

The Engines of the Indian E-Commerce Train

Indian e-commerce is projected to explode from \$10 billion to \$43 billion in the next five years, according to Nomura's India Internet Report last month. There are 11 categories, and within them 42 players, that are poised to shape this blazing path. Madhav Chanchani and Radhika P Nair join the dots

The Bulge Bracket

MARKETPLACE

The multi-category segment is on fire this year. The largest pie of the online retail ecosystem is drawing the maximum risk capital and eyeballs. The top three players — Flipkart, Snapdeal and Amazon — are expected to do \$4 billion in sales this fiscal. "Indians are horizontal bazaar shoppers and don't have deep vertical buying experience offline in most categories," says Suvir Suján, co-founder of Nexus Venture Partners, an early investor in Snapdeal.

Today, all multi-category players are on the inventory-less marketplace model. They are all investing heavily in warehouses and delivery. They are making acquisitions. "You will see us do some very interesting and strategic acquisitions very soon," says Kunal Bahl, co-founder and CEO of Snapdeal.

VC firm Accel Partners expects the product e-tailing market to expand from \$2 billion in 2013 to \$8.5 billion in 2016. And, for now, the focus is more on growth and less on profitability.

The Key Players

Amazon
Investor: None
Funding (\$ mn): NA

eBay
None | NA

Flipkart
Accel, Tiger Global, Naspers
1,700

Infibeam
None | NA

ShopClues
Nexus Venture, Helion Ventures
15

Snapdeal
Kalaari, Nexus Venture, Intel Capital, Bessemer, eBay, PremjiInvest
320

Star Players

Sachin Bansal, 32, Binny Bansal, 31, Flipkart
They have built a company valued at \$7 billion, and even have investments in News In Shorts, Zopper and more.



The Key Players

Cleartrip
Investor: Concur Technologies, Reliance Ventures
Funding (\$ mn): 75

Expedia: None | NA

Ibibo: Naspers | NA

IRCTC: None | NA

Makemytrip
SAIF Partners, Tiger Global
40

RedBus
Naspers | NA

Yatra
Capital18, Norwest, Intel Capital, IDG Ventures, Vertex, Valiant Capital
125

TRAVEL

If the multi-product players have the largest share of eyeballs, the travel portals have the wallet. At around \$8 billion, online travel accounted for 70% of the overall Indian e-commerce market in 2013, according to IAMAI. Three shifts are underway. One, with air tickets becoming a staple, travel portals are turning their focus to hotel bookings and travel packages. "Online penetration (of hotel bookings) is only around 7%," says a recent Nomura research report. "Commissions paid by hotels are nearly 3x those in the air (ticket) segment."

Two, there's a growing emphasis on smartphone traffic and applications. "Mobile is the perfect channel for a travel company to provide real value to the customer and create higher engagement by enabling an easy travel-booking experience," says Deep Kalra, founder & group CEO of Makemytrip, the largest online travel agency. Three, the segment has seen early signs of consolidation.

Star Player

Deep Kalra, 45, Makemytrip
Kalra had stints at GE Capital and ABN Amro, besides helping AMF Bowling set up bowling alleys here in the 1990s. He formed Makemytrip at start of the dotcom bubble in 2000.



The Big Specialists

FASHION

After electronics, fashion and lifestyle is the largest category in online retail, with a 25% share. But unlike electronics, it is more the domain of specialists than marketplaces. Myntra, part of Flipkart, and Jabong are the leaders, competing fiercely with discounts and for exclusive brand partnerships.

Myntra, which is targeting sales of ₹2,000 crore this fiscal, has raced ahead by launching several private labels, including Roadster and Dressberry. While external brands give a margin of up to 35%, in-house labels go up to 60%. Jabong, which has exclusive partnerships with international brands and designers, is also lining up its own labels.

Then, there are web-only brands like Fab Alley, Zovi and Yepme. And, lastly, there are the multi-category players. Large players could drive acquisitions. "Don't be surprised, with the advent of online players like Asos and large Chinese players coming into India," says Sudhir Sethi, founder-chairman of early-stage venture fund IDG Ventures India. "These players would not like to start ground-up but will look for an acquisition to be the base for their India entry."



Star Player: Mukesh Bansal, 38, Myntra & Flipkart
Before launching Myntra, he worked for four different startups as engineer and product manager. Today, the IIT Kanpur alumnus oversees at least 50% of all online fashion sales in the country.

