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Gee whiz, it's e-biz

Traders with brick and mortar shops have been furiously lobbying the government against e-commerce sites. But the success of e-tailing has given a major boost to supporting businesses. From warehouses to models, and from couriers to packaging companies, everyone is getting a piece of the pie, points out Kavitha Shanmugam



SERIOUS BUSINESS: Furniture at a FabFurnish warehouse

So you are planning to buy that little black dress from your favourite retail website. Sure, click on it — it's just right for the grand school reunion. But do spare a thought for the invisible hands that have been working hard to ensure that you and the dress meet. And, no, we don't just mean the e-retail website that you have been regularly logging on to.

For every object you purchase online, there are people at work at different levels. The makers of the dress. The model who flaunts it. The writers who pen the description. The photographer who lovingly focuses on the neckline. The gateway that enables you to pay for it. The warehouse where the dress is stored. The packagers who wrap it in a box for you. The courier who transports it.

And a great many others.

E-commerce is booming in India, and with it, ancillary companies, which make e-shopping so convenient, are flourishing. They are the "partners" or "enablers" not visible to the buyer. Many have emerged as Rs 100 crore companies.

E-commerce will be worth \$20 billion in the next few years, say experts. Stuvir Sujan, co-founder of the leading venture capital fund Nexus Venture Partners, points out that enablers will have a large portion of the e-commerce pie.

Businesses such as packaging, logistics (how to deliver your purchase to your doorstep efficiently), digital advertising, data analytics, fashion designers and small traders have received a boost. New enterprises are coming up as well — couponing sites (which give discounts in lieu of coupons), catalogue preparation, image editing, models, photographers and bloggers. Some bloggers are even paid to write glowing reviews.



A photographer at work

"Evolving e-commerce is giving rise to more ways by which e-tailers can target customers, engage with them or delight them. This translates into the growth of ancillaries since it makes more sense to outsource such functions," says Sanjay Sethi, CEO and founder, Shopclues.com, an e-retail site.

Clearly, Indians are logging on and shopping. Sethi says that on peak days his site conducts 1,10,000 transactions. Last month, when Flipkart offered a discount on many products for a single day, it said it registered 1.5 million shoppers.

One of the most important businesses to have come up around the e-retail sector is the logistics industry, which handles the all-important field of delivery. Besides established players such as Blue Dart and DHL, new companies have sprung up to meet the burgeoning demand. The Delhi-based GoJavas started operations in December 2011 in one city. It has now expanded to 100 cities with 140 branches, and handles 80,000 to one lakh transactions daily. Chief operating officer Vijay Ghadge says it expects a turnover of Rs 150 crore by the end of this year.

"We have begun innovations such as open box delivery (the client can open the box to check the product), same day delivery and a provision to track your parcel through Google maps," Ghadge adds.

GoJavas is not the only new logistics company — some of the others are Delhivery, Hoisol and Ecomm Express.

No surprise then that Kunal Sen, senior vice-president of recruitment services company TeamLease, says that recruitment by logistics firms has witnessed a surge in the last six months.

Indeed, the Delhi-based Delhivery, which launched in 2011 with 150 employees, has more than 4,200 employees now and handles over 65,000 transactions daily across 180 cities.



A buyer checks a chair online

"Unlike many other start-ups in this space we did not blindly build a ground network of delivery staff but invested heavily in technology, training and process engineering. This has helped us scale faster and sustain growth over the last three years while most new players have disappeared," Mohit Tandon, co-founder of Delhivery, says.

Lending a helping hand to the e-commerce boom are companies that study buying patterns to help websites gather more eyeballs. "Our e-commerce clients have increased our turnover by 30 per cent," says Vivek Bhargava, CEO, iProspect Communicate2, a Mumbai-based digital marketing and analytics firm.

When you click on that smart Nike shoe on a retail site, are you surprised when the same image pursues you on your email and social networking sites? Don't panic — it is just the work of a data analytics team, hired by an e-commerce firm, which manages to display the ad on your pages to tempt you some more.

"Data such as what channel the customer has come through to visit the site and the profit each customer is bringing to the site are analysed and utilised to throttle up the numbers," says Venkat Vishwanathan, founder and chairman, LatentView Analytics, Chennai.

