

Waiting in the Wings

By Harminder Sahni

ONLINE RETAILING, WHICH THRIVES ON THE SAME NETWORK THAT OFFLINE RETAILING DOES, APPEARS TO BE AT A TIPPING POINT IN INDIA. AS RETAILERS DEVELOP THEIR SUPPLY CHAIN, A CRITICAL REQUIREMENT FOR SUCCESS AND GROWTH OF MODERN RETAIL, ONLINE RETAIL WILL BEGIN TO GROW BY LEAPS AND BOUNDS. IT'S JUST A MATTER OF A FEW YEARS.

→ I was perplexed by the mindless euphoria of the dotcom wave in the late 1990s, when it was being prophesied that no one will ever go to a store if they had the option to buy stuff online. Hence, it didn't seem odd that everyone was rushing to launch websites to sell every conceivable merchandise from electronics to books to pet foods to homes. Venture capitalists and private equity funds were eager to write cheques for any company that had a ".com" in its name, and it really didn't matter what was being offered and whether there were any consumers to buy the stuff online. The belief was that sooner or later consumers would switch to online shopping. The dotcom phenomenon was being compared to life-changing events, such as arrival of electricity or launch of telephony, and it was considered blasphemous to question this euphoria. The few voices of reason were buried under the huge amount of media coverage that successful IPOs of dotcom companies were getting. At one point of time, I called the dotcom boom "some kind of conspiracy to move billions from VC and PE funds to advertising agencies". Eventually, to my respite, the madness



ended with a "big bang" that took away billions of dollars down the drain with it. Had the euphoria lasted a few more weeks, even I would have joined or started a dotcom!

As much as I was quizzed by the euphoria about the dotcom boom then, I am surprised by the lack of it now in India. With millions of internet and mobile users, as well as numerous credit card holders, it, somehow, is hard to explain why we aren't seeing the launch of online retailers to serve these consumers.

To me, the not-so-obvious reason appears to be the small share of modern retail in India when compared to the developed world and markets such as China. While traditional retail stores throw direct competition to online retail, modern retail is a great enabler. The supply chain development, which is necessary for success and growth of the modern retail store business, is also the backbone of online retail. Starting from product standardisation to vendor development to inventory management and also the movement of goods, except the last mile difference, online retail thrives on the same network that

offline retail does. In this case, there is no ambiguity that offline modern retail has to be prevalent before online can emerge as a big alternative or player in the Indian or any market.

On this premise, I am convinced that online retail in India is at its tipping point. Modern retailers, as well brands and suppliers, are quickly developing supply chains across product categories and are investing heavily into the necessary and enabling infrastructure. On the other hand, the internet and mobile connectivity and consumers' acceptance to use credit cards online is reaching critical mass in many urban centres. Millions of new consumers have used credit cards to book movie, airline and train tickets online in the last two to three years. Sales on many internet sites have grown manifold in the last two to three years, and most of them have only scratched the surface of the huge potential market. I believe consumers have already shown they are ready to shop online as long as there is a good reason for them to do so. The reason could be convenience, price, range, options to compare and select quickly and a combination of these and others.

So, why is it that even after reaching the tipping point, online retailing in India has not started to roll? I think the baggage of the calamitous experience of the last dotcom bust is so heavy that a strong nudge is required to push this over the tipping point. And the good news is that the

With the success of online ventures of offline retailers, VCs and PE funds will be open to fund pure online retailers.

SALES ON MANY INTERNET SITES HAVE GROWN MANIFOLD IN THE LAST TWO TO THREE YEARS, AND MOST OF THEM HAVE ONLY SCRATCHED THE SURFACE OF THE HUGE POTENTIAL MARKET.

tipping point came recently when Future Group announced that in the next few years, around 10 per cent of its sales would come from online. This announcement is bound to send huge waves, not ripples, across the industry. If Biyani puts resources of India's largest modern retail company behind this idea, I am quite certain that the 10 per cent of online retail sales will come much earlier than announced.

have an offline business – in a big way. With the success of online ventures of offline retailers, VCs and PE funds will be open to fund pure online retailers, too. The recent funding of 'fashionandyou.com' by Sequoia could well be the start of another major round of PE funding coming into the online retail business. Wal-Mart has recently agreed to invest \$500 million into an online retailer, '360buy.com', in China. I feel



But the bigger action will happen elsewhere – as Future Group will go forward, other modern retailers will not be able to ignore going online and they will have to offer attractive options to consumers and encourage online shopping. The collective effort of these retailers will lead to a major surge in online shopping and India will be well on its way to catch up with China, and finally with the US, on the online retail curve.

I also see the return of pure online retailers – the ones who will not

confident to project that within five years, someone will be investing a similar amount into an Indian online retailer; and the chances are that this online retailer has not even been launched yet! ❌

ABOUT THE AUTHOR



Harminder Sahni is founder and managing director of Wazir Advisors.