The Key Players

FabFurnish
Investor: Rocket Internet
Funding (\$ mn): Undisclosed

Pepperfry: Norwest, Bertelsmann
28

Urban Ladder
Steadview, SAIF Partners & Kalaari Capital
27

Zansaar
Accel, Tiger Global
6

FURNITURE

Furniture is tipped to become the third largest segment in e-commerce, after electronics and fashion/lifestyle. The value of goods sold by leading players is on course to increase 3-4 times this fiscal. What makes furniture an interesting category, says Niren Shah, managing director at Norwest Venture Partners India, is that it's a \$15-20 billion market but consumers don't have many offline choices.

Pepperfry and Urban Ladder are the leaders, the latter recording average ticket sizes of ₹18,000-20,000. Among marketplaces, Snapdeal has launched, and Flipkart and Amazon are exploring. But they might not find it easy, given that existing players took nearly two years to perfect logistics and supplies. "Furniture is different from all other categories," says Ashish Goel, founder & CEO of Urban Ladder. "Players need to build a specialised supply chain and also help in building the manufacturer ecosystem." Similarly, Pepperfry is working with manufacturers to build furniture that can be assembled on delivery. The pieces of this segment are falling in place.



Star Player: Ashish Goel, 35, Urban Ladder

He co-founded Urban Ladder in 2012 after facing a lack of furniture options for his house in Bangalore. Previously, he has had stints in McKinsey and Amar Chitra Katha.

GROCERY

With an estimated market of \$350-400 billion, the grocery segment is larger than anything else. "What is seductive about the grocery segment is the high frequency of transactions," says Rehan Yar Khan, founder of Orios Venture Partners.

It's also challenging. One needs to build hyper-local sourcing, warehouses and supply chain. Hence, expansion across regions is staggered. The exception is BigBasket, which is in three cities. Online players stock 12,000-13,000 products, against 400-500 by kirana stores. But, "logistics is a challenge in terms of timing, order sizes and the large inventory," says Vipul Parikh, co-founder and CFO, BigBasket.



Star Player: Hari Menon, 51, BigBasket
His online venture FabMart became brick-&-mortar chain Trinethra, acquired by Aditya Birla Group in 2007.

The Differentiators

HYPER LOCAL

Even as e-tailing explodes, by 2020, 97% of the estimated retail sales of ₹62,40,000 crore will still happen offline, says Technopak. A large percentage will be made by small shops and establishments. Platforms like Just Dial, Findable, PriceBaba and Zopper are looking to bring them online in multiple ways. BookMyShow is doing the same with ticket bookings in arts and entertainment. Just Dial, the largest local-search player with revenues of ₹561 crore in 2013-14, extended into transactions this January, enabling services like doctor appointments and flower deliveries. This week, it will venture into products. "Transaction part will be our focus in the near future," says founder and CEO VSS Mani.

Zopper and PriceBaba are also expanding quickly. India has 100-120 million internet users, but less than 5 million have shopped online. Such shoppers are referred to as ROPOs (research online, purchase offline). With more smartphones and data connections, their numbers are expected to increase.

Star Player:

VSS Mani, 48, Just Dial
Mani became involved in the local classifieds business in the late 1980s. Just Dial's ₹950 crore IPO in 2013 was a 14-year wait for Mani and has since returned over 300%.



CUSTOMER NICHE

While horizontals and verticals battle for market share, some e-commerce websites are differentiating by targeting niche customer profiles. GreenDust sells factory seconds and refurbished consumer electronic products at a 10%-76% discount to market price. Limeroad is a social-shopping platform focused on women that also offers users tools to curate and share collections online.

Onemi sells products only on equated monthly instalment even to customers who don't have a credit card. "There is a huge segment of customers who don't speak good English and are not on the Internet, but are hungry for these aspirational products," says founder Abhijit Bhandari, who adds Onemi is recording monthly sales of ₹20 crore.

While other verticals are expected to feel the heat of multi-product players, the niches could create their own market. "If there is demand-side differentiation, those will continue to exist and continue to thrive," says Avnish Bajaj of Matrix Partners India, which has invested in Limeroad.



Star Player: Hitendra Chaturvedi, 44, GreenDust
After stints at AT Kearney, EY and Microsoft, Chaturvedi returned to India in 2008. Since none of the Indian companies could afford his salary, he decided to start his own venture.

The Smaller Specialists

BABYWARE

While multi-product players have a large selection of babyware and kidswear products, a few single-category players have emerged. The leader is Pune-based FirstCry, founded by Supam Maheshwari and Amitava Saha in 2011. "Globally, and in India, the babyware category has always had a specialised leader that has captured dominant market share. With repeat buying rates above 70%, this category has huge capital efficiency in marketing," says Manik Arora, MD of IDG Ventures India, an early investor in FirstCry.