New start-ups making waves here are Targeting Mantra and Vizury Interactive Solutions. Companies such as Iksula provide end-to-end solutions for e-comm players to make their site more visible on the Net and provide recommendations for users when they visit it.

The e-commerce boom has provided a fillip to payment gateways, too. Online payments have to go through a gateway. Companies such as PayU, Paytm, CC Avenue and EBS act as a billing counter. "We are growing rapidly and expect to raise \$200 million from angel investors," says Pratyush Prasanna, vice-president, Paytm, which has a total registered user base of 20 million with 6 lakh orders a day and 15 million "wallets" in which customers can store their money for online transactions.

The packaging industry is another crucial arm. Market leaders such as the Vadodara-based Dynaflex supply high quality packaging material, including security envelopes and tamper evidence packaging. Dynaflex director Gaurav Vora says the firm's turnover is expected to increase by 70 per cent this year.

Amidst the e-commerce surge, the enablers don't find it tough to raise money. The Delhi-based Hoisol, which deals with transport packaging solutions for the automotive sector and warehousing and distribution services for retail customers, has already raised \$1.5 million. "We are now in talks to raise more funds (from private equity firms) to expand our services," points out Naveen Rawat, director, Hoisol.

E-commerce companies have also led to an expansion in the warehousing industry. Most e-commerce firms rent or lease large warehouses and ask the landlord to create interiors to their specifications.

"The entry of e-comm players has created a need for top-class warehousing facilities and infrastructure," says Sarita Hunt, managing director, Jones Lang La Salle, Chennai and Coimbatore. Flipkart and Amazon are seeking to acquire more than 2,00,000 sqft of warehouse space in Chennai. Indeed, Vikram Chopra, co-founder of FabFurnish.com, says that real estate agencies are signing exclusivity contracts with e-comm companies without brokerage fees to get them warehouse leases.

At the end of the day, says Praveen Sinha, managing director and founder, Jabong.com, another major e-retail site, any viable business model will attract investors. As e-commerce gets bigger, the ancillary sector is going to expand as well. And among the success stories will be companies and individuals.

Sinha cites the example of a fresh design school graduate who earns Rs 50 lakh a year selling her garments on Jabong.com from her boutique. That little black dress could well be her creation.

Up and up

Backroom biggies

- The Delhi-based Hoisol was set up in 2009 by Naveen Rawat, Rahul Dogar and Manish Ahuja. Hoisol processes around 30,000 orders a day. From five staffers in 2009, today the total team strength is around 1,600. The company expects to close the financial year with a turnover of Rs 40 crore.
- Vizury Interactive Solutions Pvt. Ltd was started in 2008 by three engineering and MBA graduates as a technology consulting firm from a single room. It has grown into a "big data advertising company" with e-commerce clients in India and in nine countries abroad.
- Harsh Agrawal, 27, is a New Delhi-based blogger who teaches people how to create blogs and helps e-commerce sites to learn about business blogging. Harsh, who studied engineering, makes Rs 30,000 a month from people clicking on the ads in his blog and another Rs 2.5 lakh a month reviewing products he likes or writing paid reviews. Agrawal, who earns Rs 48 lakh a year, gave up his regular job to become a full-time professional blogger.
- Chikweb, a Delhi-based image editing and content management company, shoots product catalogues for e-commerce sites and writes content. "There is a huge potential for providing accurate, quality photographs with matching good content for e-commerce sites," says Rakesh Kumar, cofounder, Chikweb.

e IS THE WAY

Opportunities

- The e-commerce industry is expected to contribute around 4 per cent to the GDP by 2020
- Revenue for the logistics industry alone may grow to Rs 14,300 crore by 2020
- Expected to create 1 million direct and 0.5 million indirect jobs by 2020
- Over 60 per cent of e-commerce ventures have been started by first-time entrepreneurs

Challenges

- Low Internet penetration of 11 per cent versus the world average of 34 per cent
- Poor 'last mile connectivity' because of missing links in the supply chain infrastructure limits access to far flung areas
- Restrictions on Foreign Direct Investment in inventory-based consumer e-commerce have led to capital constraints

Source: KPMG and Internet and Mobile Association of India report, e-Commerce: Rhetoric, Reality and Opportunity, 2012  
Additional reporting by V. Kumara Swamy

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