

Logistics Focus

In-house Publication of Transport Corporation of India Ltd.

March 2013



ON-LINE Commerce & E-Tailing –A Logistics & SCM Perspective



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Automobiles



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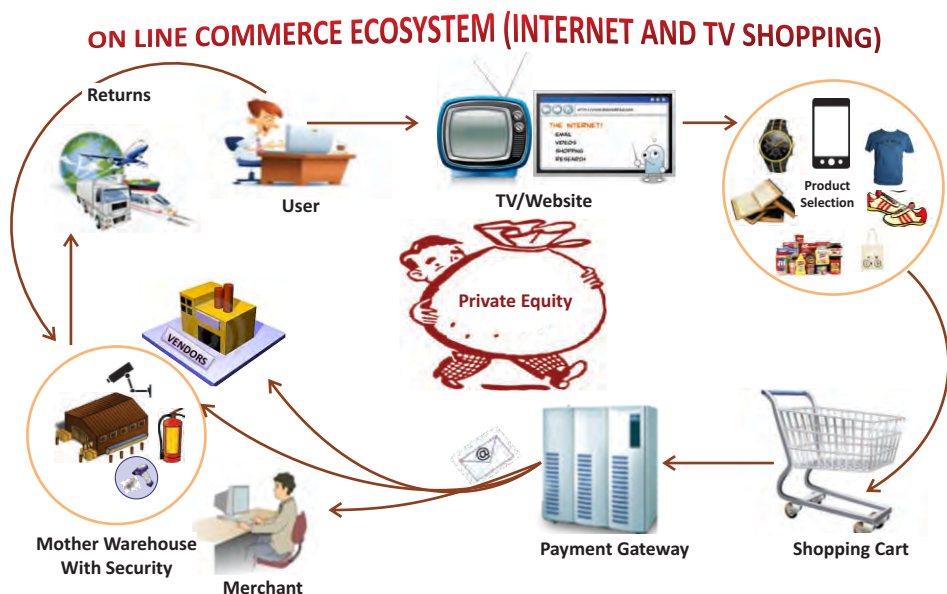
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Special thanks to the Content Team of TCI who worked relentlessly behind the scene to make it happen viz. Sabira Islam, Pooja Singh, Kriti Sharma, Anubha Gaur, D. Kavita.

Foreword

by Mr. Jasjit Sethi, CEO, TCI Supply Chain Solutions



E-commerce as an industry is indeed the most exciting and spoken about right from its origin days; the “dotcom boom of Silicon Valley”. While then “dotcom boom” bust, E-commerce / on-line retailing/ TV Shopping is here to stay.

I personally have been always fascinated with the entire business and SCM model, more so to know that a book/novel which would cost Rs. 590 MRP in a brick and mortar shop will be available from any leading e-commerce site at Rs. 400 or even less!! How do they manage? What is their business model? How does their SCM & Logistics backbone work all this & much more about the industry as a whole has been compiled in the current edition of “ON-LINE Commerce & E-Tailing-A Logistics & SCM PERSPECTIVE?”

The entire book has lucid articles, interviews, case studies from eminent practitioners and associations who are going through the ordeal on a day to day basis with great passion to make it happen in this upcoming and demanding industry, meeting the customer’s every so dynamic needs, putting every ounce and inch behind their business and SCM model to make the customer feel” that Customer is the King”---- JUST A CLICK AWAY.

As you read through you will definitely get a lot of insights and also thoughts to plan out your Logistics and SCM initiatives in your organization. Besides articles on the technology, payment gateway, PE front, e-commerce shopper’s responses

will give you a holistic view point of the industry on what's the real buzz word all around.

Here we wish to thank Mr. Srinivasan of Home Shopping TV 18 for being the Key Author for the edition and providing vital inputs to make it informative. I also take this opportunity to thank all the writers & associations & academic institutes for their invaluable contributions. We are sure the industry and one & all will benefit and have good learning's.

I also wish to thank the content team for the nice compilation.

To conclude, E-commerce industry will be built by people with passion, for one and all, it will have far reaching impact on the economy, buying patterns & consumption thereof; this could be one tool most likely to bridge the ever increasing debate between the Urban and Rural!

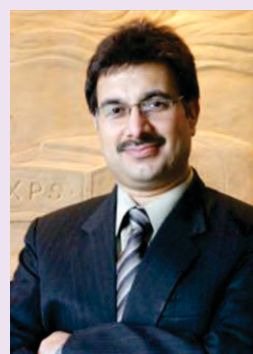
Happy Reading & on-line Shopping!

Jasjit heads **TCI Supply Chain Solutions**, which is part of Transport Corporation of India Group, renowned for its leadership position in Indian logistics covering Freight, Express, Shipping and Contract Logistics.

Jasjit is an Alumni of Harvard Business School, Amity Business School and Punjab University, Chandigarh, besides short term courses with NITIE, Powai and National University of Singapore, amongst others.

He is the President of the Delhi Roundtable of CSCMP (Council of Supply Chain Management Professionals); Member of FICCI National Committee on Infrastructure etc.

His interests are Management and Technology and he likes tinkering with new ideas and innovations.



Mr Jasjit Sethi (President & CEO)
TCI Supply Chain Solutions



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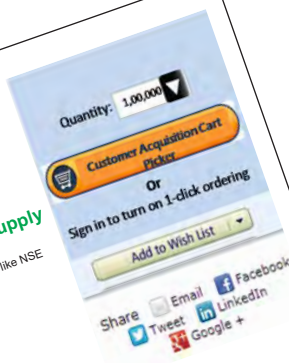
TCI Freight is India's leading surface transport entity. With an extensive and strategically located branch network, the division is fully equipped to provide total transport solution for cargo of any dimension or product segment. Apart from road, the division also provides rail transportation using bulk rakes, containers, wagon etc.

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With a Mission to be "The most admired service provider of integrated supply chain solutions", TCI Supply Chain Solutions is a single window enabler of supply chain solutions right from conceptualizing and designing the logistics network to actual implementation. The division has dedicated industry verticals for Auto, Retail, and Consumer Products, Hi-Tech, Telecom, Health & Life Sciences, Care, Cold Chain and Chemical.

The global business division of TCI provides complete Logistics & Supply Chain Solutions across boundaries comprising freight forwarding (sea and air), custom clearance, express and courier, warehousing and transportation.

TCI Seaways has modern well-equipped fleet and caters to costal cargo requirements, transporting containers and bulk cargo from islands and ports to various neighboring countries.



How TV Audience/Serial Lovers can turnout to be the FOCUS BUYERS

1

HomeShop18 is the online & on-air retail wholesale and distribution venture of Network 18 Group that was launched as India's first 24 hour Home Shopping TV channel on 9 April 2008. The television network can be seen on cable, satellite, and some terrestrial channels in India. HomeShop18 acquired CoinJoos.com, an online books, movies and music retailer in August, 2011 for an undisclosed amount.

Mr. Srinivasan (Vice President- Operations), has answered few questions on the TV shopping world and the initiatives taken to make it acceptable to the daily audience, the technicalities behind and the ultimate footsteps in achieving the No. 1 position.

1) Why do consumers prefer to order from TV Shopping Companies? Do consumers trust!!! –

Yes they do especially if you are able to deliver what you promise and they see value in it. We have a huge repeat ratio which proves the trust.

2) How did the Industry start, grow & where does it stand today? What is the size of the industry?

It is there for ages in the US and Europe, it started with Homeshop18 about 5 years back and stands as No1 even today.

3) How many players are there?

As complete home shopping channel it is only two players, but there are several tele shopping companies which use television as medium to advertise their product on a allocated time and book their orders and ship.

4) What are the services, products offered? What is the ordering Process and how is an order processed until delivery to the consumer?

It is pure play product selling starting from digital to home products. The customer who sees the program orders it by calling our exclusive call center and customer gets to know much more about the product, delivery mechanism etc and then place the order. Once the order comes into

homeshop18 system then it gets verified and processed to ensure the shipment with the SLA promised and gets delivered by using our service partners.

5) Does E-commerce platform compete with TV Shopping or compliment it?

It does and it does not, we have a very strong E-commerce platform and we do sell TV products on E-commerce site and it is quite a good lever we have between both the platforms

6) How do you advertise and get people to watch your shows? Is it not challenge that you have to televise your programs only late night or very early morning?

The channel has built its customer base and the TV viewer knows the channel pretty well and we do have some soft marketing programs which makes people aware of the channel, products, etc

7) How popular are TV Shopping Companies abroad? How large are these companies and how many consumers do prefer to shop from such Companies abroad?

Quite large, QVC in the US is one big TV shopping channel and ships about 10 Million shipments a Month, we also have similar channels in Europe Korea etc.

8) Coming to Home Shop 18, how do you see yourself in the industry? How are you different from others?-

Probably Homeshop18 is the only 24 Hours channel which has so much of distribution, huge product range, live shows reaching about 3000+ cities across the country.



Mr. H. S. Srinivasan says "TV shopping is very dynamic business, the expectations change everyday, LSP's should be ready to work in the similar model."

9) Coming to SCM function? How is SCM handled in your company? Can you share your model?

Quite complex compared to the normal Supply chain of distribution or retail as it involves remote customers being handled remotely

10) How is it different to a brick-mortar SCM?

Very different, in the physical retail the customer is able to touch, feel, and also there will be somebody to answer and demonstrate. In this case the first touch point the service providers courier boy and customer purchase is based on the complete confidence on the organization which is selling and the brand of the product.

11) You have handled both, which is more challenging?

Of course the virtual retail

12) What are your expectations from LSPs?

Customer centric approach, prompt response, quick changes depending on the need as the business model is very dynamic and changes are imminent everyday.

13) What is your viewpoint on COD business? How challenging is COD in India? Do you have any cash settlement issues?

Quite challenging, we have built it, today it is much more matured and we have a very robust processes around it, hence we don't get stuck

14) Your merchandising team may be keeping you on toes 24 x7? You have from small jewellery piece to a large Washing Machine to handle in your SCM? How do you go about?

We have more than a million products on our website and TV channel goes with newer products every day, that is the dynamics of this business, hence starting from order processing to inventory management to shipment and post sales becomes a extremely tightly linked activity and one leads to the other and there cant be any breaks anywhere. The virtual retail either it is TV, WEB or Mobile it is a 24x7 365 days business like a hospital or milk business but with much more complexity and expectations from the customer.

15) How do you handle taxation, VAT, Permits, Invoicing? Is it normal process or there are challenges?

As we are into retail to the end customer the VAT process ends there hence the challenges are not too many, however we do face challenges in several locations for which we have our warehousing infrastructure made in such a way that we are able to overcome the issues.



An Engineering Graduate with Post graduate Diploma. Having an experience of about 20+ years in the industry, worked as head of operations and supply chain in organizations of repute including Nokia, Redington etc. Is working in Homeshop18 as Vice President- Operations handling the end to end supply chain and post sales function”.



16) What software you use? Do you have a WMS? How do you do tracking of shipments internally and what is your expectations from your LSPs?

We have several softwares interlinked including WMS which handles tracking the order to tracking the shipment and post sales. With most of our service providers we have the integration of the software done so that we get Auto updates of shipments

17) How do you manage the vast Inventory and huge no. of SKUs?

That is the beauty of this business our WMS is capable of handling the products and our people in the warehouses and vendors are trained to handle products, packing and inventory management of different types of products.

18) How do you manage your returns if a product fails in the market place, You may be having a tough time here?

Our Inventory management is very strong rarely we get into this situation, however we have very strong relationship with vendors who support us.

19) How do you provide Warranty/Guarantee? What is the policy?

Most cases vendor policies apply and we follow those

20) Role of Packaging in this industry? Is it a cost or necessity?

It is both

21) Will India move to credit card shopping completely? Do Indian Consumers have the trust in making payments through credit cards?

Of course yes, over the years customer confidence has been increasing in virtual retail and credit card usage happens more on e commerce because of the online environment.

22) What are your current KPIs? Any bench marking you do within the industry with other SCMs or international bench marking?

Simple, customer first

23) What is your reverse logistics/SCM model, how many returns you handle and how are they managed?

We have a end to end reverse model which goes upto green initiatives, customer delight, social responsibility etc

24) What is the SCM organization structure?

Quite complex it is broadly divided as order management, vendor management, inventory management, warehousing, transportation, post sales to customer delight.

25) Finally, 2 questions

a) What is the mantra of your success?

Customer first approach, think you are a customer yourself.

b) Advice to LSPs – how should do they cope up?

This is very dynamic business, the expectations change every day, they should be ready to work in the similar model.



2 E-commerce – Opportunities & Challenges in Logistics



Want some job, looking for a property, wondering where to study, plan holidays and travel, a roof to stay under, a car to ride, Sulekha.com is the one stop solution to all. An Indian internet and mobile company offering a digital commerce platform of marketplaces anchored around multiple consumer needs in over 50 Indian and North American cities. Mr. Satya Prabhakar-CEO and Founder of Sulekha.com shares with us how they have come out with the ultimate utilization of e commerce.



Satya worked for about 12 years at AT&T, Honeywell, Philips and TCS before founding Sulekha.com as an interactive platform for Indians and growing the company to its current position as a leading digital commerce company.

Satya has a Master in Computer science and an MBA from the University of Florida, Gainesville. Prior to that, he received a Bachelor's degree in Electronics and Communications from NIT (REC), Trichy. His interests include chess, tennis, writing, investing and Zen.

Overview

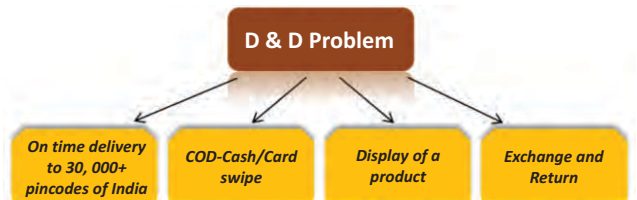
Ecommerce is one of the fastest growing sectors of the Indian economy – moving from \$10 Bn in 2011 to \$30 Bn in 2015. While travel ecommerce is the dominating majority of this sector, the area of product-led retail ecommerce is also growing rapidly at 55% CAGR – from \$0.5 Bn in 2011 to an estimated \$3.6 Bn in 2015.

This sudden and rapid growth is led by three factors:

- a) Absolute growth of internet users from 60 million in 2010 to an estimated 250 million in 2015
- b) Increasing inclination of the Indian internet user to buy online

- c) Significant brand building of online shopping benefits by leading ecommerce players

Roughly \$750 Mn of VC/PE money has been invested in Indian Ecommerce companies over the last 3 years – and we estimate that nearly 60% of it has been spent in 2011 and 2012, which is propelling this growth with low prices, free shipping, coupons/cashbacks offered by the multiple ecommerce players.



This article explores the current state of logistics in ecommerce and Sulekha's current approach of the same.

Current state of ecommerce logistics

Logistics for ecommerce is solving 4 different & diverse problems – at a large scale of roughly 350,000+ shipments per day:

- 1) Delivering on-time over 30,000+ pin codes of India
- 2) Collecting cash/Doing card-swipe for COD items
- 3) Displaying multiple sizes/colours of a product in some aspects of fashion
- 4) Exchanging or returning defective products back to the warehouse/vendor

These 4 are individually large and complex problems – and the ecommerce companies that are faced with these problems also have these additional things to solve:

- 1) Sourcing and displaying attractive merchandize with dynamic pricing (Merchandizing)
- 2) Ensuring stock is available at the warehouse or with the vendor (Stocking/Warehousing)
- 3) Driving customers to view the site and buy online (Customer acquisition)

Different organizations have chosen their own ways to solve the 4 different logistics problems:

A) Own logistics team

Many On line Retail organizations have put a total of 10,000+ own employees on the field to deliver their products – for the top 30-40 cities of India. These cover about 1,500-2,000 pin codes of India and this force does the following things:

- Collect products from warehouse/vendor
- Deliver products (if it is prepaid/online bought)
- Collect cash /Swipe credit card and deliver products (if it is COD order)
- Exchange defective products or bring back returned products
- Display 3-4 colours/sizes in case of shoes, apparel and other items in case of Fashion

While the 10,000 odd resources could be trained to exclusively do these tasks (vis-à-vis courier delivery, courier collection etc) – these are more complex than what a typical courier employee can do. Hence this results in significantly higher costs – because the logistics person costs more and secondly, he can only do 10-20 items per working day (vs 60-70

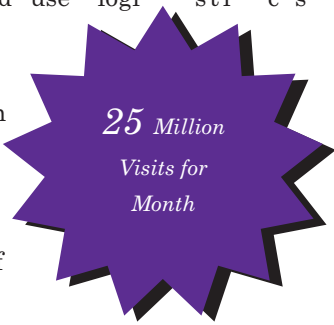
Dangdang, a leading business-to-consumer, or B2C, e-commerce company is headquartered in Beijing. They have focused on selling books online and have become the largest book retailer in China in terms of both revenues and selection. They have over 13 years experience in e-commerce market and have developed best-in-class supply chain management expertise. Their nationwide fulfillment and delivery network, consisting of 21 logistic centers locating in strategic locations, allows them to offer expeditious product delivery which is an important element of online shopping experience.

shipments for a typical courier company employee). The risk of managing cash, significant attrition in these class of employees also adds to the costs. However the bet being made by several of these firms is to replicate the success of Dang Dang & others in China who have their own logistics team in China, to overcome current logistics issues in India (explained in next section)

B) Outsourced logistics team

Most ecommerce organizations on the other hand use logistics specialists to do the following 3 tasks:

- 1) Delivery of products
- 2) Collecting of cash in limited set of 1,000 odd pin codes (Swiping card is not provided by most providers currently)
- 3) Providing reverse logistics for returns (Instant exchanges are not provided by most providers as of now)



Showing 4-5 sizes/colours etc is also not available with current logistics providers. While the services are thus more limited than the ‘own logistics team’, the costs are significantly cheaper because of economies of scale.

75,000 SMB
customers
advertising
and using
Sulekha.com

Some specialists like Bluedart have taken the ecommerce opportunity by investing specific set of resources/systems/processes and have a large and dominating market-share in this sector.

Sulekha’s approach to logistics

Sulekha.com runs 10 marketplaces including Property, Home Needs, Office Needs, Mobiles, Cars etc with more than 25 million visits p.m. (Top 20 website in India) and more than

75,000 SMB customers who advertise and use the marketplace platform.

Sulekha extended its marketplaces to include ecommerce, starting with the Mobiles platform and serving a vast range of electronic products. We have taken a section of our SMB customers to help them sell on the platform, as a managed marketplace – and hope to extend the skills/capabilities to multiple categories of home needs, office needs etc.

While we do several million \$ of ecommerce business p.a., we have approached it as a holistic marketplace approach. We want to help several thousand vendors to sell online – and use Sulekha's vast traffic to drive advertising exposure, leads or sales (ecommerce sales closure) to the vendors.

We have utilized leading outsourced logistics providers – who pick-up from anywhere in around 2,000 pin codes and can deliver anywhere in around 7,000 pin codes. To keep the logistics aspect simpler, we have chosen to stay away from COD as of now – though we plan to add it later this year.

Challenges and opportunities

Ecommerce logistics offers opportunities in terms of several million shipments per day for door-to-door parcel network in the next two years. The opportunity will clearly be around \$400-500 M in terms of revenues – though some

Yamato Logistics is one of Japan's largest door-to-door delivery service companies with market share of 41%. Yamato Logistics services, always catering to customer needs, offering sales support to customers, contributing to customers' logistic costs reduction and growing together with customers.

Mr. Satya Prabhakar says "However the large revenue opportunity and a possible scale-up to \$1.5 Bn in ecommerce logistics revenues by 2020 may be a large prize for several companies to look at this space."

part of it might go to companies that still do 'Own logistics network'.

Organizations however have to solve the 4 pointed challenge given earlier – and look for examples like Yamato Logistics in Japan and other similar examples in USA/Europe to emulate them. Succeeding in a profitable way may also need several innovations driven by technology and process improvements that are possibly not yet seen in the Indian market.

To Conclude

The development of computer technology has enabled the World Wide Web to become the connection medium for the networked world. Internet is the conduit of information flow between computers that are geographically dispersed. Only an e-marketplace can serve as an information agent that provides buyers and sellers with information on products and other participants in the market.

Sulekha.com is continually bringing new goods and services to the market accompanied by new strategies to sell them, thus beginning to take advantage of the potential of e-commerce, overcoming critical challenges to make this an asset for common people.

3 E-Commerce Players: Managing their Supply Chain

Mom & Me, a specialty retail store from Mahindra Retail is a first time concept in India, aims to benefit Mother & Child, delighting them with world class products and services. Their 2nd retail format is Beanstalk, a store for Toys, Games, Consoles & more. Mahindra Retail has also gone online apart from specialty stores. Mr. Krishnakumar, AVP & Head- Supply Chain describes his perspectives on multi- channel retail and ECom supply chain....



KK (as he is popularly known as) has a career in retail industry that spans 20 years. From being the new kid on the block at Titan to heading the department at Mahindra Retail, KK has brought in innovative solutions to build efficiencies every step of the way. At Tanishq, he handled from Stock planning & store assortment planning to heading a territory. Amongst many others, his most memorable accomplishment is setting up the entire supply chain department at Megamart (of Arvind), extremely rewarding. The thrill of working in a start-up and the satisfaction of creating something successful was what made KK excited about joining Mahindra Retail.



