial with 24 x 7 customer support and a dedicated account "Guru". The platform offers various features such as design themes, compatibility of site with all mobile devices and iPad and also an APP store where developers can sell apps and PowerStore users can add features to their websites in minutes.

They have recently launched its new version which enables merchants to customize stores' theme completely using its theme language called FLUID. With this, merchants can get rid of cookie cutter themes offered by most of the SaaS-based platforms. So far the company had enabled over \$6 million of sales through the platform via 500 active merchants across India, USA and Canada. The company had raised \$2 million from unnamed international investors in July last year.