FirstCry is flanking its online presence with stores — 70 running and 30 more coming this year. It is partnering international brands to provide free hospital kits to parents of newborns in about 6,000 hospitals in top 18 cities. "We are able to engage with customers at the most important point — the birth of their child," says Maheshwari.

Other prominent players, with an estimated potential of \$500 million, are BabyOye and Hopscotch. They hope to grow with India's rising population.

The Key Players

Babyoye
Investor: Tiger Global, Accel, Helion Ventures
Funding (\$ mn): 15

FirstCry: SAIF Partners, IDG Ventures, Unilazer
33

Hopscotch: Lion Rock Capital, Nisaba Godrej
2

Star Player

Supam Maheshwari, 40, FirstCry
Maheshwari is a serial entrepreneur. He sold his e-learning company Brainvisa Tech to Indecomm Global Services for about \$25 million in 2007.



HEALTHCARE

This is one segment where niche portals have managed to build strong franchisees. While the focus of Healthkart is protein supplements and personal care, that of Lenskart is eyecare. It currently does around 2,000 shipments per day of both prescription glasses and sunglasses, up from 600 a year ago. It expects to post revenues of ₹100 crore this fiscal.

Healthkart sells products in a range of categories. Other startups in the healthcare segment include Healthadda, Healthgenie and Saralhealth.

Players have been looking to personalise their offering to attract customers. For instance, Lenskart also provides eye check-ups at home. "Most spectacle providers are focused on those who already wear glasses. But almost 75% of those who need glasses do not know they need one or don't wear them," says Peyush Bansal, founder of Valyoo Technologies, which runs Lenskart. "We want to expand to this market and provide access to good quality eyecare."

The Key Players

Healthkart
Investor: Intel Capital, Sequoia, Kae Capital
Funding (\$ mn): 23

Lenskart
Unilazer Ventures, IDG Ventures
14

Star Player

Peyush Bansal, 30, Lenskart
Besides Lenskart, the engineer from Canada's McGill University has also set up niche e-commerce sites Bagkart and Watchkart. "Working for 11 months as a programme manager at Microsoft in the US was enough to convince me that I wanted to be my own boss," he told ET in 2012.



LINGERIE

Stores, in general, have failed to offer Indian women a wide choice of products or a comfortable shopping experience. Online players are stepping in, offering a wide variety of products, new categories like shapewear and the privacy to shop without human contact.

All are betting the \$2 billion market will grow and will shift online. So do their backers. "If you look at China, the largest category in e-tailing is apparel, with around 35% marketshare. In that, lingerie is 10%-15% of the entire apparel market," says Rehan Yar Khan, an angel investor. He has invested in PrettySecrets, which started as an offline player, grew to 200 stores in six years, and shifted online.

While horizontals do sell lingerie, none has a wide presence. Taking advantage, companies like Zivame are attempting to corner the market with initiatives like try-and-buy. Going forward, "large players like Flipkart and Myntra could acquire them to make these brands anchor tenants on their website," says Khan.

The Key Players

PrettySecrets
Investor: Rehan Yar Khan
Funding (\$ mn): Undisclosed

Zivame
Unilazer Ventures, IDG Ventures, Kalaari Capital
9

Star Player

Richa Kar, 33, Zivame
Richa Kar, 33, a BITS Pilani and Narsee Monji Institute of Management Studies alumnus, was doing a consultancy assignment with Victoria's Secret when she thought of launching an online lingerie store.



JEWELLERY

Given India's appetite for jewellery, this segment is a no-brainer for e-commerce. Even as physical stores struggle with growth, Caratlane is doubling by the year. "The biggest challenge in jewellery retailing is the cost of inventory," says Mithun Sacheti, founder & CEO of Caratlane. "We don't maintain inventory and follow just-in-time manufacturing, which allows us to spend on marketing and on acquiring new customers."

But even online has limitations. High-ticket products means customer trust has to be built first. Ficci estimates the market at ₹2,51,000 crore in 2013, with the potential to double by 2018. Market players believe only 1% of this is online.

They also believe it's a business for specialists. "As this segment is driven by innovation in designs and launches, it lends itself to private-label play with higher margins. This will be difficult for horizontals to master," says TC Meenakshisundaram, MD of IDG Ventures India. "Horizontals may find it easy to buy a successful vertical player."

The Key Players

Bluestone
Investor: Accel Partners, Kalaari Capital, K Ganesh
Funding (\$ mn): 15

Caratlane
Tiger Global
27

Star Player

Mithun Sacheti, 36, Caratlane
Unlike most people on this page, Sacheti hails from a family that has been in the jewellery business for five generations. He is also certified as a gemologist from the Gemological Institute of America, California.