Ecommerce sale in India is set to grow multi-fold in the coming years as internet penetration and smartphone reach is growing. There is one prediction states that Ecommerce sales will outgrow brick & mortar sales in the next 10 years, as not enough physical space will be available to build stores! Time only can answer that prediction!! But the fact is E-Commerce / M-Commerce sales are going to grow & one has to be prepared for it.

Supply chain & Logistics is a support function as far as traditional retailer is concerned. But in Ecommerce, Supply chain & Logistics is a core function, which needs to be strong.



On supply chain perspective, let us look at the two types E-Complayers :

1. Retailers, who also do Ecommerce sales (multi-channel retailer) and
2. Pure play Ecommerce players

Multichannel retailer:

Let us see how existing brick & mortar stores can be utilized effectively to improve sales & reach to customers.

1. Order online & delivery from store:

- a. Click & collect: Customers can order online & mention that they will collect the same from a store whichever they choose (say on the way back from office to home)
- b. Customers can order online & delivery can be made through existing stores.



How? Based on customer pin code, one can track which city or nearest location where we have a store. The order can go to them. The respective store can make a bill & personally deliver the same to customer (provided they have the stock of that particular item or items).

- I. This saves huge transit time
- II. Customer satisfaction, as store team will clarify their queries & explain product features.
- III. Customer relationship develops
- IV. Saving of Logistics cost
- c. This means all your store becomes Fulfillment centres for your ECom customers, without you opening DCs in each city / location.



2. Order booking at Store & Delivery from DC:

- a. Stock out: Customer enters a retail store & may not buy due to reasons viz. not finding her / his size / color, not enough options, stock out of a particular item, etc. In retail lost sale opportunity is lost only. Very rarely the customer come back to buy the same item. We can use E-Com channel to convert the dissatisfied customer to a satisfied customer, by making them order through on-line at store of his /her product which would be available at DC. The delivery can happen through store or directly to customer based on his / her choice.
- b. Space constraints: Bigger products like Cots can't be represented fully at a store which is smaller in size. But still customer expects to see bigger range. For them you can show sample pc on the floor and range can be shown through on-line. They can book through on-line & delivery can happen through Store or directly from DC.
- c. Franchisee investment: Can be lower, if they use on-line booking & taking delivery from DC only confirmed orders for high investment items or high



fashion items, where they are not confident of selling by investing upfront.

3. Returns: Managing reverse logistics in the current set up is painful process in pure ECom sales. The same can be smoothened if you allow the customer to return the product (whichever is not satisfactory to them) to the nearest retail store & take necessary replacement product from the store.



4. Liquidation of old merchandise:

Almost all retailers face a tough situation of having to deal with non-moving inventory & struggle to liquidate through their stores. Post their End-of-season-sale, they are forced to pull back the merchandise to DC & move them to other liquidation channels. E-Com



channel can be effectively utilized in liquidating their non-moving inventory by having a 'sale section' in their website & dispatch can happen through DC to customer directly. One can be aggressive as there are no other cost other than logistics cost in this liquidation process.



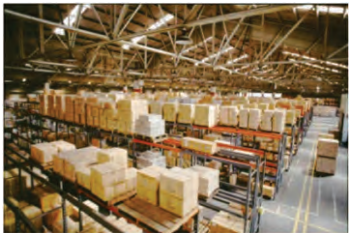
5. Inventory:

No inventory to be bought specially meant for online channel unless there is a clear cut sales plan. Also, there has to be a fall back plan, if it doesn't sell, one should have an option to sell through retail stores.

Pure play ECom players:

1. Fulfillment centre (FFC):

How many FFCs to have? Creating multiple stocking points, will increase overall inventory in the system. And, one ends up moving stock from one FFC to another, which further increase logistics cost. Ideally it should be one! But considering various logistics challenges, in my opinion, maximum of 4 FFCs are ok to handle.



2. Delivery:

a. Last mile delivery: which is a very critical Customer touch point. Call center team and the delivery person needs to be trained to handle the following:

- I. In case of COD, to have enough change to give back
- ii. Being courteous & represent the brand you deliver appropriately.



iii. Taking signature & their names, especially if delivery happens to some other person other than the one it is addressed to.

iv. Last minute delivery addresses change handling –ex. office address instead of home and vice versa.

b. Assembly/Product features:

Separate team or same delivery team to assemble some of the big products & explain customer about the product features. ECom companies need to get prepared to handle themselves or through 3PL team as this can be one of the big differentiator.



To Conclude:

Mr. KrishnaKumar says, “For Ecommerce, one tends to focus more on technology / platform; I understand that is critical from customer interaction / experience is concerned. The same amount of importance needs to be given for logistics investment, hire right supply chain professional and tie up with right logistics partners, as this is a core function for ECom”.

4 Flowers and Gifts also go Online



Birthday, Valentine's Day, Wedding, Anniversary.....Sorry, Miss you, Love You.....we do not leave a chance to express and ofcourse present flowers and gifts to the beloved ones. To begin a New Year or to wish on all occasions in a year, this on line retail store makes it easy for us to remember when we forget. Mr.

Pawan Gadia- CEO Ferns N Petals made e-tailing beautiful, to know how- pass through the flowery pages!!



Driving the thrust on retail and e-commerce with 26 years of enriching work experience, Mr. Pawan Gadia, the Chief Executive Officer, perceives the role of his company as that of a pioneer in the retail of the florist industry.

When Mr. Gadia joined Ferns N Petals (FNP) in 2001, the brand had only 7 franchised outlets. In 2002, Pawan Gadia strategized and incorporated the retail and franchising wing of the company. He formulated various franchise offerings by creating support mechanism to sustain and monitor the same. Today FNP is the only leading florist retail chain in India with 141 outlets in 50 cities. Mr. Pawan Gadia is a dynamic personality with the enthusiasm to drive in innovation in the offerings of the company. Always optimized with an active spirit, he is the driving force behind the energetic team of FNP.

The ecommerce wing of Ferns N Petals was set up in 2002.

The dawn of the Internet era opened up amazing new possibilities and e-commerce has emerged as a perfect amalgamation of technology and marketing acumen. The latest statistics reveal that India has been reported to have 70 million active Internet users, the count rising exponentially by the minute.

India will be among the top 10 e-commerce hubs in the world by 2015. The online community is growing by leaps and bounds as an increasing number of consumers have started transacting online because the initial fears and apprehensions are being laid to rest. Today ecommerce has become one of the most important verticals of Ferns N Petals - generating a steady income & establishing an excellent reputation in the market.



2. What are the main highlights of your ecommerce strategy? What are the investments (capex and opex), infrastructure, manpower, etc. you have put in place for your ecommerce effort?

The website provides a quick and easy platform for people wanting to send gifts to various destinations. We have strived to ease the purchase process & make the whole gifting experience enjoyable.

Some of the highlights are:-

- Wide range of options : Being a one stop destination for online gifting, we have a wide range of products and constantly upgrade them to offer nothing but the best. We also come up with occasion based gifts like Diwali hampers, Rakhi Thalies, Christmas Gifts to name a few

- Varied payment options : Whether is online or offline payment modes, we have it all. Our Payment options are Credit Cards of Master/ Visa/ Amex/JCB/ Dianers; Debit card transactions as well as Net Banking facilities of all the

major Indian Banks. We also offer Cash Card/ Oxi Cash, Pay pal and Cash

Collection facilities. All the transactions are done in bank website and FNP do not save any credit/debit card details with them. As a eRetailer point of view, Credit / Debit card or net transactions are best for us. But we have initiated a payment option called **‘Cash Collection Facility’**. For customers who are not comfortable to share their credit or debit card details or internet banking, can book flowers and pay them in cash collection facility where our FNP

guys will come to the house of the customer, collect cash and then delivery takes place. In this way we don't lose the customer who is not internet friendly as well it is a convenient way for customers to pay the bill.

- Wide reach: We deliver across 150 countries world wide and almost every city/metro/town in India. Whether its Tiruchirapalli or Trinidad, we can deliver your gifts.

- Exciting Delivery Options/ Time of Delivery: Customers can get their orders delivered with a few hours notice any where in India. We also accept orders to be



delivered at a fixed time or midnight to make the gifting experience very special. In our business, if the gift does not reach in time, it loses its meaning. We deliver those emotions so we have set up an excellent delivery network to facilitate this & ensure all our gifts get delivered on the day the customer expects them to reach



- **Pre-sales & Post-sales assistance:** If our customers have any issues or need assistance placing an order, we have a customer support desk to help. The team also addresses any post sales query/issues with respect to the orders.
- **Mobile:** One can access a simpler version of the website on mobile devices & places order on the move.
- **Loyalty:** We value our customers & have launched a Loyalty Program to reward our customers at every purchase.

We have our own order management system to centrally trace & view every order that comes in. The FNP team has over 100 people working in the marketing, operations, dispatch & call center team. We have warehouses, packing & delivery units in Delhi & Mumbai. Our courier unit in Delhi dispatches all our packages after passing an internal quality check. We have over 148 shops in India. These have been built over a decade, from our experience.

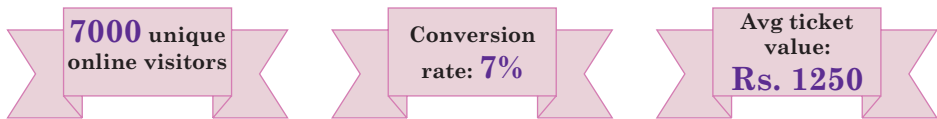
3. How much percentage of your sales comes from ecommerce currently? How is this figure going to change in future?

Ecommerce contributes to 25% of the overall turnover of the company. In the next few years we expect it to grow at a rate of 60%



4. How many people visit your website daily or monthly and what is the conversion ratio? Also, what is the Average Ticket Price online? What kind of items are popular with customers for buying online from your website?

We have close to 7000 unique visitors that visit our ecomm portal. The conversion ratio is close to 7%. The average ticket value is around Rs 1250. There are best sellers like red roses, chocolates & we also see a seasonal spike for say Pink Roses during Mother's Day, Dryfruits during Diwali & Poinsettias during Christmas. The most popular items continue to be flowers with/without cake/ chocolate combos.





5. What are the various measures you have taken to ensure good customer experience on your website?

We have made the purchase process simple & easy. We also provide chat/phone assistance to customers. We send our mails/sms alerts to the customer at every stage to keep the customer informed. We have tied up with companies to provide offers & deals. We have recently launched a Loyalty program as well.

6. What are the main trends you have witnessed in terms of online customer behaviour and ecommerce on your website?

The customers/orders have been growing constantly. People are choosing to order online over other options like visiting a physical store or calling the customer support. People have also started sending thoughtful gifts for new occasions like Boss's Day, Daughter's Day etc...

7. What are the main challenges you face in running ecommerce operations successfully?

The biggest challenge is understanding the customer's pulse. Unlike in a physical store where, one can understand what a customer wants through physical interactions, here, in ecommerce, we need to make decisions based on data captured online - like which products do people click one, which page did they last visit before dropping out. The other challenge is convincing a customer to buy a gift based on an image he sees online. Very often, the customer never gets to see the gift which is where the trust we have built helps.

Mr. Pawan Gadia says “Another biggest hindrance in our line of business is -delivery challenges in the remotest corners of the country. Internet penetration is also very low in different parts of the country. For delivery in remote places, trusting a local courier and educating them is also a big challenge for us.



5 Gadgets' Accessories Online: a detailed Overview

A contribution from one of the online stores that accessorize our gadgets- Stuffcool.com



Background

The Promoters at Stuffcool Retail Pvt Ltd. (SRPL) have an hands on experience in selling branded gadget accessories since 2005 , PAN India. The Promoters are engaged in marketing & distribution of several gadget accessory brands

Stuffcool and its operations

Stuffcool Retail Pvt ltd (SRPL) was conceived originally in 2007 with a vision of enabling easy availability of gadget accessories for the user.

In 2012, with the e commerce business gaining pace in India, the stuffcool online store was revamped. It made accessory buying extremely simple for the user, a right step in its endeavor to helping the customer by the right gadget accessory.

Product Portfolio

Stuffcool's portfolio of gadget accessories includes a wide range of products:

- Cases of different materials like TPU, Leather etc.
- Various chargers like in-car, travel battery packs are available
- Screen Protectors of different varieties like mirror, crystal clear, privacy etc.
- Wide range of USB, Aux, Video & HDMI Cables for both smartphones & notebooks
- In-Car Mounts / Holders to hold your gadget securely in a vehicle
- Desktops Stands to place your gadget safely on your office / home desk
- Earphones, Headphones & portable speakers for the discerning audiophile
- Unique enhancements like bluetooth keyboards, stylus for touch screens & memory card readers are also available.

The above accessories are available for almost all popular gadgets including Apple iPhone, iPad, iPod, MacBooks; Blackberry phones & tablets; Samsung Galaxy & Tab series, Nokia Lumia series, Sony Xperia & Vaio series etc.

Stuffcool Stores:

Online Store-

- Dedicated to gadget accessories
- Easy & quick navigation to reach the desired accessory
- Help to understand and make an informed purchase of the accessory. Achieved through Buying guides, informative Blogs & simple FAQ



Offline Store-

- Accessory experience zone
- One stop destination for accessorizing gadgets offered with the ease & convenience of online & offline purchase
- Unbiased advice and assistance on helping the consumer choose the right accessory for his/her gadget

Why Gadget accessory?

- Gadget accessory is an add-on to enhance the gadget experience
- The gadget segment is on “J” curve growth , with increasing disposable incomes with Indian consumers
- The accessory segment caters to a 1:3 ratio;



1 de vice = 3 accessories
giving a clear cut growth advantage in this untapped market

Facing the Challenge:

With growing business, came growing complexity of deliveries across India. Also, a postpaid payment option (cash on delivery) had to be implemented as it was established as the most preferred payment option in India Ecommerce. Stuffcool partnered with a logistics company for both prepaid and post paid shipments. With its network of more than 5000 cities and towns, the logistics partner’s operations are quite efficient. However, cash on delivery option is available in certain areas only.

Cash on Delivery is also one of the most expensive payment & shipping options for Stuffcool, with shipping and cash collection rates going as high as 3%-5% of the product value. In Prepaid shipments it drops down to less than 2%.

Bridging Gaps:

Online-

Other Online Stores	Stuffcool Store
Limited range of accessories	Maximum range of accessories
No buying guidance	Helpful and neutral buying advice
Limited Product information	Detailed Product information with videos
Products may or may not be backed by warranty	All products backed by minimum 6 months warranty
Replacement only in case of defects	15 days replacement in case of defects/ dissatisfaction

Offline-

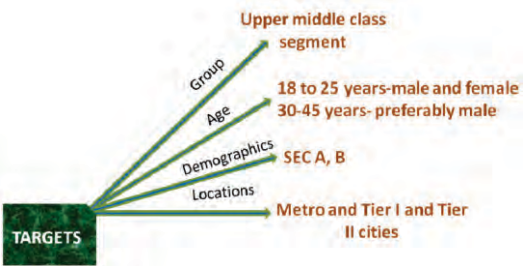
Store 1	Store 2	Stuffcool Store
Limited Range	Limited to one brand	Catering to all high end gadgets
No dedicated Area/ Display	3 rd Party display- limited to one brand	Experience zone
No standard Planogram	Comparatively better Planogram	Focussed Planogram
No trials, infact limited time	Trials, sometimes	Trials on accessories on all running models
No skilled manpower	Skilled manpower with good knowledge- limited to the brand	Skilled and knowledgeable manpower

How is the Brand positioning done?

Stuffcool has certain targets in the mass that has enabled positioning of its brand so well.

Stuffcool manages penetrating to the edge, this is how-

It has the advantage of being the first mover, a Unique concept of focussing exclusively on the gadget accessory ... Offering 1000+ SKUs.



It has worked on the concept of

Converting accessory purchase from an impulse buy to a well-informed decisive purchase.

Winning customer loyalty by offering the best and widest choice in every type of accessory required for his/her gadget.

Stuffcool has ensured brand recall by keeping a wide range & quality product mix. Customer may purchase the gadget from anywhere, but recall that for accessory purchase he must visit Stuffcool.

Marketing Online and Offline

- ONLINE
- Continuous product updates and customer interaction via Twitter, Facebook, Google Plus etc.
 - Emails & Newsletters about new product launches, buying guides etc.
 - Optimization in Google, Yahoo & Bing India search engines.
 - Reward points on every purchase, redeemable against any future purchase.
 - Paid ads targetting relevant customers on Google & Facebook networks.
 - Keeping in touch with Tech bloggers & updating them regularly with new products, reviews etc.

- OFFLINE
- Limited time promotion codes for several related Core product retailers like Automobiles, Laptops etc.
 - Tie-up with Airlines, Banks, catalogue marketing companies etc.
 - Accessory buying guide booklet with trial discount voucher
 - Participation & product demonstrations in Tech Meetups in the country
 - Website review & recommendations by Tech journalists in popular magazines like T3, Stuff, Gadgets & Gizmos etc.

Stuffcool Website Designing:

- Accessory buying guide booklet with trial discount voucher
- Participation & product demonstrations in Tech Meetups in the country
- Website review & recommendations by Tech journalists in popular magazines like T3, Stuff, Gadgets & Gizmos etc.

Stuffcool Website Designing:



To conclude-

Stuffcool with the focus on e-retailing has also managed in setting up retail stores at par with all.

Mumbai Airport, 1B



R City Mall, Ghatkopar



How do you pay to the E Tailing World? 6

We are paying online, using debit/ credit cards, internet banking...is it secure? Is the money going to the right hands, are we not deceived....Here is Mr. Jay Krishna, Director-Solutions & Operations at Digitsecure illustrating the role of Payment gateway in the E-tailing scenario.



Etailing, a concept of extending the presence of business to online for selling its products and services has been around for over a decade now. The potential for this model has been widely reported and estimated. Payments and Logistics are

primarily treated separately by all businesses operating in this space, which in fact are closely interlinked. An integrated approach to same would further spur the growth but also reduce fraud and improve customer experience.

Some relevant quick facts to be taken into consideration:-

- The total potential of Online retail in India has been estimated to be around Rs 44,000 crore by 2016.
- In the e-commerce sector, in 30+ major cities 30% of all transactions are through Cash on Delivery.
- Most large ecommerce businesses report Cash on Delivery transactions to be between 50 and 75%.
- Rejection Rate for Cash on Delivery orders is higher than other modes of payment.
- Mobile Subscribers in India are estimated to be above 500 million.
- Potential for Prepaid cards and Ewallets in India is estimated to be at Rs 39,900 crore and is growing at a rate of 40 percent each year.
- The enterprise mobility market was at Rs 1,220 crore in India in 2011, excluding the device sales. The business is expected to grow to around Rs 5,000 crore by 2015 according to a study by Zinnov and Published by



Nasscom. This is the amount businesses are spending to enable their employee field force to increase sales and improve services.

All the above facts reported do not take into the picture the large potential in enabling traditional businesses of all sizes to expand their presence into the E-tailing space.

Estimated On line
Retail potential in
India: **Rs. 44,000**
crore by 2016.

30+ major
cities: **30%**
Cash On
Delivery

E-Wallet in India-
estimated: **Rs. 39,900**
crore

Growth: **40%** each year.

We at Digitsecure have always had an integrated approach to payments and logistics, when designing our solutions. We also do believe that online is only one of the touch points where customers can reach a business. Mobile browser, Multi OS mobile applications coupled with innovative integration of NFC, QR codes, offer businesses of all sizes an opportunity to make their products and services available to customers on their mobile.

At Digitsecure we have designed our solutions to enable merchants of all sizes with or without IT infrastructure to offer their customers all payment options that large e tailers offer, along with integrated logistical tracking services. This has been done with innovations not only in processing systems but also by developing on proprietary hardware innovations. We have developed the complete end to end delivery system with deep integrations with Logistical tracking systems to offer a one stop shop for a business.



Enabling & Simplifying Payments

Secure Browser

Online



Mobile



Mobile POS



Mobile App payments


Blackberry

 Android

 IOS

 Windows

PCI Certified

Mobile POS

Mobile Applications

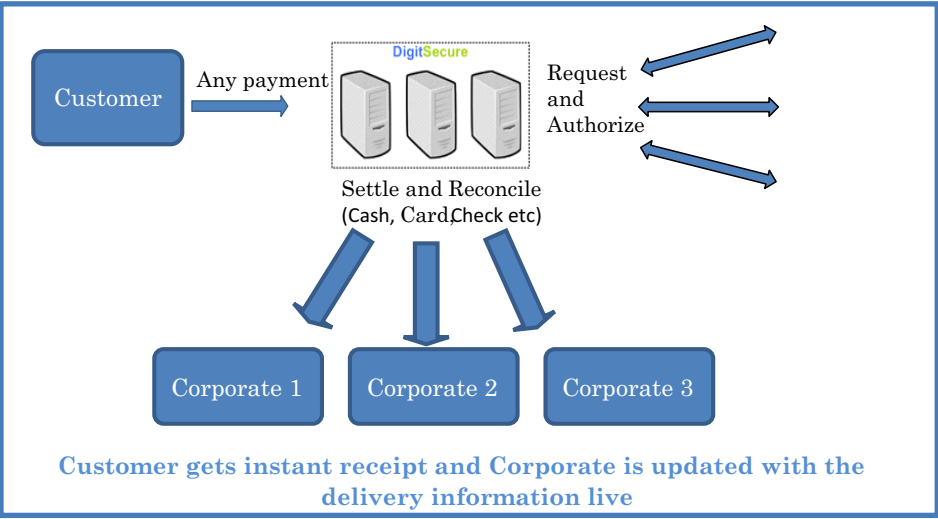
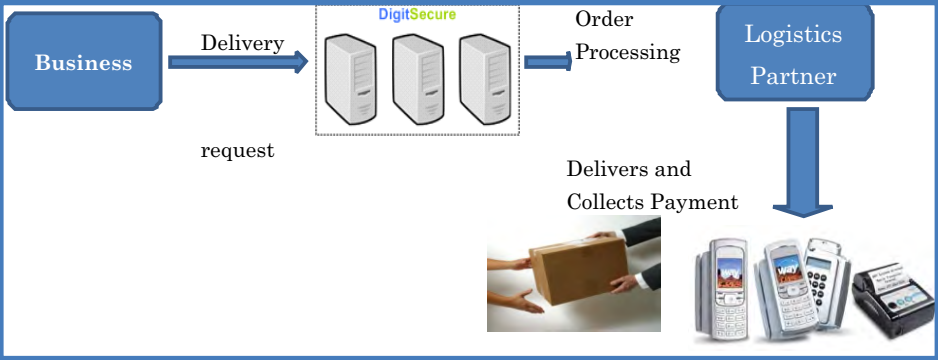
End to End Payment Solutions



Jay Krishna is Director of solutions and operation at Digitsecure India Private Limited, which he co founded with other finance and banking industry experts. After graduating for BITS Pilani, jay has worked in several countries like USA, Canada, UK, Germany, China, UAE as a solutions architect for large enterprise solutions. He has extensive experience for over 18 years in banking, logistics and other financial solutions. A small list of organizations that jay has worked with include IBM, FEDEX, Brother UK, Deloitte, AIG Insurance, BASF, New brun swick Power, US government the solutions that integrated logistics and secure payments. he shares a passion for creating and implementing plug and play solutions which are available to users across multiple platforms.



The Key USPs are plug and Play activation of this service to business of any size with ZERO IT footprint. The integrated approach offers delivery services with credit,debit,EMI payments to end customers along with traditional options of Cash, Check etc at their doorstep. Another unique aspect is the ability to offer Cash on Delivery as an additional option over and above credit/debit cards when a transaction fails online or on mobile. This is to ensure no loss of business due to technical issues in payment processing. Our integrated solution offers payments and logistics tracking solution to business in a single control center along with reconciliation. Businesses choose to either have their own field force for logistics or use services of Digitsecure Partners. All this has been done keeping the cost of implementation and operations low, while reducing risk of rejections , potential disputes with credit, debit card payments.



We have seen good success in the model with some of our customers, who range from Ecommerce to Insurance. One of our Ecommerce customers who has implemented the solution on a end to end basis, have seen almost 25% of all their transactions convert to credit card at doorstep as against 100% Cash before. The numbers are slated to grow further as customers would be informed of the options of EMI being available to them at the time of delivery.

The scenario where in customer can instantly access the details of products on their mobile or online to place a order, offers businesses of all sizes , specialized E-tailers or otherwise a tremendous opportunity to make most out of their advertising spend. Coupling the above with seamless logistics and secure payments at doorstep or online/Mobile , where customer gets all options of payments like he does at a physical store including EMI, would further spur not only ecommerce businesses but also traditional retailers looking to have E-tailing presence.

We at Digitsecure based on RBI license to operate a Ewallet would shortly be launching E wallet to further increase customer experience and reduce merchants risk at the same time. This is to tie in the ability of a customer to securely make payment and also track their shipment from a device of their choice. This sort of a model has been visualized by us keeping in mind the user experience and satisfaction.

To conclude-

Mr. Jay Krishna says “From our experience and user experience, security with first purchase is what encourages any customer to try the mode of buying again. We are striving to enable merchants of all sizes to offer better user experience to their customers using our integrated payments and logistics solution.”

7 Digital Commerce: A Platform for E Tailing

Unlike four walls of a retail store, an online store stands on a digital platform to display, advertise, sell and chase the customer to the last mile. Martjack, a comprehensive multi-channel retailing solution, from Reasoning, enables retailers, manufacturers and other businesses to easily establish & manage their online stores. Mr. Jeetendra Joshi, Director- Marketing goes on how MartJack enables businesses to establish websites and shelters aspiring on line stores



Mr Jeetendra Joshi, Director-Marketing, an e-commerce & marketing professional with more than 15 years of extensive experience in Indian Retail & retail, worked with Gitanjali and eBay. Drives marketing communications, media planning, networking with retail associations, publications, agency relations, marketplace management & key merchant on brand



Internet usage and penetration of computer to far off corners of India

have changed the face of Indian business and the business conducting environment. The adoption of Internet is fast gaining acceptance among the merchant community. Emergence of Internet enabled devices and smart phones have seen scope of market grow in all directions: manifold increase in number of customers relying on Internet for purchase or research; more merchants trying their hands at this channel of commerce.

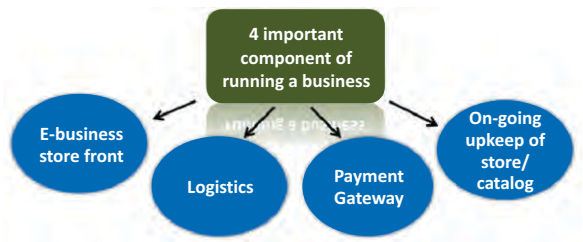
Digital commerce in India has reached to a stage where question for merchant is not why, but how soon and how easy. MartJack, digital commerce platform, since 2007 has seen all the 3 phases (why, how soon and how easy) very closely. With number of retailers on this platform growing more than 2000, MartJack has overcome the WHY part. The team at MartJack has seen merchants mature

from earlier phase to a more mature and eager phase.

Single Stop Solution: Retail technology, customer centric, merchant education and additional channels for sale

To meet the unique demands of Indian retailers, the multiple barriers of technology, logistics, online payment processing, customer acquisition & effective online sales need to be addressed in a single solution.

MartJack facilitates transformation of a traditional businessman to digital commerce merchant by rolling out Internet business consultancy; education in digital catalog, how digital is different from paper and brick store, explaining features and their impact on business.



Merchants are guided before embarking a photo shoot for his catalog and merchandise. (for example: Images, their sizes, resolution and quality, format, mouse over etc)

MartJack tied up 4 important components of running a business: e-business store front, logistics, payment gateway and on-going upkeep of store/catalog.

A businessman owing a store on MartJack concentrates on his expertise: his business; where the intricacy of web outlook of store, technical development/integration and features addition is handled by MartJack team.

Store Design: Contemporary store layouts and designs are available for merchants. Ample scope for easy customization of colors and themes is given to them.

Logistics: Merchants are not only introduced to logistics companies but also educated on easy shipping rates, tax configuration.

Best practices for order management, packing and customer services are served to merchants. They are apprised on latest trends in market on how these things are handled by their fellow merchants.

Payment Gateway: MartJack believes in delivering secure systems to their customers. For electronic payment methods like credit cards, debit cards etc; MartJack does not store any card related information. MartJack has integrated with leading PG providers in India like EBS, HDFC, PayU etc.

Merchants are educated on how these PGs work. They are apprised of compliance criterion for acquiring PG for their stores.

MartJack believes and ensures hand holding of merchants till their online experience kick starts.

Continuous Dialogue with merchant is treasured with MartJack as a platform which prides in offering ECOMMERCE ECOSYSTEM. After the initial setup,

ongoing support and training is provided to merchants. Support is provided over 14 hours a day.

Teams also connect and collect feature requests from merchant. It allows us peak in their operations, what functions are used most and how platform is viewed and used. These feature requests are evaluated by Product and delivery team. These features are included into the product development schedule.

Merchants are also timely updated on regular releases.

MartJack and multi channel retail

When you have a product/service to sell, it makes sense to allow this product multiple opportunities and multiple places to affect a sale. If these multiple places are natural extension to your online store; time, money and effort is saved. This thinking gave birth to concept called MartJack Exchange.

MartJack Exchange:

MartJack partnered with reputed banks like HDFC Bank and SBI cards to build marketplaces for their credit card holders. Merchants with MartJack get an opportunity to showcase and sell their products at these properties.

These marketplaces are another channel for them to sell products without any marketing cost or customer acquisition budget. A single window account allows easy channeling of products to more than one marketplace. Order management, order alerts, prices and inventory are controlled from single account.

Close association with Junglee:

MartJack has powered more than 100 merchants by seamless integration of their digital catalog to Junglee.com. The technical abilities of platform have made life easy for merchants to manage Junglee orders and traffic. The aim is to provide all the tools to retailers to easily manage, run and grow their business. Leave the technical aspect to us. You don't need special IT teams, database team, designers and developers to manage MartJack powered store front.

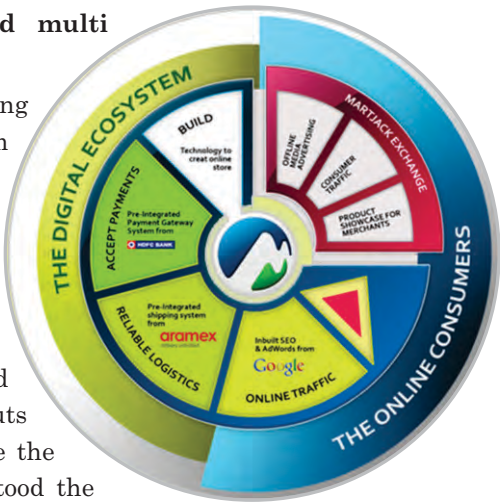
MartJack is complexity simplified.

Figure 1: MartJack Ecosystem and multi channel retail

MartJack hosts variety of retailers ranging from entrepreneurs, small and medium enterprises to large brands.

A small case-let

Our merchant in Jewelry segment enjoyed the full lifecycle with MartJack and its services. They worked closely with category team at MartJack to process and prepare their online catalog. The inputs shared by MJ team were used to compile the image pool. The retail team also understood the



concept of promotions and used it to good effect for current valentine's season. This merchant has seen healthy run of orders. These merchants also benefitted from newly introduced options like image rollover which helped deliver better customer experience.



Electronics and white good merchants have used our affiliate's integration heavily.

MartJack is a powerful ecommerce solution that retailers in India, UAE and UK have used and grown to trust. The secure shopping cart, simple check out process, analytics, order reports, reliable website hosting, multi channel retail and integration with Jungleee are some of the reasons why retailers flock to MartJack.

Conclusion:

You might be a brick mortar store owner, manufacturer, only online presence or want a brand presence; your search ends at MartJack.



(Note: Special Thanks to Mrs. Mukul)

8

Debate Over Hot Coffee: Role of Pe Fund & LSPS The Differentiator



Raj



Anshoo

TCI content team was having an animated discussion over a very important point at a nearby coffee shop, deserved break after some long hours, of discussion on the role and importance of a PRIVATE EQUITY Fund in the dynamic E-commerce industry. The team was divided in 2 groups on the exact role and the discussions were heading nowhere. Just then, the unexpected happened, Anshoo Sharma,-----, from Light Speed PE fund couldn't avoid eavesdropping on this now

Anshoo joined Lightspeed Advisory Services India in 2009 and brings eight years of prior operating and consulting experience to his role advising the firm's investment activities in India.

Prior to Lightspeed, Anshoo was a Senior Consultant at Bain & Company in Boston and New Delhi. Prior to Bain, Anshoo worked in telecom product development at Motorola and Hughes Software in India, where his focus was on converged/next-generation networks. Anshoo holds a BS in Computer Science from Delhi University and an MBA from IIM - Ahmedabad.

loud debate. Anshoo being an investor and a thought leader in the space of On-Line Commerce and E-tailing, joined in and thus started a very interesting discussion between Anshoo Sharma (AS) of Light Speed and Rajkiran Kanagala (RK) of TCI. Eager to know how many cups of coffee went down to settle the debate, read ahead=====

Light speed Venture Partners have invested in direct and cross-border Indian companies since 2004, and has an Indian advisory team with offices in New Delhi. They invest across several stages and sectors in India, with investment sizes ranging from \$1 to \$25 million.

Their principal goal is to provide growth or early-stage capital to talented entrepreneurs and teams seeking to disrupt or transform large markets in the domestic economy. They invest in technology-led businesses as well as in non-technology opportunities in sectors such as advertising and media, business services, financial services, healthcare, education and retail.

RK: One aspect that everyone is saying that this industry is also currently going through a fashion/fad and PE or a VC is looking at it more since it is a buzz word and it will go the “dot com” way quite soon with some recent facts pointing that nearly 50% of the E-commerce startups registered the last 2 yrs got burst, so how would you react to that?

AS: The industry is not a fad and is not going to go away. Ecommerce is here to stay and it will continue to become bigger. If I would look down five yrs down the line or ten yrs down the line I would see this as a very solid segment in terms of the overall share of the retail opportunity.

Now what might go away is certain kind of ecommerce businesses or themes that aren't working for various reasons. That's why you see a phase of consolidation.

The question is who would be able to ride the growth wave - it will test patience. It is already testing, and there is consolidation happening around us but that does not mean that the sector does not promise an opportunity in future.

RK: Ok ,thanks , coming to one more question is that there are 2 broad categories typically the industry works in : one is your ticketing , your music , your auction sites , your gateways , this is one segment where the people are doing business the other is of course the physical merchandise where shoppers order on-line and he gets the merchandise

So if you compare these categories obviously the former is doing much better because he is able to have the visibility on his cost and he is actually only providing a domain and an interface. The people who are doing the physical merchandise if you rank them they are struggling because they are not able to predict the cost and



the business model is too dynamic for comfort so what is your take on that?

AS: I don't agree with your assessment that the former is successful and the latter is struggling. I understand, if you mean ticketing, gateway, etc are more capital efficient. However, if you project 5 yrs hence there could be as big or bigger outcomes in the physical merchandize space. On the other hand, payment gateway aggregation is a challenging model in terms of margins, and thus creating large value without a B2C frontend is tough. If you take the example of services, non-travel ticketing services are a small markets. Thus there are challenges in terms of margin and scale in the capital efficient models as well. Even with the OTAs, domestic air ticketing has got significantly compressed in terms margins.

On the other hand, ecommerce businesses have scale opportunity but face challenges around cost structure. Firms that are able to solve that problem- make better margins, get their customer acquisition cost to fall below lifetime contribution from those customers, will create scale and significant value.

Online retail is a very large opportunity. If an online company can build an association in consumers' mind that anytime you think of buying in a large category, you think of this particular destination, then you have created tremendous value. The business model at this point is evolving because the cost structure is not optimal yet, but in the last 12 months a lot has changed: marketing and driving transactions has become more efficient, cost of COD has come down significantly, cost of shipping has come down, warehouses are being better automated/managed, innovative funding of inventory through vendors/other sources. There are so many things that have happened but it is still a young industry and will take time. The teams which are able to figure this out, would be looking at a much bigger opportunity.



RK: Fine , That sounds good , coming to another aspect of Ecommerce before I move to one odd question on logistics and supply chain part is that , we see lot of talent coming in , even today in economic times there is an article that all IIM and IIT grads want to join an E-commerce company leaving the jobs and the comfort zones so why would be that? why would people come to the company which is around 20 crores – 40 crores , take a risk and might be that company may shut shop, so why all the euphoria?

AS: In the last a year and half, high quality people, not just young talented people but senior people have joined this industry. They believe in this space and that this could be large. A 20 -40 crore company today could be 10X– 50 X of that size 3-5 years down the line. That kind of growth and being a part of the same is exciting and sets you up for future. This growth potential is what excites talented people and the cost of being a part of this is what could be considered a risk today. These people are not alone, venture investors like us are alongside them in believing that there is an opportunity here. This is how new sectors and entrepreneurs are created – it has happened in so many other sectors and what you are seeing is some people who believe in the opportunity.

RK: Fine, you have made me surely excited to look at this industry so that sounds good, coming to the logistic piece while the importance is given and its a topic which is been spoken and written a lot in terms of the SCM, I am not covering the supply chain piece in terms of merchandising, in terms of the need to be dynamic, in terms of inventory management, I am not covering that.

I am covering the front end part of it in sense that, we have now two models emerging, one which is the Own Delivery model in some of the cities and one which is a outsource model, so what do you feel is an appropriate model for an e-commerce company which is primarily into physical merchandise space.

AS: Ideally an e-commerce company has got no business doing last-mile delivery. When ecommerce started, companies did not have LSPs (Logistics Service Providers) to service them at the expected quality, hence some developed their own delivery models. They saw this as an opportunity to create a differentiated service experience for their customer. That’s how they began that piece.

The market has moved in last couple of years. Traditional logistic services companies in India have setup more specific teams around e-commerce and

specialized e-commerce logistic companies are also coming up. Both of these are leading to more maturity in the space, and the quality of service is going up.

Ecommerce companies that started more recently have last mile delivery options that early movers in the e-commerce industry did not have, and thus they have a reason to not build



out their self-delivery business.

Having said that, there might be some areas where it makes sense for an ecommerce company to do logistics by themselves. Fashionara.com, a Lightspeed portfolio company offers self-delivery in certain cases -theydo so for certain

customer segments in a certain locations where they want to leave a “WOW“ experience on delivery experience. So some ecommerce businesses might still do self-delivery to create a differentiation in the mind of the consumer, but not as a necessity.

2-3 more yrs down the line as the 3rd party last mile delivery providers gear up more for ecommerce, the need for having in-house delivery will continue to become smaller.

RK: Final question, what would be your advice of being a PE fund and seeing a real no. behind a business to LSP who would like to enter this space or are just entering, and try to scale up the business model for this vertical, what will be your advice from the eye of a PE fund.

AS: This market would continue to become larger and thus thinking about ecommerce in a different way is my advice to logistics companies. It could be in differentiated pricing and SLAs for last mile delivery (e.g. 24 hour, 2 days, 7 days, etc), could be through offerings in managed/shared warehousing services, innovative offerings around improving the COD process, etc.

Think about this segment for what it could be 3 yrs down the line. There is need for innovation from the logistics service providers – those who do so would be able to ride the ecommerce growth wave. There are already some logistics companies doing this better versus some others. People who have lot experience in logistics, especially in companies like yours, could capitalize on the growth in coming years.

I do believe Logistics is an integral part of the overall service experience for the consumer. IT HAS A CORE ROLE TO PLAY HERE!!!

With this Anshoo left the Coffee Shop heading to his next meeting, leaving Rajkiran and his team to mull over the invaluable insights. To sum up,

Yes, the debate has ended (or just begun again on a different note!!). The role of a PE fund and for us LSPs the learning to be a differentiator to ride the growth wave this industry is providing has come out clearly!!! The coffee indeed was very thought provoking!!!

The Logistics of e-Tailing

9

Any business starts from business concepts, and we have a Professor providing you these concepts to start a business of your own, learning from successful and failed models in the US and the UK. Professor Manmohan S Sodhi from the Indian School of Business (ISB) takes Supply Chain for e-tailing as a topic for discussion here.



ISB

ISB is a business school in India with campuses in Hyderabad and Mohali. It offers an MBA-equivalent Post Graduate Programme (PGP), an Executive MBA-equivalent Post-Graduate Programme in Management for Senior Executives (PGPMAX) and a doctoral-equivalent Fellow Programme in Management (FPM) as well as short-duration and part-time executive education programs for middle and senior management.

E-tailing is about to take off in India. However, e-tailers will have to choose amongst a wide variety of supply chain models to fulfil customer orders and trade-off customer's convenience against the cost they are willing to bear. In this article, I will outline such models using examples of successful and unsuccessful e-tailers since 1999 in the US (especially California) and the UK (especially London). I will then present a model that e-tailers in some European cities including London are trying out and one that is, in my opinion, particularly suitable for Indian cities.

Different Supply Chain Strategies

The Internet does not actually produce material things or deliver them. If I order my goods online, (a) they must have been made or grown somewhere else, and (b) someone must have brought them to my doorstep. We can consider at least four different supply chain strategies:

- Focus on ease of ordering and delivery, leveraging local grocery stores
- Leverage courier or delivery services
- Focus on a small geographical region leveraging demographics of this region
- Focus on service making it convenient for the customer to receive orders.

There are also different ways to order, such as

- Modifying an existing portfolio (“standing order” using the parlance of banks) of regular orders like groceries and
- Creating a new order every time like shoes or a washing machine.

There are also different ways to handle goods receipts:

- Some requiring the customer to be physically present,
- Others will leave the goods inside your home (having some access to a garage or even your home), and increasingly
- Having a third-party pick-up location from where the customer can pick up at any time.

The Early Days of E-Tailing

To make things tangible, let’s first visit some supply chain models for groceries that existed in the US back in 1999. Since then some of these have grown while others have disappeared.

Peapod: Peapod (<http://www.peapod.com>) defines itself "as a transaction, information and communication service" providing online grocery shopping and delivery. By teaming up with grocery chains in selected metropolitan areas, it offers customers the same prices, sales, coupons and "loyalty" (or loss-of-privacy) cards as their local grocery store. Delivery is made to the address you specify, and payment is due at the time of delivery. So someone has to be physically present to



Professor ManMohan S. Sodhi heads the Operations & Supply Chain group at Cass Business School, City University London, and is also Executive Director of the Munjal Global Manufacturing Institute at the Indian School of Business (ISB). He can be reached at manmohan_sodhi@isb.edu.

accept the order. In fact, there is a penalty if no one is present to receive the order. Peapod has a flexible fee structure for deliveries with a mix of monthly and per order charges. Delivery charges for residences, back in 1999, were \$5 per month with \$5 per order, or \$20 per month with no order cost provided the order is at least \$60. The price has since increased to at least \$7 per order plus any fuel surcharges and applicable local taxes. The company is still around, focused on a few large cities throughout the US. Thus, Peapod continues to focus on delivery, acting strictly as an intermediary between the grocery store and the customer.

Groceronline: This e-tailer disappeared after a few years. Specializing in meats but having other groceries as well, Groceronline would leave your order at your doorstep. Grocery orders and frozen food orders were delivered differently. Grocery orders received by noon (MST) would be shipped the same day. Frozen food orders received in the first half of the week (through Wednesday noon MST) would also be shipped the same day to ensure delivery within three days; orders

received in the latter half of the week would be shipped on Monday. Meats and other frozen foods were packed in dry ice and shipped in insulated Styrofoam containers and boxes. Orders were shipped by leading US courier companies.

Planet Organics: Still around since 1999, the company caters to people in the Bay Area in California. The company connects small local and organic producers to consumers who are hard pressed for time but want organic food that is also locally grown. Back in 1999, the company would let consumers decide on a box size - a smaller one for \$25 and a larger one for \$35 - customize the box's contents online, and then deliver it to your home or office once a week or every two weeks. You do not have to be home to accept delivery. The box could be left outside your door, or at a central drop-off point where you could pick it up. They would even deliver it inside your home if you give them your key. Many others have copied the model of a "basket" or vegetables/fruits for regular delivery since. Now Planet Organics allows traditional ordering of groceries (from its website) as well and allows for the same flexibility of delivery.

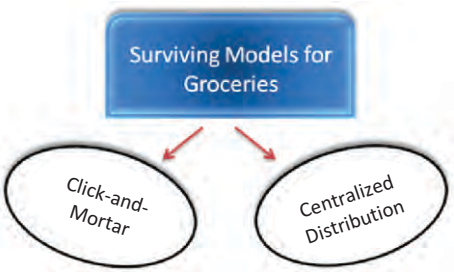
Streamline: Back in 1999, the company had a really innovative model for hard-pressed professionals in Massachusetts, USA (east coast) but has since disappeared. The company focused on service, making ordering and delivery easier, and also taking care of customers' videos, laundry and photographs. Initially, their "start-up" team would visit you at home to help you create your Personal Shopping List to allow you to order quickly every time. The team also set up a box (measures 60" x 30" x 62") in your garage, consisting of special shelving and a refrigerator, and installed a keypad access system so you would not have to be home to receive deliveries. The delivery day would be assigned. You would customize your Personal Shopping List every time you logged on, taking advantage of online specials and promotions. Orders would be filled from a central fulfilment centre, loaded into specially equipped trucks with three temperature zones, and then delivered directly to the Streamline Box in your home. Food would be separated from chemicals and detergents and dry goods arrive in airtight containers. Videos, dry-cleaning, postage stamps and photos would also be included. Sound like heaven and I wish such business models were around now although I don't have a garage.

Surviving Models for Groceries

Currently, there are two dominant supply-chain models:

Clicks-and-mortar. Deliveries are from the grocery stores either by brick-and-mortar stores themselves, e.g., Sainsbury's and Tesco in the United Kingdom and Albertson's in the United

States, or through delivery partners like Peapod as in the case of Giant Foods in the Washington, D.C., area. The United Kingdom is the largest online grocery market in the world, and Tesco is the biggest online and the biggest bricks-and-



Tesco is a British multinational grocery and general merchandise retailer. It is the third-largest retailer in the world. Online retailing (Tesco.com) was launched in 2000. Since then they have become the world's largest online grocery retailer. Tesco Direct website now offers more than 75,000 products.

mortar grocery retailer in the United Kingdom. It uses its retail stores to fulfill online orders. Tesco Online also has other "shops" so you can buy products pertaining to finance and insurance, phone services, wine, electrical goods, entertainment products, flowers, books and occasional "others." Unlike groceries, these are distributed from central locations as most Tesco stores do not carry these items. Entertainment products like DVDs are shipped by another vendor directly.

Centralized distribution. Deliveries are made from central warehouses like Ocado in the United Kingdom and FreshDirect in the New York region in the United States. Peapod also has centralized warehouses in other regions like Chicago, where it used to deliver food in partnership with a grocery retailer earlier. Launched in early 2002 in the United Kingdom, **Ocado** offers fresh and generally higher quality food than other grocery retailers because it was created by the high-end grocery retailer, Waitrose. Ocado operates a dedicated service from regional distribution centers and targets areas with high population density, such as London. Another example is **FreshDirect**. The focus for this New York-based

Ocado is a British Internet retailer specialising in groceries. Ocado's products include own brand groceries as well as a selection of name brand groceries and other items, including flowers, toys and magazines. A range of Carrefour's products are also sold via Ocado.

The company has a warehouse-based model operating from a purpose-built picking centre, purely online without any physical shops, unusual for a supermarket.

company is perishables, mostly produce. Customers are served from a central warehouse for the New York area. The company has a simple model: It requires a minimum purchase of \$30 and charges a small delivery fee (\$7-\$9 depending on

FreshDirect is an online grocer that delivers to residences and offices in the New York City metropolitan area. It also offers next-day delivery to most of the cities. **FreshDirect** custom-prepares groceries and meals for its customers, on Just In Time basis that reduces waste and improves quality and freshness.

Introduced to the New York market in 2002, **FreshDirect** grew popular for its convenience, fresh food and lower prices than many Manhattan supermarkets. **FreshDirect** is popular for its distribution of organic food and locally grown items, food that consumers see in supermarkets daily.

delivery location). But there are penalties if the customer (or some other nominated person) cannot receive the order.

A Useful Supply Chain Model for Indian Cities

Recently e-tailers in some European cities, including Amazon.co.uk in the UK, are

trying out third-party or own pick-up points (PUP). The idea is that if you place your orders online with e-tailers, they will deliver to a common pick-up point near your house so you have a single pickup and the e-tailer has a shorter 'last mile' trip. European cities, like Indian cities, are crowded. Moreover, there are many single professionals or dual-income families who cannot afford to be home to receive orders during the day; in India, even if you have a servant at home, s/he may not be able to pay the delivery person. Logistics providers are beginning to offer pick-up points to large and small e-tailers in the UK and new business models like that of CollectPlus.co.uk have emerged around the same idea.

I believe this model of PUPs will be the best for Indian cities where the middle classes will likely be the ones ordering online. There are many advantages for Indian consumers:

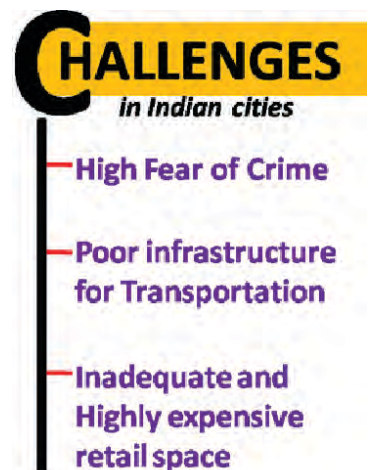
- Don't have to be home to receive the orders
- Fewer strangers knocking at your doorstep, especially important if the only people at home are aged parents (robbery and murder of older people at home is a big problem especially in Delhi, but is likely to grow in other cities too in dual-income families with ageing parents)
- You can pick up multiple deliveries from a single pickup point, close to your home, at a time convenient to you (or send your servant, or the pick-up point can deliver once you are at home and make a call)
- Lower shipping costs that the e-tailer may pass to you as the e-tailer is delivering to a business location close to your home and can serve multiple customers in your area with a single drop-off
- Fewer delivery vehicles clogging the narrow streets in your neighbourhood.

Such an approach would be a win for e-tailers, especially the smaller ones, as well:

- Simpler delivery, without time constraints during the day and being able to cater to many customers in a single drop to the third-party (or own) location in these customers' neighbourhood
- Be able to outsource delivery, storage and handing over the goods to customers to a third party so the e-tailer can grow, focusing on merchandise and order taking leaving order fulfilment to logistics companies.

Indian cities have additional challenges relative to their peers in Europe: high fear of crime and not just in Delhi, poor infrastructure for transportation especially at the 'last mile', and inadequate and highly expensive retail space.

Neither "offline" nor "online" shopping is particularly attractive for regularly



purchased products like groceries. The hybrid model of picking up goods at a third-party location nearby located would overcome all these challenges and would also leverage logistics companies that are emerging in India.

A Note of Caution

As I said at the outset, e-tailing is about to take off in India. One could say that for retail in general but given the infrastructure and political constraints on retail, regardless of the government bid to have foreign retailers come to the rescue, it is unlikely that physical shopping can meet the needs of Indian consumers. The only alternative is online shopping, and I believe Indian e-tailers will evolve from selling rejected goods of “famous” brands to selling regular household consumables like shampoo, onions and potatoes.

2012: online
grocery sales
\$10 billion

But that should not mean you should start buying shares of e-tailers or that brick-and-mortar companies should feel threatened in any way. Back in 1999, U.S. online grocery shopping was growing at more than 100 percent a year and Data Monitor estimated the demand to reach \$28.6 billion by 2005. Four years later, online sales of food and beverages in 2003 were only \$3.7 billion. And even in 2012, online grocery sales were only about \$10 bil lion, barely 2 per cent of the total US grocery market!

To Conclude:

Professor Manmohan S Sodhi repeatedly says, “E Tailing is about to take off in India”.

On Line shopping: 10 A Survey with students of IIM Trichy

The editorial and content team wanted to know how the youth who use the E-commerce platform the most would respond to Qs posed to them. The obvious choice was to do a survey in any major metros or mini-metros but then the thought came in that we should do it in a town or place where availability of malls, retail stores, market is minimal; so how do youth there cater to their needs!! Are they deprived of options in a way or do they use E-commerce sites very effectively?

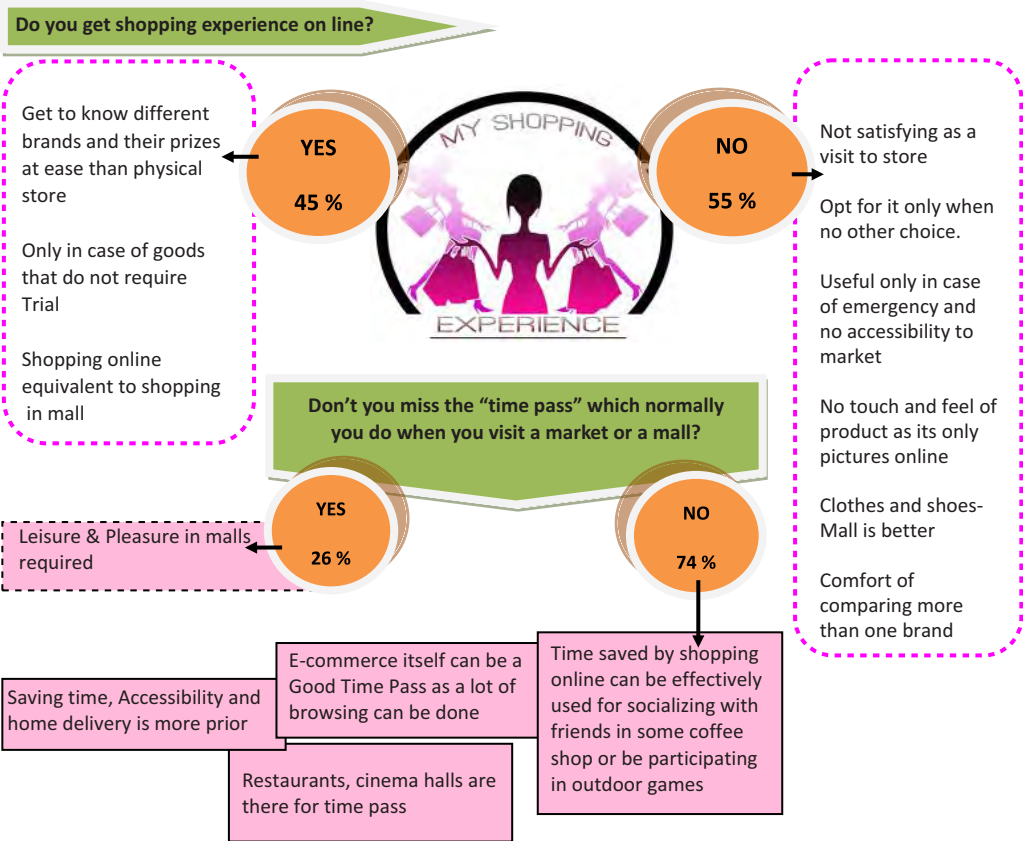
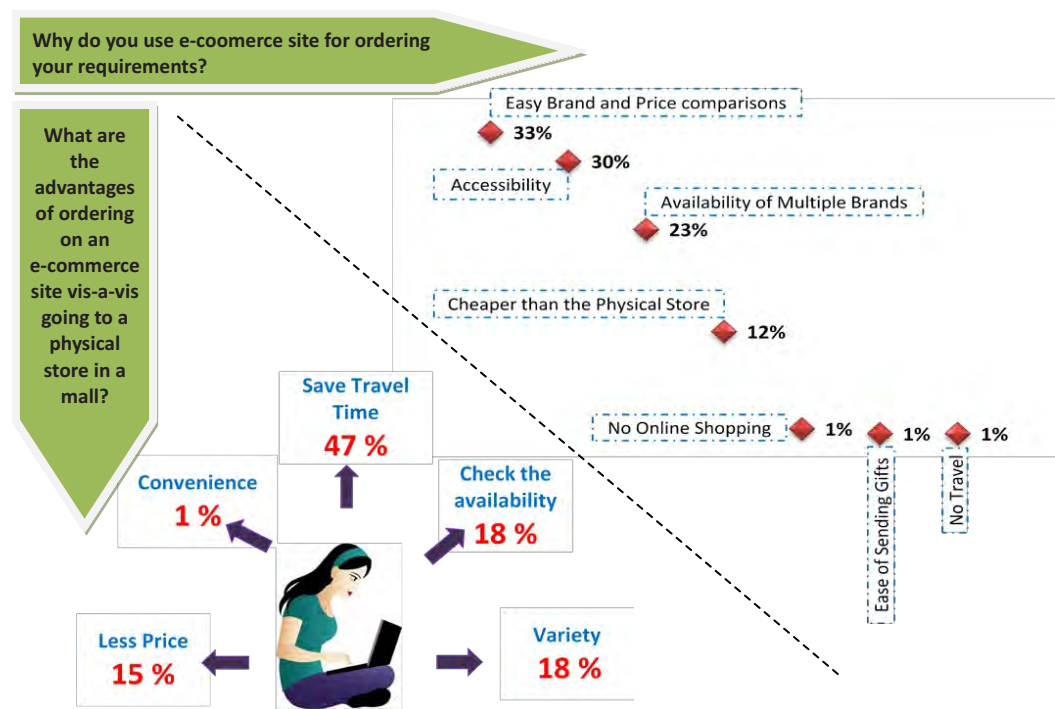
This took us to a sleepy town down South and to IIM-Trichy where we interviewed 92 students!! Yes!! 92 E-commerce shoppers responded to various Qs and the collation of their **SHOPPING EXPERIENCE OVER E-COMMERCE STARTLES ONE & ALL**. The Generation Y has a way ahead!! Really extremely savvy and aware of their choices!!

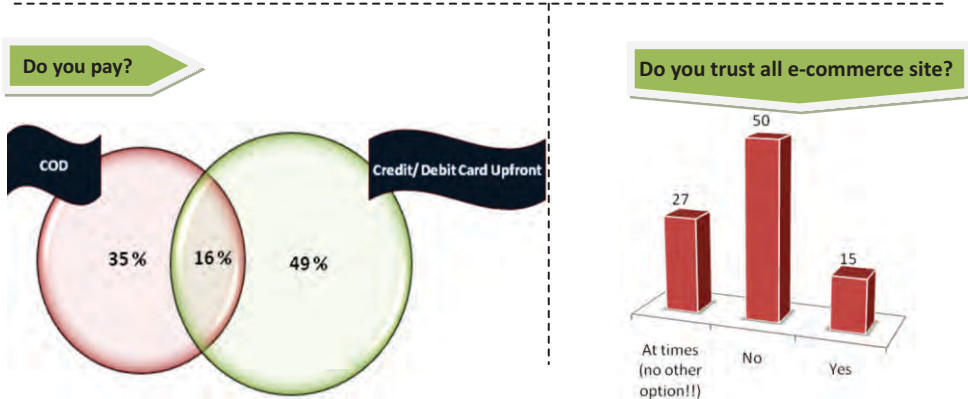
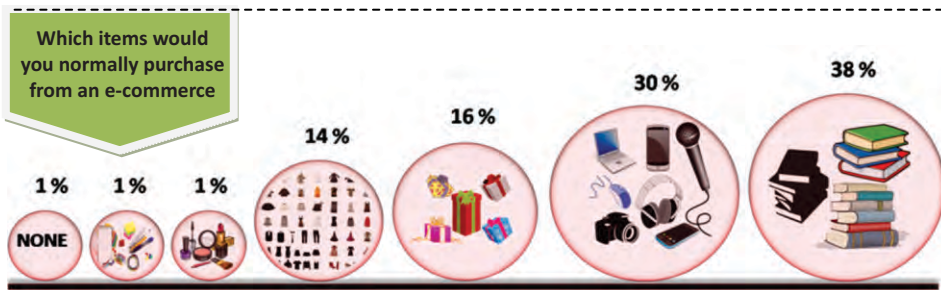
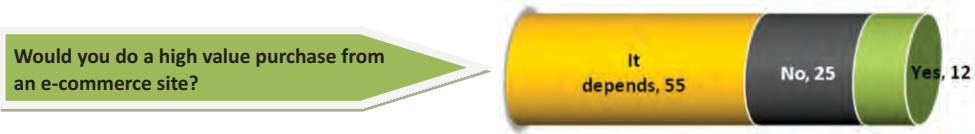
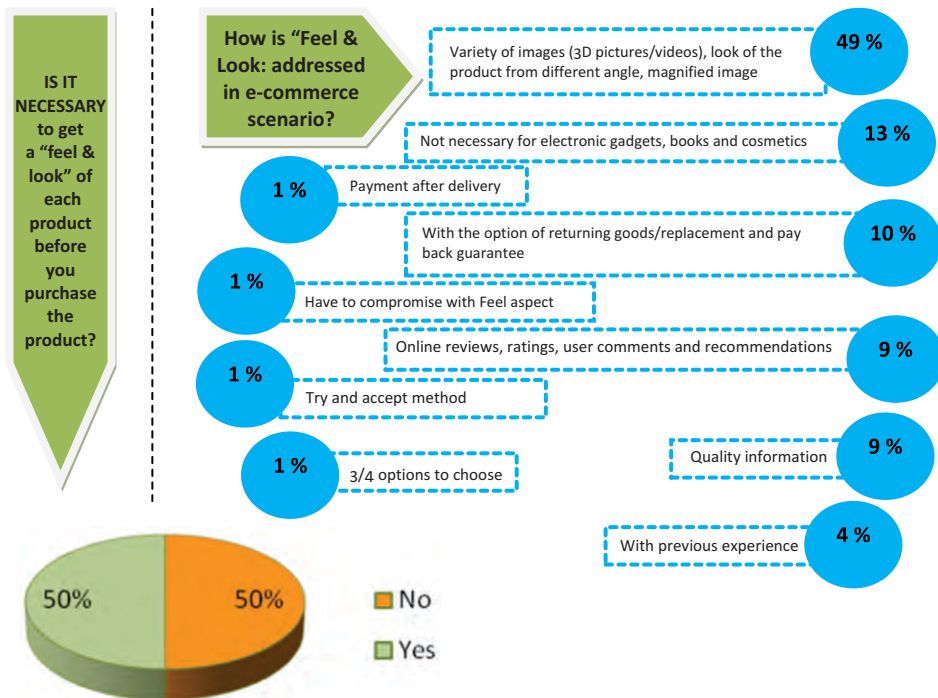
Happy Awakening!!!!

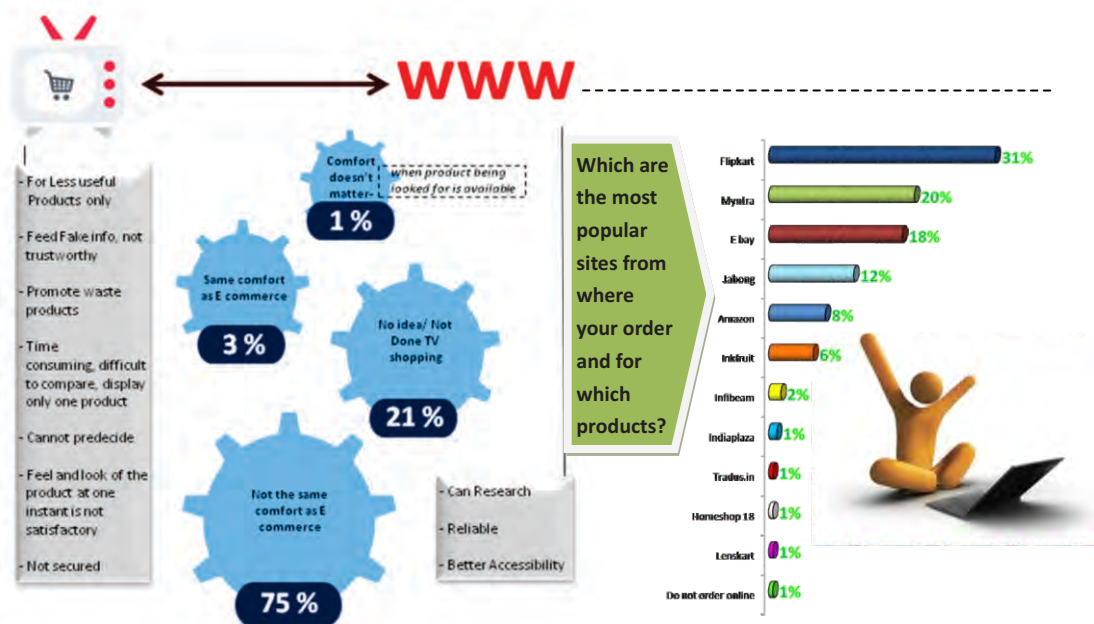
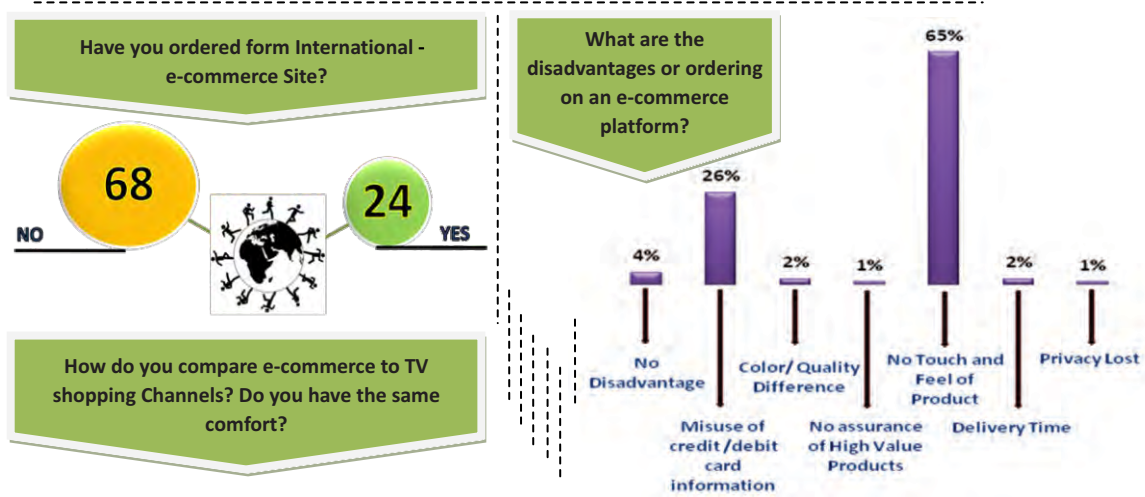
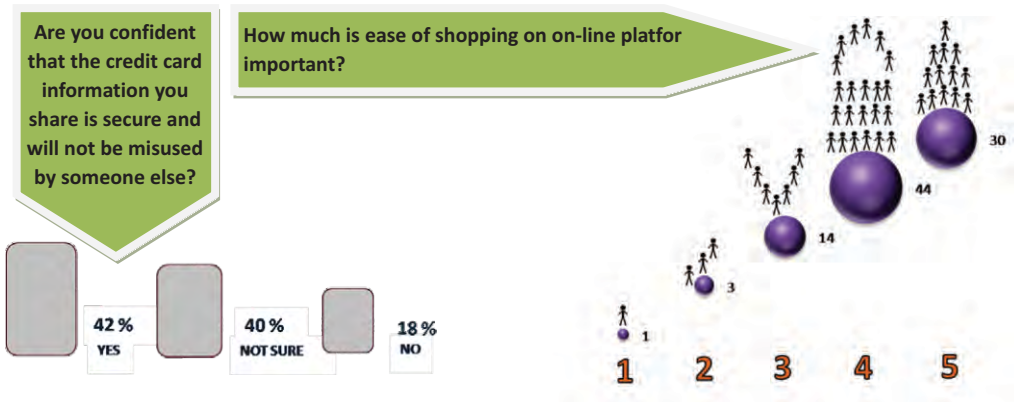
Indian Institute of Management Tiruchirappalli

The eleventh IIM, Indian Institute of Management Tiruchirappalli (IIM Tiruchirappalli), is a hallmark of excellence and a benchmark of quality that we constantly aim to achieve and uphold. The institute strives to carve its own identity in developing competent managers of tomorrow. This effort is showcased in our academic programmes - Post Graduate Programme in Management (PGPM), Post Graduate Programme in Business Management (PGPBM) and Fellow Programme in Management (FPM) - which endeavor to create champions of excellence for the industry.









What do you think is the future of e-commerce?

FOR







- It is the ultimate fate and promising future of shopping.
- Very huge market to be serviced, With rise in internet users- e commerce will have High potential in Indian Market and it is going to be the most favored method for all types of transactions.
- More and more SME business will adopt it.
- It will surely increase given the internet connectivity, faster data transfer by network carriers on mobile phones, gadgets and proliferation of credit/debit cards.
- With International Players stepping in, the bargaining power would shift towards the end consumers in the coming years with plenty of information symmetry.

AGAINST

- It will never overtake outlets
- Bright but slow growth rate
- Will stabilize or saturate at a point. People might find visiting physical store to be attractive option again, in that case, this process can become cyclical.

What will happen if the product you have ordered does not meet your expectations? Any experience which you can share where in you returned the product; how was the overall experience then?

FOR

-  I had ordered footwear on Flipkart and the size didn't fit. I called customer service and they replaced the product in a few days. It was a very smooth experience and I was very satisfied with the prompt response.
-  I returned a hard disk which I had ordered from Flipkart. They sent me a new one within a week and collected the old one themselves, with minimum hassle.
-  There has been such a case where upon calling the helpline number, I could immediately return the product. They provide a grace time of nearly one month within which we can return the product.
-  I have not faced this situation. However, companies normally give a self addressed carry bag/sticker with what you order and hence it makes it easy for the customer to return the goods, if he is not happy with same. The 24x7 customer care is also helpful in this regard as this service is as important to the company as the product is.
-  An electronic gadget that I bought from flipkart was unfunctional. on bringing this to their notice, the product was taken back with no questions and the money was refunded in short time. I was really impressed with their service
-  No as far no product returned. Once ordered a small bag from jabong. When I received it, it turned out much bigger in size, the measurements on the website were wrong. Still I preferred to keep it than to follow the procedure to return it.

AGAINST

-  I had to return a jeans ordered from a leading e-commerce site due to size constraints and the reason is obvious. Same sizes differ across brands.
-  Apparels ordered through e-commerce platforms carries great risk of meeting expectation. I have had very bad experience from Yepme shopping, where i ordered a track suit of a particular colour and they delivered me another colour. They are not even ready to replace the wrong product. also the quality of the track suit was awful and was not even matching with the pics given in their website.
-  I will raise my complaint. My interest in buying through the same site would reduce.
-  V e r y B a d Experience with Flipkart delivered wrong item and it took them nearly 60 days to replace it

11



E- Commerce is expected to grow bigger and better in India.
Here is a preview of what the future would look like.

By Rathin Lahiri

What was the total value of sales through retail e-commerce sites in the USA on Cyber Monday in 2012?

According to ComScore, Americans spent over a billion dollars on online shopping in a single day! On November 11, 2012, the Chinese equivalent of Cyber Monday (known as “Singles Day”) saw an estimated online retail revenues of \$4.84 bn – nearly five times as much – on a single day.

While India has a long way to go before claiming such figures, it is very clear that e-commerce is here to stay and that the future will only get bigger and better.

The top two fundamental drivers of India’s digital growth will be:

User & Infrastructure Growth: The Indian Department of Information Technology and Telecommunications has announced an investment of `20,000 crore (\$4 bn) in infrastructure development, which estimates the increase of broadband subscribers from 20 million (2012) to 600 million (2020E). In the same time frame, the 3G subscriber base is expected to grow from 33 million (2012) to 300 million (2020E).

Surge in disposable incomes: An economic growth of 7percent per annum will add 200 million extra consumers, generating \$70 bn in annual revenue by 2020.

HERE ARE THE TOP 10 TRENDS IN DIGITAL COMMERCE WHICH WILL DEVELOP AS A RESULT OF THIS GROWTH:

1. BRICK-AND-MORTAR RETAILERS GO ONLINE OR FACE STAGNATION

The growth of India's "digital native" youth into adulthood will drive a major change in their purchase behaviour, and e-commerce is poised to be the primary channel for these digital-first shoppers. Consequently, established brick-and-mortar retail enterprises, which currently occupy little mindspace for the online consumer, will be forced to reinvent their digital avatars to stay competitive, or be left scrambling to catch up with more agile and accessible online retailers.

2. THERE WILL BE UNIQUE OPPORTUNITIES FOR NICHE AND SPECIALTY RETAIL

Even as the marketplace expands to drive unprecedented volumes of high-demand and commoditized products, it will also create a new space for small businesses selling unique and innovative products that are not available anywhere else, and compete on quality, individuality and aesthetics, rather than price. Lifestyle products, ethnic goods and handicrafts, artisanal items created for an international market, and even art will benefit from – and contribute to – the growth of Indian e-commerce.

3. GROWTH OF RETAIL PLATFORMS

To meet the growing need to build attractive and easy-touse e-commerce sites, third-party providers will offer set-up and maintenance services that will lower the entry barrier for new businesses. A parallel digital marketplace and retail platform model will also grow in relevance, where third parties like eBay will provide a common platform for retailers and home-grown entrepreneurs to set up stores and sell their goods.



4. BUYERS WILL BE SELLERS

The digital native will be more active not just as a buyer but as a seller as well. The availability of new technologies – both hardware and software – will drive a more active refresh cycle. Growing interest in sustainable and responsible consumerism will create an active consumer-toconsumer retail economy supported by improved logistics and social media distribution effects. Classifieds sites such as Quikr and Olx will thrive and more speciality classified sites will sprout up.

5. YOU BETTER KNOW YOUR CUSTOMER

Generic email marketing will be punished by the customers. E-commerce provides retailers the ability to collect data and learn a great deal about their customers and their purchase preferences and habits. Data will be “king” and become a hugely effective tool to provide customers with a more personalised and relevant shopping experience, improving customer loyalty and spend levels.

6. DISCOVER THE POWER OF RE-MARKETING

When a potential customer visits a website and leaves without making a purchase, companies can use remarketing techniques available in modern online advertising to display relevant ads and offers to these customers to lure them back and complete their purchase. Re-marketing will be used more aggressively to literally chase down consumers to complete transactions.

7. PROLIFERATION OF MOBILE DEVICES AND SHOPPING APPS

Mobile devices have already overtaken desktops in India as access points to online content. Smart-phones and tablets already have an average of 65 apps installed on each device, and their prominence in the digital users’ lives is only going to grow. Mobile apps provide retailers with a new way to make their products and content available to their customers, not only anywhere they are, but customized to their interests and preferences.

8. MOBILE PAYMENT SYSTEMS

The growth of mobile devices as a medium for commerce has fueled interest in mobile payment systems, including SMS/USSD based payments, operator billing, mobile web payment gateways and contact-less NFC (nearfield communication) technology. While these systems may evolve or become obsolete, the use of the mobile device as a payment instrument will grow as the need for e-commerce on mobile devices is on the rise.

9. SOCIAL MEDIA AS A REFERRAL SYSTEM

Social networks already function as a large and highly effective means to build awareness and interest in brands and products. They operate as digital word-of-mouth marketing and referral engines with an ecosystem of influencers and early adopters, which businesses can not only track, but also measure and reward. In the context of brand/seller proliferation, the power of positive social media referral will only rise further.

10. ENHANCED PRODUCT DISCOVERY – VISUAL SEARCH/AUGMENTED REALITY

The advent of visual-search tools and augmented reality systems online such as Google Glass enables consumers to immediately identify products that interest them and tag them for purchase. Other fledgling technologies allow users to interact with products such as clothes in a virtual environment and try them on before buying.

The question is: will all of these trends happen? Maybe. Many new technologies will rise in the future while a few mentioned in this article are inevitably bound to

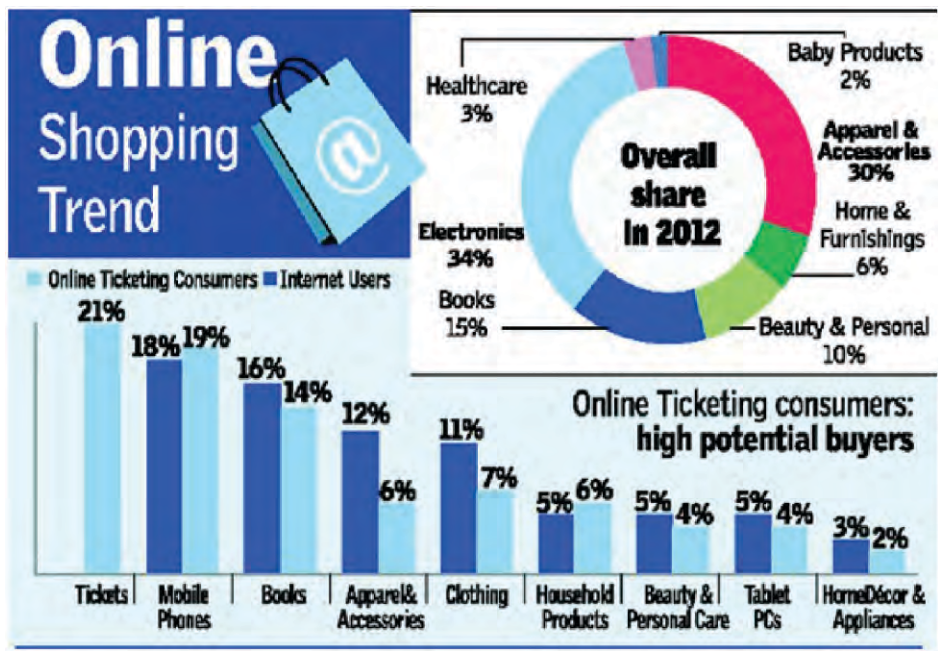
evolve, as all technologies do. Some of them may persist into the future while others may disappear, but the need for the digital natives to use online services in every aspect of their lives is only going to grow. Retail businesses must be ready for these developments before they happen, so that they can ride the crest of the wave.



ABOUT THE AUTHOR

Rathin Lahiri is the CMO of Loyalty One India, the Indian arm of LoyaltyOne, a global company on consumer insights and strategy, loyalty marketing and customer-experience management

12 Apparels, accessories to emerge as top category in online shopping search: Study



Apparels and accessories will emerge as the biggest category in online shopping search this year, taking over from consumer electronics last year, in terms of absolute query volumes.

According to a Google India study, search for consumer electronics was at 34 per cent, followed by apparels and accessories at 30 per cent in 2012.

Online search

Other categories that Indians searched for online were books (15 per cent), beauty and personal care (10 per cent), home and furnishing (6 per cent), baby products (2 per cent) and healthcare (3 per cent).

“In 2013, we see apparels and accessories’ queries going up to 35-36 per cent and consumer electronics down from 34 per cent to around 30 per cent because of more options available in apparels and accessories,” Nitin Bawankule, Industry Director-Ecommerce, Classifieds and Media, Google India, told reporters here.

Apparels and accessories was already among the top categories ever purchased online with 84 per cent in 2012, followed by electronics (71 per cent), beauty and personal care (64 per cent), books (62 per cent) and household products (61 per cent), the report said.

Baby products, healthcare, and home and furnishing that saw a 2x growth in 2012 will also keep the trend in 2013 because of the demand growing.

Online shopping

The company said online shopping in India saw 128 per cent growth in interest from consumers between 2011 and 2012 compared to only 40 per cent growth in 2010 to 2011, making 2012 the tipping point for online shopping in India.

“One of the major reasons of growth in online shopping was because of its growth from the small towns as many brands and physical stores such as future bazaar and Croma are not present in those areas,” Rajan Anandan, Vice-President and Managing Director, Google India, said.

Mobile Internet users

As mobile Internet user base grows in India, mobile phones are also becoming a contributor in the surge for online shopping with Google witnessing 2x growth in the number of queries in 2011 to 2012, he said.

“With approximately 8 million Indians shopping online in 2012, online shopping industry in India is growing rapidly and will continue to see exponential growth,” he added.

The report was compiled by combining data from Google Trends and online research conducted by TNS Australia with a sample size of 800 respondents on behalf of Google India in November 2012.

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From Bricks to Clicks: how to Choose an e-commerce platform

Are you a brick-And-mortar retailer planning to take your business online?

choosing the right technology platform would be a critical element in your success. here are seven questions that you must ask yourself before you take a decision

By Reshma Nagpal



The power and influence of the Web is phenomenal and growing every single day. A recent ASSOCHAM and Comscore Report puts retail visitation at an overall reach of nearly 72 percent worldwide, having grown over 13 percent y-o-y. Retail sites are visited by more than a billion people worldwide every month. The report states that in India, retail has grown 43 percent and reaches 60 percent penetration among online users, but is still below the world averages, which shows its immense potential. With the ecosystem to support growth in online retail continuing to evolve, the focus of brick-and-mortar retailers today should be on how soon they can take their business online.

“Which is the right technology for my online business?” This is the question on the lips of every retailer ready to expand their traditional customer touch points to a “brick and click” model. When evaluating the right technology to take your brand online, it is important to first understand a key principle – that you are now extending your brand, products and customer service onto a virtual window that is open 24/7 to the world. This virtual world is owned by the customer and you must reach, engage with, empower and analyse your customers like never

before. The right technology platform is essential to achieve this. When evaluating technology solutions for your online platform available in the market, there are seven key factors to investigate. Is the system actually a technology platform solution? A common mistake retailers make is choosing a system which is not in fact a platform solution. They end up spending much time and money customising that system to suit their business needs across electronic/mobile/social commerce channel compatibility. As their business needs evolve, so does the continuous customisation effort and expense on that system.

Instead, make sure that you invest in a true platform solution which has in-built business process rules that enable you to configure the system

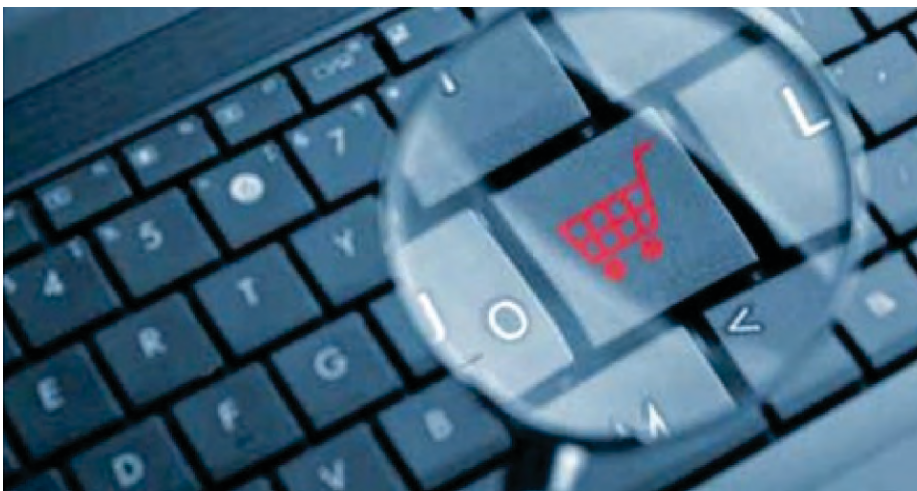
according to your business needs today and tomorrow. Scalability of your system can only be achieved through such a platform that will stay with you as your business grows and enable you to evolve your operational and pre/post sales strategy with ease of execution. The technology platform must be an enabler, giving you all the freedom to scale up or mould the system as per your business process needs with the capability to integrate end number of process-based applications if required. You thus stay well clear of customising beyond repair as the platform is about configuration and set-ups only.

does the system have a Central Command system that Integrates with your existing back office system? Another common mistake retailers make is thinking that they simply need a “shopping cart” to successfully take their brand online. As brick-and-mortar retailers, you will most likely have an existing IT set-up that manages your products, inventory, warehousing, supplier/distribution, logistics and financial business processes (hopefully itself an integrated end-to-end solution). You must ensure that your web commerce platform has a central command system that integrates to your existing set-up. The transfer of data from your online store should seamlessly flow to your order management system so that warehouse fulfilment, product inventory and replenishment, and EOD or real-time sales transactions are automatically updated into your existing back office.

Having to manually enter this data is a big no-no and managing disparate systems is the biggest pain area for online retailers who have made this common mistake, which they are forced to quickly learn as their business scales up. does the system have strong crm/loyalty/ membership/ post sales and service modules? Customer satisfaction is a thing of the past. Customer delight is a must today. Consumers need to be understood, listened to and targeted on their own



preferences and quirks, not those of the masses. The right e-commerce platform will ensure a strong configuration-based set-up for offers/promotions, membership categories and target-based marketing campaigns that excite and drive customer engagement, retention and delight. Agility in the arena of refining and implementing customer delight strategies is critical. The customer-oriented modules must be coupled with the transactional and back-end systems. Why? Because the customer's truth of who is s/he, what are her/his needs, and



how to retain her/ him, are answered only when we have the holistic data of the customer's behaviour by triangulation of such data points.

Is the system Integrated with relevant social media? While the debate on the effectiveness of using social media for sales and commerce continues, there is no doubt that it has worked exceptionally well to expand the customer base and reach of many online retailers, such as bluestone.com, Sher Singh and others (Business Standard, "Indian E-retailers 'Like' Facebook for Biz Expansion," 26 November, 2012). These tools provide a fantastic marketing opportunity to reach your customers and potential customers as well as analysing your competition. Not only should your platform enable your customers to share/like across various social networks such as Facebook, Twitter, Pinterest, Instagram, Wordpress, Google+, etc., it should also allow you to scrub the social world for what is being said about your brand as well as your competition. This information is extremely valuable and forms a strong foundation on which to drive strategy and customer-facing innovation. Only a platform-based solution can provide this level of analysis.

how scalable and user Friendly Is the system? Will this technology grow with you or will you grow out of it? Whether you are selling 10 transactions or 10,000

transactions daily, your platform solution should be scalable to handle and support your business growth. Can you continue to configure your platform in a flash? Does your team enjoy using this platform? Is it easy to train your staff on? If the answer to any of these questions is no, you should save yourself from making a mistake that will one day come back to haunt you. The cost of realigning your business systems all over again after few years of growth would be a daunting task, in terms of both time and money. This also has a large amount of disruption on the existing processes too.

Does it offer me both a SaaS (public or private) and/or enterprise license pricing model? The right Web-commerce platform solution should be priced flexibly depending on your requirements. Offering both a SaaS (Software as a Service) and licence-based structure is imperative as you should have the flexibility to migrate from one pricing model to the other.

When assessing price, do not think “I will go for the cheapest tool in the market” or, on the other hand, conclude that “Because it is expensive it must be the best.” Delve deep into the structure of the solution and ascertain whether it is a business process-driven, rule-based engine. Once you have ascertained this, pick



a model that works for your current business needs (and wallet) with flexibility to migrate to a different model as your business grows.

How does it enable me to understand my customers better? This is a crucial question that many retailers fail to prioritise finding the answer to. The right platform solution will enable you to get into the psyche of your customers by providing you with analytics on not only their buying trends but their buying behaviour too. This is a unique concept that many technologies fail to address adequately or at all, and it extends to your dealers and suppliers as well.

With the right technology, you will not only understand your customers better, but will target them more accurately according to their delight.

Converting a shopper into a brand ambassador takes

a strategic mix of business understanding and technological enablement. So what can we conclude? Your business processes need to be highly efficient to handle round-the-clock presence and ensure customer delight. Your business model needs to be agile and customer-centric, and have a disruptive long-term view. You must provide an extremely user-friendly shopping flow, multiple payment options in a secure environment, timely fulfilment with a manageable returns policy, and targeted loyalty and campaign driven programmes that excite your customers.

It is the experience you give your customers that will determine whether they end up seeing you just like any other brand in the market, or whether they transform into “raving client fans” and your brand’s ambassadors. The right Web commerce platform will empower and enable you to achieve this goal.



ABOUT THE AUTHOR
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Online Force to Channel with

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With A 1.5 Million Membership Growing Monthly By 20 Per Cent, 99labels is Going Great Guns. Co-founder And Ceo, Ishita Swarup, Talks To Bhavya Vyas About The Three-year Journey And Plans Ahead.



A members-only e-commerce website, 99labels.com, offers fashionwear, accessories, lifestyle products, sportswear, electronics and furniture to its buyers. The online venture that plays host to more than 800 international and Indian brands has seen rapid expansion since its inception on 9 December 2009. 99labels has also established its presence across the globe with offices in five major cities including Paris and New York. The website offers discounts on high-end brands such as Diesel, Pierre Cardin, Calvin Klein, Gucci, Versace, Ritu Kumar, Tarun Tahiliani and others to its consumers.

What's the USP of 99labels.com? How do you stand out in a sea of online portals?

Ishita Swarup (IS): 99labels introduced the concept of online flash sales in India when the concept was just catching on in the West. From that launch three years ago, we have come a long way and today have a member base of 1.5 million, and a huge percentage of returning

buyers. Rather than focus on one factor alone, we make sure the consumer has an overall pleasurable experience - finest brands and merchandise, fresh sales daily the best possible discounts, on-time deliveries and seamless customer service.

Please elaborate on the products you offer.

IS: We carry an elaborate range of discounted luxury items, premium goods and upcoming brands that include apparel, accessories, fragrances, cosmetics, homeware, kidswear and menswear.

How has the response been so far?

IS: At 99labels, we have seen a consistent monthly growth of 20 per cent. Introduction of 12 new daily sales to our shoppers has shown great returns. We have also garnered a lot of positive responses for our loyalty programme, Club99.

What are your payment options?

IS: We provide a secure payment gateway for online transactions. There are multiple payment options available including cash-on-delivery, credit or debit card payment and online banking.

Which consumer age group do you target?

IS: Our primary target group is women in the age bracket of 25 to 45 years who are stylish and aware of trends and brands. To our luck, we have seen the demographic widen and we now cater to younger and older audiences as well.

Are you planning to introduce any new products?

IS: We have a wide range of categories on 99labels and are quite satisfied with the diverse range that we currently offer. However, seeing the reach and popularity of our ethnic brands and traditional Indian merchandise, we have recently launched a new e-commerce site, 9rasa.com.

Any chance of initiating a multilingual portal to bring in a new group of shoppers to your business?

IS: While it sounds like a great idea, a multilingual portal would need a lot of bandwidth, which we currently can't provide.

How does e-commerce have an edge over a brick-and-mortar retail outlet?

IS: E-commerce enables people from across the country, with an internet connection, to shop online, thereby giving them access to brands that brick-and-mortar outlets can't provide due to a lack of presence or travel and traffic and accessibility issues. From a business point of view, elimination of retail cost enables retailers to give better deals to the customer. Being a deep discount site, we are able to fulfill the need of bringing reputed brands at great prices.

Where does it lack?

IS: As we are a flash sales site, we don't hold merchandise for long durations. Also, because we are deal-focused, sometimes we end up being looked at a

an impulse buy site rather than a need-catering site. We have longer delivery cycles as we are a zero inventory model, which in today's day and age is often a drawback.

We get maximum business from large metropolitan cities such as Delhi, Mumbai and Bangalore.

How active is 99labels.com on social media? How much does it help?

IS: We currently enjoy a large following on Twitter and Pinterest. We also have more than two lakh fans on Facebook and enjoy a great response to the style tips, trends and notifications that we post on our page. This has helped in brand-building and increasing visibility of 99labels online. We actively communicate our sales on these platforms and this helps spark interest for new developments and offers on the site. We now want to build an online community of shopping aficionados and fashion lovers while also providing an avenue where they can interact and share their opinions and findings on fashion and lifestyle.

Which are the top cities from where you get maximum business?

IS: We get maximum business from large metropolitan cities such as Delhi, Mumbai and Bangalore. Forty six per cent of our business is from top metros and mini-metros, while 54 per cent comes from smaller towns and tier II and III cities.

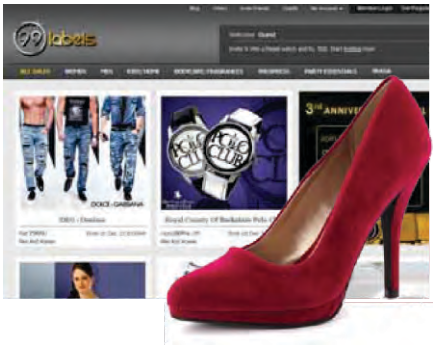
What lies ahead for 99labels.com?

IS: After introducing and pioneering online flash sales in India, we are also moving on to 9rasa.com, an exclusive catalogue website featuring ethnicwear, fine and fashion accessories, organic products. While on providing great prices for a limited a niche site catering to women who want to shop for traditional clothing, jewellery, lifestyle products and organic food. We are now planning to launch a mobile interface for 99labels to give our buyers a convenient platform to shop from their smartphones, wherever they may be. Currently, 15 per cent of our visits are initiated from mobile sources, and this number is only set to grow exponentially.

As a member only e-commerce portal, we know which brands our members shop for on our website.

What process do you follow for tie-ups with new brands?

IS: We have a strong sourcing team of experienced professionals from the retail sector who have relationships with various brands across the country and abroad. We also have representatives in New York and Paris from where we source some of the luxury and premium brands to host. In the beginning, the team had to work towards convincing some of the big brands to come on board but currently, most of the brands approach us to liquidate their stock on our website. Based on what they have to offer, we select and perform quality check of the merchandise. Each sale is on a discount and is live only for three to four days. Based on the sale, we raise a purchase order and dispatch the merchandise to the end customer.



How do you decide which brands to tie up with?



IS: Popularity of the brand is an important factor as sales of popular brands do very well for us. It is very crucial for us to get a good brand at a good discount. The second step is to look at the merchandise and quality of the stock before finalising on the sale with a particular brand.

Why should more brands tie-up with your online platform?

IS: With a membership of over 1.5 million, we have continually proven ourselves as a liquidation channel for excess stock, to be an excellent platform for brands to showcase their products. We cover a broad range of categories covering all fashion and lifestyle needs such as apparel, footwear, jewellery, accessories, fragrances, home accessories, menswear and accessories and even kidswear. Most importantly, we are able to provide a platform where all our sales last four days. As a members-only e-commerce portal, we know which brands our members shop for on our website.

How do you balance the act of providing discounts to the consumers while giving profits to the partnered brands?

IS: In an offline retail environment, we have high costs of holding inventory and of having the costs of owning a retail space. With fashion changing every season, one cannot sell or showcase previous season's stock unless it's an end-of-season-sale. In such a scenario, 99labels, as a liquidation channel, works extremely well for brands. We get all the discounts from brands, keep a small percentage of the same and pass on the rest to the customer. It is a win-win situation for all parties involved.



What tips do you have for new start-ups in ecommerce?

IS: My advice would be to stay cautious. Investments are low and business functions in e-commerce are capital intensive. Managing capital expenditure in a smart manner could be the trick to avoid burning out the funds. There are many ancillary business concepts such as logistics, production and marketing services for e-commerce companies which can be considered as lucrative business options to enter into.

Interview with founders of 99labels.com & askforpets.com

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	ISHITA SWARUP, CEO and Co-founder, 99labels.com	SUMIT ARORA, Askforpets.com	
	Most e-commerce companies in India are currently focussed on driving up valuations by increasing market share at the cost of profitability. Can the Indian e-commerce bubble burst?	Since our inception three years ago, we have seen the rise of multiple e-commerce players in all formats in India. With the influx of large amounts of investments into e-commerce companies in a short span of time, valuations have been exaggerated and have led to top line being the parameter of success and investment. Going forward, we will see a consolidation in this space.	I agree that the e-commerce companies are focussed on valuations, but the investors need returns and the multiples can be reached in four to five years only with valuations. I feel e-commerce is here to stay but consolidation will happen and there will emerge only two to three players in each category.
	What according to you are the product and service categories in which e-commerce is most likely to succeed in India?	Consumers want a convenient mode by which they can shop and get many options to choose from, and e-commerce fulfills that need. Categories such as clothing, accessories, groceries, electronics, stationery, lingerie, and books will see a rise in demand online. Alternately, we will also see the rise in demand for sites that cater to a specific target group or need.	While the niches will be able to capture limited market share, the maximum growth will be seen in general categories such as travel, general home products, electronics and apparels, which will rule the online space.
	What according to you are the biggest challenges e-commerce players are facing in India today?	The biggest challenge is logistics. From procurement, cataloging and order management to packaging, shipping, deliveries and returns, the efficiency of each step is a crucial aspect to ensure customer satisfaction. Another challenge is overcoming the disadvantage of the lack of a physical interface. Lastly, the ability to reach the right customer and increasing stickiness for brand is a challenge for the entire industry.	Logistics and supply chain pose a serious problem. We don't even have a properly standardised physical postal address system. To succeed, businesses will have to set up their own logistics systems. Payment gateway vendors and banks, which eat into the margins of e-commerce players, are other challenges. With low returns, the break-evens will be longer but again, it depends on category to category.
	FDI is not allowed in B2C e-commerce in India currently and foreign e-commerce firms cannot operate here. Do you support this policy? Why/Why not?	E-commerce in India is growing at a very brisk pace. If FDI is allowed, e-commerce will grow at an even faster pace. We hope and look forward to FDI in e-commerce as it will result in an influx of foreign investments, helping companies strengthen their back-end processes and logistics. The investors and other entities shall also bring in their expertise in processes from the online retail industry internationally.	FDI is a twin-edged sword. It is bound to bring in great brands to India and get better valuations and investments for the larger players. However, it will only kill the small startups who are struggling with initial investments. I would say FDI is good for larger e-commerce businesses in the industry, but it does not offer promising scenarios for budding entrepreneurs.
	What measures can the government take to give a boost to the Indian e-commerce industry?	Given that e-commerce in India is still at a developing stage and growing very fast, government's approval for FDI in e-commerce will boost this industry immensely in terms of investments, more brands entering India, etc. considering there is a huge initial capital outlay required to set up a e-commerce platform. We hope the government will consider relaxing regulations in e-commerce in the near future.	The government should expand the reach of the Internet to the smallest towns. Security in payment methods should be increased and more payment options should be made available, including enabling methods to accept micro recurring payments. Reforms are needed to strengthen the Indian postal service as e-commerce companies do not find it very reliable in both COD and non-COD shipments.
	What key advice would you give to entrepreneurs looking to start an e-commerce venture in India?	My advice to entrepreneurs would be that please be cautious. Investments are scarce at present and business functions in e-commerce are capital-intensive. Managing capital expenditure in a smart manner could be the trick to ensure that you don't burn your funds out.	India is a great market and this is the best time to be an entrepreneur. However, I would urge new entrepreneurs to plan and size the opportunity in the right way, create a strong team and, most importantly, have at least one year's operating funds in place before you start as it not certain when you would get funded.

16 E-commerce Firms Face Survival Test

The boom in online retail has given way to a bust of sorts as consolidation takes hold of the industry

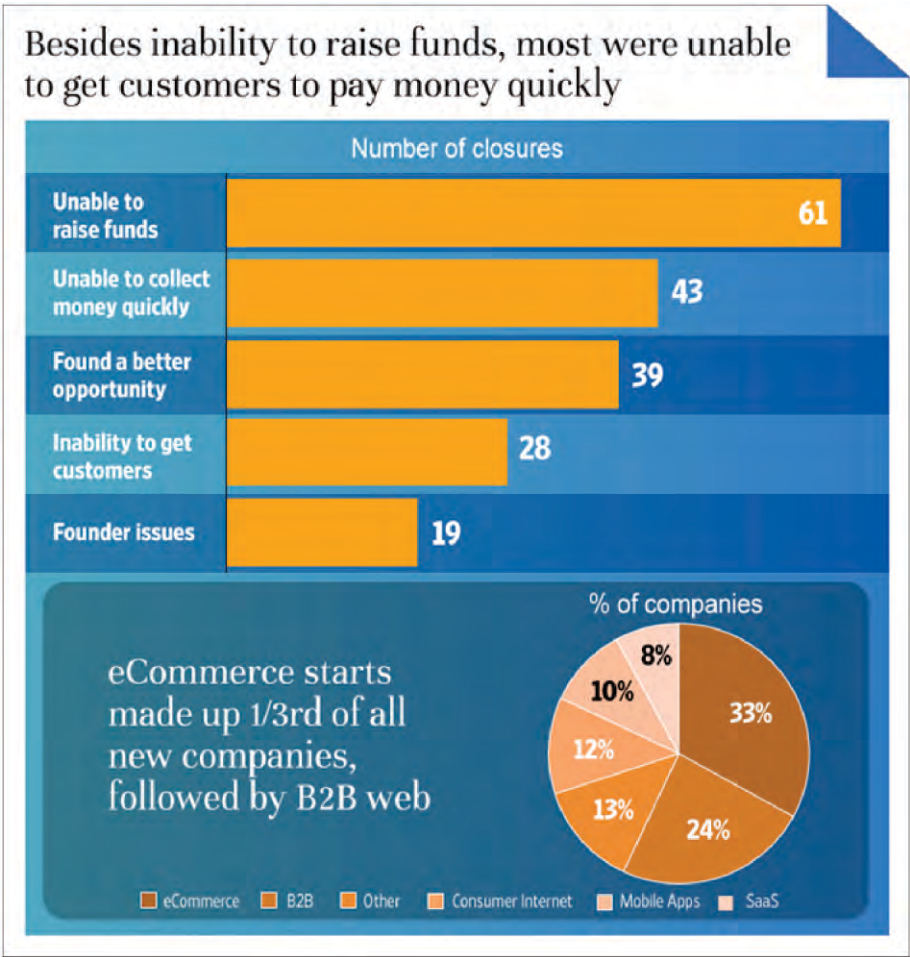
Nearly half of all the e-commerce firms launched this year until October have shut as investors tighten purse strings, leaving fledgling ventures starved for cash and forcing their exit. Entrepreneurial instincts have been tucked away as well, with most founders opting to work with large, stable employers, rather than start another online company.

Of the 379 technology product start-ups launched until October, 193 were e-commerce firms, and 87 of these, including Shopveg.in, Taggle.com and Letsbuy.com, have ceased to exist, according to the data compiled by **Microsoft Corp.**'s India Accelerator programme (The Microsoft Accelerator is a bootcamp for start-ups across India, China, US and Israel that offers mentoring and other help to technology product entrepreneurs).

"The gold rush of 2010-11 was followed by the 2012 hangover. That's typical of boom and bust cycles though," said **Mukund Mohan**, CEO in residence at Microsoft Accelerator, which tracked more than 6,214 start-ups and 3,948 technology product companies in India between 2009 and 2012. E-commerce start-ups comprised one-third of all new firms launched in this period, followed by business-to-business, consumer Internet and mobile application firms.

"It's certainly not for the faint-hearted, but kudos to all who tried, failed and are living to tell the story," added Mohan.

Letsbuy.com was acquired by **Flipkart Online Services Pvt. Ltd.**, which runs India's largest e-commerce portal Flipkart.com, in February. The purchase of the country's second-largest online electronics retailer was the third purchase by five-year-old **Flipkart** in the past two years.



Mortality rate in e-commerce is also rising because of consolidation forced by investors among their portfolio companies, said experts such as **Ashish Sinha**, who runs NextBigWhat, an online site covering start-up news and deals.

“Almost all investors are doing this,” said Sinha, who was a product manager at **Yahoo** before launching the start-up site in July 2009.

Other e-commerce sites shut this year include online eyewear store Lensstreet.com and Hyderabad-based group buying site Dealivore.com.

“A lot of these sites have dead inventories and the 20-30% discounts are not helping them cover their costs,” said Sinha.

In November this year, online retailer Myntra.com acquired SherSingh—specialising in sports and lifestyle apparel. The common investor was **Tiger Global Management LLC**.

For e-commerce entrepreneurs such as **Rutvik Doshi**, who founded online group buying site Taggle.com in 2010 and was forced to close it earlier this year, taking on rivals with deep pockets was the biggest challenge.

“We didn’t have the bank balance needed to sustain and it was difficult to take Flipkart and others with deep pockets head on,” said Doshi, who quit his job as a product manager at **Google Inc.** in mid-2010 to start Taggle.com.

Doshi is now an investor himself with Inventus Capital Partners, and spends time evaluating e-commerce ideas in which to put money.

“Until six months ago, every second idea pitched to us was e-commerce, now it’s every third of the ideas we evaluate,” he said.

When Doshi started Taggle.com, he was looking to leverage the market opportunity for e-commerce, estimated to reach \$125-260 billion by 2024-25 from \$10 billion in 2011, according to research firm Zinnov Management Consulting.

The drivers for estimating this growth were obvious—376 million unique Internet users by 2015, 450 million smartphone users by 2015 and an increasing proportion of Web-savvy, young population (estimated to reach 828 million by 2015).

In many ways, Flipkart is the inspiration for most young entrepreneurs. In August, the company raised \$150 million from four investors—the biggest fund raising by an Indian e-commerce firm ever.

But **Sachin Bansal**, the Flipkart founder who quit his Amazon.com job in 2007 to start the company, said the increasing mortality rate for e-commerce firms in India is a sign that investors are asking the right questions.

“Today, they want to know about very basic business fundamentals while evaluating e-commerce—the revenue and reach ambitions. From then (2007, when Flipkart was started) to now, the biggest difference is that we had no venture capital money—now there is,” said Bansal.

But that venture capital (VC) money is increasingly getting harder to obtain.

While VC firms invested some \$900 million in e-commerce firms in 2011, so far, that figure is less than \$500 million, according to Zinnov. In 2009-2011, VC funding in e-commerce grew by more than 800%.

“Investors have raised a lot of capital which they needed to put to work and generate returns. The e-commerce companies showed tremendous scale in short periods of time, which is ripe for venture investors,” Mohan said. “Everyone wants to be Flipkart when they grow up,” he said.

Founded in 2007, FlipKart has 4,800 employees and services 50,000 orders a day. Its average order size is Rs.1,200. It has a user base of 4.5 million, of which 2.6 million are active customers (those who have shopped at least once in 12 months). As funds become scarce, founders are getting back to working at large companies. According to the Microsoft Accelerator research, 61% of first-time entrepreneurs are heading back to work at a big company, and only 30% of them are seeking another start-up job.

Among the challenges faced by those who had to shut, getting customers to pay for services in time ranked second after inability to raise funds. And a quarter of the companies founded in 2009-2012 (up to October) shut within the first year of launch.

Bansal of Flipkart said raising venture money early brings its own challenges. Getting the business fundamentals right can become difficult.

“Our biggest lesson is that during the first two years we didn’t raise any capital. It helped in bringing discipline,” said Bansal.

Doshi of Taggle.com said it’s not enough to just build a website and expect it to become a viable e-commerce business.

“We all (Taggle founders) came from technology background and had no idea about back-end supply chains needed for e-commerce,” he said.

The rising mortality rate of e-commerce firms is also affecting the total number of start-ups launched. For instance, 519 new technology product firms were launched last year. This year, the number of new technology start-ups is expected to be 379.

The challenge is that not many may survive the first year. For instance, more than half the 190 firms that shut shop last year, closed down within 6-12 months of their launch, according to the Microsoft Accelerator research.

17 E-commerce Decade Next

The golden age of e-commerce is still some distance away

The Growth and Rise of E-tail is A Sustained Global Business Phenomenon That Offers Great Promise and Potential

By Manmohan Agarwal, CEO, Big Shoe Bazaar

Electronic commerce, commonly known as e-commerce, refers to the buying and selling of products or services over the Internet or other computer networks. Electronic commerce utilises several different technologies and tools like Internet marketing, social-media marketing, supply chain management, electronic funds transfer, online transaction processing, electronic data interchange (EDI), and inventory management systems. The World Wide Web is an integral part of modern e-commerce, featuring prominently in the transaction's life cycle, although innovations such as e-mail, mobile devices and telephones are also crucial drivers of this segment.

E-commerce provides convenience of round-the-clock access and availability, greater range of products, lower costs, swift delivery and easy payment options for customers. The availability of Internet allows customers in far-flung areas gain access to top domestic and international brands and labels. The online store also provides the option of buying and comparing multiple brands and products. The nationwide delivery network helps make gift shopping quick and convenient.

E-commerce also provides an alternate retail channel for brands, reduces storage, retail space, staff,



marketing, and advertising costs dramatically helping the brands with their bottom lines while simultaneously providing a greater consumer base.

THE BIG PICTURE

E-commerce the world over has seen a strong positive growth in spite of a very turbulent global economic environment. The latest comScore figures for the US



show a \$44.3-billion retail e-commerce spending for Q1 2012, and the segment continues to experience double digit growth. Global e-commerce sales will reach \$963 bn by 2013, growing at an annual rate of 19.4 per cent, predicts Goldman Sachs in JP Morgan's annual "Nothing But Net: 2011 Internet Investment Guide" on digital commerce. The growth and rise of e-tail is not a flash in the pan but a sustained global business phenomena with great promise and potential.

NEW KID ON THE BLOCK

India got its first e-commerce company in 1999. Amazon.com had been in business for four years and was pioneering the new segment of commerce called e-commerce in the US. The Indian e-commerce landscape started to emerge about five years back with new entrants adapting and innovating for consumers here.

Over the last few years, social media has become an integral part of the Indian netizen's daily routine. Brands quickly realised the power and capabilities of this new media and reached out to the online masses. Social media became the new medium for word-of-mouth publicity, and e-commerce started to grow at an unprecedented pace, and start-ups became part of our vocabulary.

E-commerce and the sub-set retail e-commerce (or e-tail) is still in its nascent stage. The e-tail spends are estimated to be `2,700 crore for 2011, growing at about 32 percent y-o-y.

The Internet scenario in India hit the inflection point a little over a year ago. With over 120 million Internet users, this constitutes about 10 per cent of the population, and the current market base is just reaching an inflection point. These numbers show the tremendous potential of e-commerce in India.

A flip side to this is the unreliability of Internet connections and poor speed that have discouraged users from shopping online. The need for high-quality pictures and detailed description also increases load time of websites. There is a need for high speed access and reliable Internet connections. The rise in Internet penetration and browsing speeds is inevitable. The golden age of e-commerce is still however some distance away.

India has an enviable mobile network. The increasing popularity and affordability of Web-enabled phones/devices capable of using the robust and widespread mobile network will lead to a massive Internet-savvy population. This mass, mostly comprising young Indians, will demand localised content, products and services. To cater to this vast market, e-commerce companies will have to expand and evolve. They will have to use global learning and develop indigenous solutions to tap this colossal market.

FOUR DRIVERS OF E-TAIL

Need: Major global and domestic brands in India were earlier unable to capitalise on demand from tier II and tier III cities. Their population had the brand awareness and aspiration levels but lacked access. The omnipresent nature of internet has brought brands across the planet to their doorsteps via e-tailing sites that have mushroomed across the fashion and lifestyle domains. Yebhi.com, for instance, offers over 300 brands and has delivered in over 11,000 pincodes across the country. Myntra.com retails over 500 footwear and accessory brands, while Jabong offers 10,000- plus SKUs of footwear. The reach of the Web is especially beneficial to brands that wish to expand their customer base but are unable to extend their store/dealer network. E-tail provides an alternate means of reach.

The next decade for e-commerce will witness humongous demand from an exponentially growing customer base. A primarily young population will have greater disposable income that will also fuel the growth of the e-commerce industry.

Convenience: Our lifestyle has grown incredibly demanding. The array of available brands and products makes it almost impossible to go to individual stores to pick the product. This is where e-tailing is at its most powerful. You can find and compare products across categories and brands and choose the one that matches your needs. The products are delivered promptly to your doorsteps, making the whole experience quick, efficient, effortless and stress-free. As has been often said, the world is flat and the convenience of online shopping extends from the bustling metros to remote villages in the hinterland.

In the next decade for e-commerce, convenience will be the gamechanger. We will see the lines of conventional and online retail dissolve completely. Retail stores will have their inventory stocked online. You would be able to shop through the entire catalogue and never run into out-of-stock issues. You would also find



independent kiosks where you will have augmented-reality fitting rooms. You would be able to check the fit, design and look and enjoy a unique shopping experience. The convenience will also be improved for payments, with popularisation of mobile money, nearfield technology and payment networks similar to the one we see currently in pre-paid mobile phone recharge.

Service: This is the pain point of the whole e-tailing experience. The kind of service provided to the customer is what will ensure continued patronage. This is the key to success for any company in this business or collectively for the whole segment. Good service ensures positive word-of-mouth publicity that travels across social networks like wildfire. This publicity has been very influential in shaping the current e-commerce landscape.

In the next decade, service levels will have to improve considerably as far as the e-commerce firms are concerned. The Internet as a platform and through its technological breakthroughs offers a fantastic opportunity to exceed currently available levels of service, be it online or offline.

E-commerce companies will be able to provide exemplary concierge services. They would transform from a product vendor to a solution provider, and be able to identify needs and provide solutions to customers in a non-intrusive manner.

Timely reminders and automatic restocking services would be available for customers. This will eliminate the need to micro-manage trivial purchases for customers.

To truly capitalise on this increased demand and need, heavy investments would be required in supply chains, manufacturing, storage and logistics departments.

Cost: The cost of shop space, sales staff, warehousing, marketing and logistics constitute a significant chunk of the final price tag for a traditional brick-and-mortar retailer. The e-tailing model reduces or eliminates most of these costs. The savings could then be transferred to the end user in the form of competitive pricing. This would make brands more affordable, thus increasing the customer base even further.

In the next decade, improvement in logistics and an increase in the market share of e-tailing will lower costs even further. We will see considerable savings for both customers as well as brands. This in turn will lead to higher demand and also make India a much more attractive destination for prospective brands from all over the world.

TECHNOLOGY: REACHING OUT

Social Media: Social media has been the best and very powerful tool for e-commerce companies to interact and engage with their vast customer base. This trend is expected to continue into the future too. The social networks will play a greater role in developing a recommendation engine whereby customers will be able to customise a product based on their likes and preferences.

Beyond the PC: E-commerce companies have made a conscious effort to go beyond the desktop and laptop. Most e-commerce sites are now available on smaller screens of tablets/smart phones as well. On the other end of the spectrum, these will also soon be available on larger screens like the television set. The next generation of televisions offer plethora of connectivity options. The TV viewing experience of the future would allow you to pause your TV show/movie, list the items that the actors are wearing, and seamlessly provide availability and pricing at your favourite e-commerce portal. These will also allow you to see how you would look with your purchase, based on your profile/avatar.

Mobile Devices: The emergence of smart devices that will integrate banking, shopping and social media will become the next generation platform for reaching, engaging and interacting with customers. Gradually, a hybrid of e-commerce, m-commerce and conventional retail will take shape.

A WHOLE NEW WAY TO SHOP

Virtual trial rooms and fitting room kiosks will be the new mantra. A universal fitting standard or size would be developed. All customers will be able to create a virtual profile/ avatar that will allow the user to see and try out different looks from a catalogue conveniently, easily and under various lighting conditions and environments.

This technology would incorporate a more developed augmented-reality system. The selected items would then be delivered directly to the address of the customers within hours. This will allow for an exhilarating and wholesome shopping experience.

E-COMMERCE LANDSCAPE

As the market shapes up, e-commerce will see a surge of companies enter the segment. There are currently thousands of e-commerce companies operating in the country. However, there will be mergers, acquisitions and shutdowns that will see the emergence of 5 to 10 major players in the coming years. Nobody can conclusively predict the growth in this space, but the consensus remains positive.

Taking India Online – Indiaplaza.in 18

Once upon a time, long ago way back in the previous century (actually in 1998 but 13 years is a long time on the internet) while I was working for Wipro, I was assigned a special project where I had to contact several people outside India. I was using the phone when someone suggested I should try email. I had no idea what he was talking about (seriously) and one of my friends helped me get an Hotmail id. While using Hotmail I saw an ad promoting a store selling books on the internet. I clicked on it, landed on the site amazon.com and as far as I was concerned, this click changed my life. I spent hours every day browsing through this site, absolutely fascinated by the concept of selling stuff online and felt that this was something waiting to be replicated in India.



In 1999, along with a few friends I got an opportunity to co-found India's first e-commerce company www.fabmart.com. We did not face much of an issue getting our seed funding. Our challenge was starting the business itself.

We decided to launch our site by selling music CDs and cassettes. We started off by meeting music companies and requesting them to sell their music on our site. Most of them were perplexed with our business and had a simple response – please buy whatever you want for your stocks and we can supply. When we said we wanted their meta data to upload on the site, they were like what?

The biggest challenge we faced was to acquire customers. These were the early days of internet commerce and customers had a lot of concerns regarding delivery, privacy, security etc. We realized that gaining the trust of customers was critical to our success and we launched a series of trust building measures like secure log in, SSL technology, 7 days no questions asked guarantee, 24 hour call centers, cash-on-delivery and many more, all of which are industry standards today and has been copied by other e-commerce companies.

Retail Margins in India are the lowest in the world for any category and useless on online shopping company expands into multiple categories, it is difficult to build a profitable business.

When you pioneer an industry you are faced to learn most things through trial and error. One key mistake was an error of judgment. We assumed that ecommerce in India will grow very rapidly. After a few months we realized that we had just signed up for the marathon and not the 100 meters sprint

event! When the dot com bust happened followed by 9/11, our goose was truly cooked. There was no one interested in funding our business and we had to use all our wits to survive.

We had started off by selling music online and briefly considered focusing only on music but after a few months when we noticed that the growth was slow we decided to expand into new categories. Retail margins in India are the lowest in the world for any category and unless an online shopping company expands into multiple categories, it is difficult to build a profitable business. So we expanded into books, movies, music, watches and groceries within 6 months.

Our grocery decision helped us survive the next few years. We started our online business for music and books with one warehouse in Bangalore. However, for grocery we expanded into warehouses in multiple cities like Bangalore, Mumbai, Chennai, Hyderabad and Pune. We saw a lot of customers ordering grocery online but the business was losing money. To reduce the losses we opened an offline grocery store in Bangalore in January 2002 purely as an experiment. Within six months the offline venture started growing significantly and it allowed us to open many grocery stores in Bangalore.

So now we had an online store selling multiple items and also offline grocery chain. To reflect the new business, we renamed our company and brand to Fabmall, India's first integrated online and offline Retail Company. The online business continued to grow slowly while the Fabmall offline grocery chain was exploding. In December 2006, the Fabmall grocery chain was acquired by the Aditya Birla group and renamed More.



We continued to run the online business and we were beginning to observe early signs of the oncoming growth. We had risen funding from the Indigo Monsoon Group, USA and I also felt that going forward, it made sense for us to rebrand the online business. The Indigo Monsoon Group had recently acquired a website in the USA which was focused on helping NRI gifting to India. This website was called indiaplaza.com.

I decided to merge the two companies and changed the new brand to indiaplaza.com

In my view brand names are very important. They must convey the type of business in a simple manner to customers and also build a connection with them. Indiaplaza does both because it explains to customers that it is a place where Indians can meet and shop and also the word India which can build a strong emotional connect with consumers. The brand has worked beautifully for us.

Most e-commerce companies have been reckless in their efforts to grow the business. They have focused on topline growth and ignored profitability and sustainability

Over the last 13 years since we pioneered online shopping in India, many things have changed.

The biggest change has been in the market size. When we started 1999, less than 3 million people used the internet in India and hardly 20 thousand people were shopping online. Today over 7 million people shop online in India and the internet user base has crossed 100 million, which means many millions of new shoppers will go online.

The third important change relates to investment. In the dot com boom and bust period, over hundred e-commerce companies were launched but we are the only survivors today. Most e-commerce companies had to close down because they were not adequately funded with capital. However, in the past few years, a few hundred million dollars have been invested into e-commerce companies and this is a clear sign that e-commerce is finally here to stay. For a company like us, it is a matter of great satisfaction that our pioneering efforts years back have led to the creation of a thriving industry.

I do have one concern though. Most e-commerce companies have been reckless in their efforts to grow the business. They have focused on topline growth and ignored profitability and sustainability. This is an issue since the business then requires a never ending supply of capital to keep growing which is not possible.

At Indiaplaza we have been clear from the beginning, we are running a business and a business must make money. I hope that all e-commerce companies also start looking at this for the overall health of the industry. Internet retail is here to stay and must grow in a healthy manner.

Ten Things I Learnt over 13 Years in E-commerce

1. Retail is about detail.
2. Consumers are disloyal by nature, any business that is built on the LTV (lifetime value) theory of consumers is likely to fail.
3. There are no online shoppers and offline shoppers. There are only shoppers and they will shop where they find value.
4. Offline retailers will continue to struggle in e-commerce as long as they keep repeating things that worked for them offline. The digital medium is different, very different.
5. Offline retailers have an intrinsic advantage in e-commerce due to their warehousing, inventory and the benefits of scale. They are just not using it well.
6. Anything can be sold online, this is limited by the e-tailers imagination, customers are quite open to try out new things.
7. Traffic and sales are easy to buy. The key success parameter in e-commerce is conversion rate %.
8. There is too much of myth about the looks of a website. Customers don't value this highly, all they need is a site that is fast and reliable not sexy and award winning design.
9. Cash on delivery is inconvenient for customers. They realize this after a few transactions.
10. Single category online stores may find it hard to survive, they will face competition from multi-category internet retailers like Indiaplaza and single category focused offline retailers who have higher scale.

(This article is by K Vaitheeswaran, Founder & CEO of Indiaplaza.com – India's first online shopping company. K Vaitheeswaran is also known as the father of e-commerce in India. He is a serial entrepreneur in the retail industry and the views expressed are his own. He can be reached at vaithee@indiaplaza.in)

Beautiful Colour Ful, Eventful Front End vs. Challenges At The Back End

19

The Qs and Answers thereof will stand off and may be striking also since it throws the reader off-track since in no way it is connected to the colorful front end of the ON-LINE COMMERCE and E-Tailing Industry as it represents the care the E-commerce company should take with reference to the SECURITY, SAFETY aspects where it stocks inventory viz. Mother Warehouses and Stock points. Tyco a Global Leader in this space through, Mr. Amar Subash , General Manager, Tyco Fire and Security India present some hard hitting facts which the industry must follow in its back-end.

Reading and Implementation will enable on-line companies and e-tailers to make “PROFITS” claims, Amar. Read ahead=====



SECURITY SOLUTIONS IN RETAIL SPACES

What security products & solutions is TYCO offering for retail outlets (for both external and internal safety)?

The Security Challenges of the Retail World are unique & depends on the retail space & nature of operations. TYCO provides customized security solutions that fit the unique needs to the modern retailers. TYCO offers a full spectrum of retail security solutions from Electronic Article Surveillance (EAS), video surveillance, remote viewing, video analytics, 24/7 Monitoring solutions & Fire Detection, to more robust solutions encompassing point-of-sale data mining and integrated technologies. TYCO’s Sensormatic Retail Security Solutions offers complete solution sets that go beyond just loss prevention to ones that can provide the tools for improved operations efficiencies. TYCO offers electronic article surveillance

India. However for most part of the decade they have failed to adequately recognize the fact - Shrink denting their margins & profitability & also failed to deal with the problem head on. In this highly competitive economic scenario, with global players entering Indian markets & local competitors expanding, the external pressures on margins driven by aggressive promotions to garner higher foot fall and excess inventories to meet any stock out situations, the need to conserve working capital, more and more retailers prioritize on their LOSS PREVENTION issues. The successful retailers place loss prevention on a higher priority.

Retailers are most concerned about becoming larger targets for shrink as they grow, particularly for lower Tier-1 retailers. For smaller retailers, employee related shrink remains a top concern, Yet as revenue rises, so does trust in employees. Small retailers are troubled more by employee theft, large retailers by consumer theft. Any technology refresh must eliminate the mundane work of balancing, cross-checking and low - level

data analysis, the essential value of business intelligence layered on top of existing investments. It is also long overdue that retailers get their perpetual inventory systems under control. It is simply not possible to get a handle on shrink when the data is only available by department or category. Further, as it relates to organized retail crime, the smallest retailers are often the biggest



targets, but don't often recognize it as such. All retailers should work more with local law enforcement and stay up to date on the tools and techniques of the largest retailers. Because LP is one of the rare components of retail not seen as competitive, there are myriad opportunities for retailers to learn from one another's experiences, while the keys to having a better perpetual inventory system may be closely guarded, the tools and techniques to keep employees in line and customers honest are openly discussed, particularly at well attended industry events. Finally, keeping Loss Prevention up-to date and date and shrink under control requires a continuous commitment with constant improvements. With difficult economic conditions, high unemployment and technology advances, thieves aren't going anywhere; they are only more desperate AND sophisticated.

Please name some of your retail clients.

We work with almost all the leading Retail clients across the industry like Lifestyle, Shoppers Stop, PVR, Muthoot Fin Corp, Best Seller, GRT etc.

What is the average cost a retailer (of approx 10,000 sqft space) would have to incur to set up the basic safety solutions? Please mention the safety products he should have in place.

It is dependent on the need of the retailer. We as solution providers urge the customers to look at the requirement in stages as we believe in providing scalable solutions. The retailer today look sat STORE PERFORMANCE as a key factor rather than deploying devices / solutions just for the sake of loss prevention. He could invest in a range of solutions starting from a base access control package for managing his own employees to scaling up to integrated solutions which aids in the retailers determining the performance of the stores

How do Tyco products offer security for the logistics business in terms of mishaps?

Tyco advances fire protection and security for transportation companies that depend on safe and efficient service. Tyco's industry-leading, integrated fire and security platforms help transportation customers improve business



bottom lines by offering operational efficiency and situational awareness, while reducing risk so that traffic delays are limited, vehicle capacities are increased and public transport is made safer. Tyco's fire, security, and Intelligent Transportation solutions lead the way in the aviation, rail, port, tunnel, highway/bridge and vehicle systems sectors in countries such as China, India and the Middle East. With a global network of R&D Centers of Excellence driving innovation and the invention of new technology, Tyco has the ability to integrate transportation platforms and offer customized fire protection, life safety and security solutions.

Tyco products and systems are used for multiple applications for the logistics and warehouse protection both for fire and security protection. Access Control systems like Software House and Kantech are used for ensuring entry only to the authorized persons and staff and also to ensure passage to restricted areas like the stores areas within the warehouse only for the selected staff. Surveillance CCTV cameras with Video Management software installed at various points within the warehouse ensures a strict vigilance on the movement of persons inside the premises and this coupled Video analytics helps in quickly tracking the footage. Perimeter fencing along with Intrusion detection cameras installed around the warehouse help in preventing unlawful entries and to track the movement of the intruder as also raise alarms and alerts to the security monitoring guards. Use of RFID solutions for tracking goods and materials and for inventory purposes are also provided by Tyco. Tyco's Simplex Fire detection systems are used in ensuring the fire safety aspects and to give out alarms in the event of a fire hazard happening in the premise. Very early warning detections systems are also used in warehouses which are used for cold storages where temperatures hover below – 20 deg C. Tyco's special ESFR sprinklers are used for rack protection and ceiling

protection. In case of cold storage warehouses special sprinklers have been designed by Tyco to work in Sub Zero conditions without freezing of the components.

What are some of the challenges faced by the logistics industry to which Tyco has an answer?

Logistics Industry is a fast growing industry & is adapting to technology to overcome the challenges on the fire & security aspects.

The major challenge is the availability of space & its utilization to the maximum which results in smaller approach areas & enhances the risk of a fire hazard. Tyco has special detection systems & ESFR Sprinklers to address such conditions & mitigate fire risks. High Ceilings and large racks for storage enhance fire risks as conventional detection systems take longer to detect fire / smoke. Early detection systems help in giving crucial time for taking necessary actions to protect lives & assets. Use of special type of Beam detectors which use single receiver for multiple transmitters are also useful.

Excess storage in warehouses more than the designed capacity & high racks make cameras placed inside the warehouse not able to cover the entire floor space. In cold storages normal cameras may not function because of low temperatures. Use of special cameras like Thermal cameras which use heat sensing to identify moving objects will be helpful.

The loading and unloading bays are most prone to mishaps due to mishandling and space restrictions. Use of RFID tags and systems help in routing the right goods to their destinations. This is also very useful for efficient inventory management where all the data can be managed centrally or from respective locations. Active management RFID tags also help in tracking the movement of goods.

What is the requirement at the Indian ports and warehouses for Tyco's products and services? (given the fire incidents, etc)?

Today's security threats to industry and commerce, along with more stringent compliance codes and standards, highlight the need for more comprehensive and integrated solutions.

Tyco has a range of products for ports & warehouses starting from Fire Detection & Suppression Systems, Access Control Systems, Surveillance cameras for monitoring both the periphery and inside, Perimeter protection & physical



A collage of various electronic products including monitors, speakers, cameras, and mobile devices. The products are arranged in a grid-like fashion, showcasing a wide range of consumer electronics.

20 **BABY and BABA can make it together**

Parents are not to cry before a baby comes in, Babies are not to cry when parents try to put something in. Bringing the outside world to the tiny footsteps at one click, Babyoye has made Baby's Day Out!!

Babyoye is a 2 year old organization based out of Mumbai. The brand is owned by Nest Childcare Services Pvt. Ltd. It was founded by Mr. Sanjay Nadkarni and Mrs. Arunima Singhdeo. The whole concept of starting an online retail for



babies and parents all over was to make parenting easier and convenient. Thus the website got conceptualized. The organization carries a Vision of being “The most trusted and convenient baby retail brand in the country”.

The organization own two brands- Babyoye and Kidsoye targeting to service babies and kids from 0- 14 years age. It has 55,000 products across 250 brands. Karishma Kapoor is the brand ambassador.

Being new in this upcoming industry and targeting parents to satisfy their infants, Babyoye has left no stone unturned to do the HAPPY BEGINNING in every house possible. This can be ascertained from the vast operations it is handling.

The Operational Approach

Servicing 1000 orders per day, not BABY orders but for BABIES is and will always remain a challenge!! Why, unlike adults, babies will not wait for their stuff, they will CRY!!!, make mothers/parents CRY if the ordered merchandise does not reach on TIME and in FULL (RIGHT ORDER, TIME, QUANTITY-----) and thus the immense challenge to have a ROBUST Supply Chain; before the first order was booked was to be envisioned as well as executed by the Babyoye team. And boy or should we say “Baba” they did so.

To illustrate:

1000 Orders per day across India are processed by their centralized Order Processing team, typical split in orders includes both COD (40%) and Prepaid (60%). Any cart size or shipment value is of Rs. 1000 – Rs. 1200. To manage the baby inventory Babyoye has dynamic, flexible and decent size warehouses at all major Metros. It has Transit warehouses known as “Consumer Stock Points” for local distribution at various cities. The entire back end operations are tied effectively and efficiently by in-house developed software to manage Inventory.

Not to make the baby cry, the commitment time of Babyoye for delivery is-

- Next day delivery for Metros- Mumbai, Delhi and Bangalore
- 3 business days for Mini Metros
- Within 5- 7 business days- PAN India

With the expectations set, Babyoye, set upon de-risking its Supply Chain by developing its own delivery network for the last mile; has extended its reach through its own delivery network and it services 55% of orders in a month by its own delivery network.

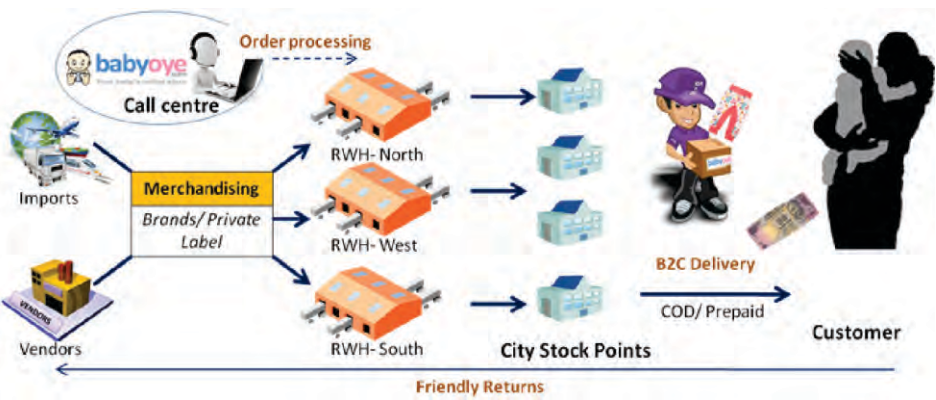
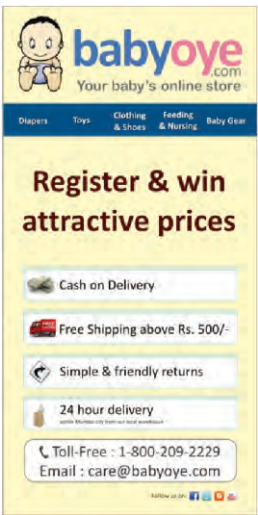
There is a 24x7 call centre with a Toll free no. to service all customer enquiry.

Though babies are said to be difficult to appease, Babyoye doesn't get much return from their parents that is less than 2%. The Returns include clothes and shoes for which they follow a "Friendly Returns Policy".

The model is well depicted below:

However Babyoye may have a bad day wherein it faces "The Challenges":

1. Serving remote geography where road network and overall connectivity is poor at remote towns
2. Since it has its own delivery model, the transits through Air/ Rail are affected during natural calamities and deliveries get delayed. To overcome this, alternate Trains and Flights are kept ready to make the deliveries happen. It does business with Air co-loaders and is partners with Rail.
3. On time delivery being an intricate part of the business, the delivery staff has



to be given a lot of incentives from time to time to increase delivery and hence productivity.

4. Cash collected during COD deliveries was an issue at a point of time which has been resolved through the Cash Management System where the partner goes and collects the cash. A Delivery dashboard is managed all across India.

However Babyoye Makes Babies “always SMILE” through effective KPIs viz.,

- 100% invoicing on the same day
- <0.2% Inventory Variance
- Receipt to GRN in < 48 hrs
- Returns < 2%

To Conclude:

Babyoye has become a partner to many parents ensuring informed decision, access to world class products and services at honest prices. Having a baby home is probably the most cherished experience for a parent. Along with the exhilaration comes the responsibility to provide the new family member with the very best in every sphere. Team babyoye has compiled special offers and services that make buying provisions breeze and make planning for the baby’s environment a part of the happy moments**"Happy Beginnings"** ----- Off Goes the efficient DELIVERY Boy of Babyoye.com ----- Your baby’s Online Store!!!



HAPPY PARENTING !! Karishma Kapoor- Brand Ambassador of Babyoye.com

HAPPY BEGINNINGS !!



Mr. Kiran Prajapati, Head - Operations at babyoye.com looks after PAN India Order fulfillment, Strategic Alliances & Off line Business Development. He has been associated with organizations like Bharti Airtel, TATA Communications and Dishnet DSL. He has been a front-runner with many awards on recognition, bravo, excellence, outstanding performance and Team work.

Reverse Logistics: 21 In E-commerce Industry

In the E-commerce industry product returns are unavoidable. Therefore Reverse Logistics/SCM is as important as Forward Logistics/SCM. The handling of your customer product returns actually can MAKE OR BREAK AN E-Commerce company especially if you consider COD returns as a critical “pin-prick” in the entire business model.

It is said the key differentiator in the coming times for this industry would be how good you are in handling returns i.e. how least is your cost therefore!!!

Customers when asked why they return the products had the following reasons:

- 1) Not What Expected
- 2) Broken/Damaged/Not functional
- 3) Quality –difference between perceived (on-line) vs. actual (physical experience)
- 4) Arrived too late
- 5) Suddenly decided didn’t want

Typical E-commerce Reverse Logistics Framework:



To name some policies of Returns of large International Retail Chains, Leading U S Lifestyle Retailer for example offer “free exchanges, easy returns”. They separate their returns into 2 categories, Free Merchandise Exchanges and Easy Merchandise Returns.

Leading U S Lifestyle Retailer offers free return shipping if the return is a result of their error, such as the shipment of incorrect product.

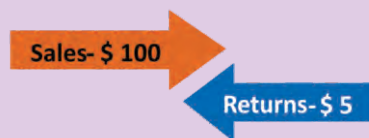
Leading U S Electronics Retailer the electronics retailer, limits the return period to 30 days of receipt.

So preparing and equipping your customers to handle their returns is one of the areas with the biggest pay off for your E-commerce returns processing. Also the returns policy will vary based on product categories. To illustrate:

Reverse Logistics & its Textile Industry Applications

By: Fibre2Fashion.com

During the past decade, logistics has gained an increasing importance among businesses. Reverse logistics has now become the point of focus for all businesses. A report says that out of every \$100 worth of sales, \$5 worth of goods are returned. This report presents an introduction to Reverse Logistics, its importance, application in various industries, especially textiles, and guidelines on how to manage it appropriately.



Returned products are generally considered as a problem for the manufacturer. Product return creates a number of problems like high cost to process, receive backlog, length of time taken for the activity etc. Optimum utilization of these goods has now given way to Reverse Logistics. This process plans and controls the flow of raw materials, inventory, and finished goods from the place of manufacture to the place of consumption. It establishes collection centers’ at various points so that used goods are collected from the final customer, or goods are removed from the supply chain for a more efficient use of inventory. It is more than reusing containers, or recycling packing materials. It includes processing of materials returned due to damage, recalls, obsolete product, or excess inventory. Re-manufacturing and refurbishing is also a part of reverse logistics.

Percentage of products returned varies from one industry to another. Normally companies deal with the returned goods in either or the three ways. They reuse them, resell them, or allow a third party to destroy them. Sales and marketing professionals view this as a warranty issue. Making

use of these materials in a creative and innovative manner along with the information obtained with the returned garment will benefit the manufacturer in a much better way. They maximize the company’s profits, by cost reduction through recycling.



Publication House



Beverage



Consumer



Pharmaceutical



Textile & Apparel

Textile Industry and Reverse Logistics:

The idea of application of reverse logistics in textile industry has been in existence since a long time, when merchants recognized that old garments can be used to produce new textile products.

Garments with small flaws like improper logos, stitching or pattern mistakes will be sold at discounted prices. The process of collecting these garments and selling them at the discount shop is a process of reverse logistics. Return of merchandise is normally estimated to be 4.15 percent.

Reverse logistics is used to clean up the consumer’s old stock of merchandise, so that they (consumers) will be able to purchase new garments. Many retailers and manufacturers announce new and attractive schemes, wherein the consumers can return the old garments purchased from their store and get a discount on the new clothes purchased from them. A retail giant for infant clothes came up with a new program called ‘Hannadowns’. In this program, the consumers were asked to return the old clothes; purchased earlier from their retail store. In return, the consumers will benefit a 20 percent discount on the new garments purchased from their store. More than 1, 33,000 garments were returned by the consumers which were gracefully distributed to orphanages and other charity institutions.

Steps for Effective Programming:

The following guidelines will help a manufacturer to effectively plan and organize the product return program:

- Analyze the returned garments and the reason for return, like damaged cloth, improper fitting, wrong printing etc.
- Analyze the return processing costs.
- Analyze the customer’s expectations in terms of speed of processing and issuing credit.
- Calculate the value of resalable returns.
- Make someone accountable for each return and measure their success in handling the return.

Experts view that reverse logistics accounts for 4% of the total logistics cost of a company. It has become a part of the management strategy. Many firms have even started ISO certifying the return process of their company. Ignoring the aspect of reverse logistics will not only be costly, but will also prove to be fatal for the organization

i. Reducing the flow:

This involves in finding ways to minimize the number of products that enter the flow. There is no guarantee that the product displayed will be sold. This requires the company's focus on the quality of the product and its user friendliness.

ii. Gatekeeping:

The policy of gatekeeping requires the company to restrict the number of products that come into the reverse flow. This should be done without damaging the customer's goodwill for the product and the brand. Gate keeping ensures to minimize the cost of the products that have been returned.

iii. Product Life Cycle:

There are normally four stages in the life of a product; introduction, growth, maturity and decline. Mostly companies concentrate at the early stages of the product life cycle and ignore the later part. They are not aware when a product is at its end stage. A product is likely to enter the reverse logistics flow at the end of its life cycle. The company should be able to identify the product at its end stage and plans should be made to utilize the situation to the maximum possible extent.

iv. RFID:

Keeping a track of where the products are moving in a reverse logistics flow may be time consuming. RFID technology helps to identify the products and look for it.

v. Two dimensional bar coding:

This technology contains a bar code that can be translated by the computer and match with the information already recorded in the memory of the computer. Along with this, it also contains a description of the text which is quite longer. In this way it is more beneficial than the one dimensional system, which does not have a description.

vi. Standardization:

Many companies have opted for ISO certification for standardizing their reverse flow process. If the companies feel that they lack proper skill and efficiency to handle the program, they might even consider outsourcing the activity, as handling the reverse flow and maximizing profits are specialized skills. But again, the total cost involved in the reverse process should be taken into consideration.

vii. Zero Returns:

Under this policy, the manufacturer never takes possession of the goods; once

sold. The retailer takes responsibility for the returned goods, as per the terms decided with the manufacturer. In return, the manufacturer credits the retailer with a reimbursement.

An effective returns flow will boost the customer's goodwill; develop his brand loyalty, thereby resulting in increased profit margin of the business.

Reverse Logistics is a valuable supply chain management discipline, but its potential is yet to be completely recognized.

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About Fibre2Fashion:



Fibre2fashion.com is world's largest B2B platform for Apparel, Textile, and Fashion vertical. Fibre2Fashion's articles are handpicked by a special panel of editors, and are the flagship of the textile and apparel sector.

To conclude:

Reverse Logistics is a newly emerging area that is just starting to get the attention of senior management and e-tail executives. It is highly likely that your e-commerce company has significant challenges in this area. Only one thing, all have it, you as a company is not alone. This is a New frontier which everyone has to conquer, the company which does it will be the ultimate VICTOR!!.

Glossary

1	24/7 E-tailing	Electronic retailing providing round the clock access to service or product
2	Application (Program or Software)	A program that performs a specific functions, such as creating invoices, calculating payrolls, or processing payments received from customers.
3	B2B	Transactions conducted between businesses on the web.
4	B2C	Transactions conducted between shoppers and businesses on the web.
5.	Bar Coding	Graphical representation (generally narrow and wide bars) that represent one of a number of numeric or alphanumeric standards.
6	Brick and Mortar	A retail business with a permanent physical location, as opposed to being entirely virtual.
7	Capex	Capital Expenditure
8	COD	Cash On Delivery
9	Company	A business engaged in commerce; synonymous with firm
10	Conversion Rate	The percentage of visitors who are converted into buyers.
11	Data Transfer	Any outward-bound traffic from a Website (excluding email). Each time a web page is visited by an end user, a data transfer is generated.
12	DCs	Distribution Centers
13	EAS	Electronic Article Surveillance
14	E-Commerce	Business transaction conducted on the internet
15	EMI	Equated monthly Instalment
16	ESFR	Early Suppression Fast Response
17	E-sourcing	The use of internet technologies in the activities a company undertakes to identify vendors to offer material, supplies and service that the company needs.
18	E-tail	Electronic Retail
19	E-tailing	Electronic Retailing. Business to Consumer (B2C) sales over the internet.
20	E-wallet	Functions much like a physical wallet and allows users to make electronic commerce transactions quickly and securely
21	FFC	Fulfillment Centers
22	Inventory	The quantity of goods and materials on hand waiting to be sold
23	Invoice	A detailed list of goods shipped with a detailed account of all costs including product prices, shipping cost, and sales tax.
24	KPI's	Key Performance Indicators
25	LSP	Logistics Service Provider
26	M-Commerce	Mobile Commerce
27	MST	Mountain Standard Time
28	NFC	Near Field Communication

29	Opex	Operating Expenditure
30	Order Confirmation	An email to a customer confirming the placement of an order.
31	Order ID	A unique identifier assigned to a customer order in Clear Commerce.
32	Order Management	System Software that enables online merchants to process, track, and organize orders.
33	Oxi Cash	OxiCash is a one stop shop for any payments you would like to make.
34	Payment Gateway	A business or software that enables e-commerce systems to communicate with a merchant's Merchant Account Provider to enable online credit card processing.
35	Portal	A website that serve as a customizable home base from which user do their searching, navigating and other web based activity
36	QR Code	Quick Response Code
37	RFID	Radio-frequency identification
38	Shopping Basket or Shopping	Cart When you shop online, you collect the items you are going to buy in a shopping basket or cart, so that you can check your list when you are ready to purchase them.
39	SKUs	Stock Keeping Units
40	SMB	Small to Medium-Sized Business
41	SSL	Solid-state lighting
42	Supply Chain	The Part of an industry value chain that precedes a particular strategic business unit. It include the network of suppliers, transportation firms and brokers that combine to provide a material of service to the strategic business unit.
43	Transaction Processing	Process that enables the clearing of purchases in an electronic environment, such as the Internet.
44	USP	Unique Selling Proposition
45	USSD	Unstructured Supplementary Services Data
46	VC/PE	Venture capital/Private Equity
47	Visitor	A person that visits a web site.
48	Visits PM	Visitors Per Month
49	Web Site Development	The front face to an online business, Web sites can be developed in house or with the help of Web developers. The presentation of a Web site depends on the level of development and technology implemented. E-commerce solutions are sometimes included in basic package provided by "e-commerce solution" providers.
50	WMS	Web Map Service

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Single Window for all Logistics Solutions



1000+ fully computerized offices • 5000+ strong and dedicated workforce • Over 7000 trucks in operation • Fleet of 4 cargo ships • 9.5 million sq. ft. of warehousing space • Moving 2.5% of India's GDP by value of cargo • Own Offices in 6 countries • IATA and ISO Certified



Transport Corporation of India Limited

Conceptualisation to Execution.....

Your Partner of Integrated Supply Chain Solutions

Key Industries

HI TECH (ICE)



- Inbound / Production Logistics
- Outbound Logistics (OBL)
- Handset Distribution
- Distribution Centre Management
- Reverse Logistics
- Equipment Logistics - Supplier to Site
- Multi-modal Movement

AUTO



- Inbound / Production Logistics (IBL)
- Outbound Logistics (OBL)
- Spares / After Market Logistics
- Multi-Modal Logistics
- OEM Solutions-Kitting & Line Feeding
- Reverse Logistics
- Yards and Distribution Centre
- Last Mile Distribution

HOW WE CAN HELP YOU ?

The core value offered by TCI SCS is in managing and integrating the flow of information amongst hundreds of outsourced supply chain partners and the enterprises that employ them.

RETAIL & CP



- Inbound / Vendor Logistics (IBL)
- Multi-Modal Logistics
- Distribution Centre Management :
 - Modern Retail
 - Tradition Distribution / Retail
 - Institutions (CSD)
 - Premium Packaging and Kitting

HEALTH CARE & LIFE SCIENCES



- Distribution Centre Management
- Express Movement
- Cold Chain
- Reverse Logistics

CHEMICAL



- Warehousing
- Packaging & Value Added Services
- Bulk Tankers
- Hazmat Logistics

COLD CHAIN



TCI temperature-controlled logistics provide transport solutions using state-of-the-art information systems to rapidly retrieve and move products and information across the cold chain. This is particularly crucial to cold storage and distribution supply.

There are 7 reasons why TCI Supply Chain Solutions is a preferred out sourcing alternative:

- Focus on corporate Core Competence
- Cost Reduction
- Enhance Asset Productivity
- Incremental Profitability
- Improve Operational Efficiency and Productivity
- Improve Customer Service
- Cycle Time Reduction

About TCI

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