

BEST FEATURE IN BUSINESS JOURNALISM



SHRUTIKA VERMA

Shrutika Verma won the PoleStar Award for 2011 for her article, 'Services Economy Moves Online', which appeared in Businessworld, dated December 2011.

Shrutika Verma is a Principal Correspondent at Businessworld magazine, where, for the past 2 years, she has focused her writing on e-commerce, consumer durables and education sectors. She has also worked at Reuters as a Technology and Media correspondent and has written on major IT companies such as Apple, Microsoft, Google, Broadcom, Facebook, Adobe, Cisco, etc. She has a post graduate degree in Mass Communication from the Xavier Institute of Communications, Mumbai and a bachelor's degree in Journalism from University of Delhi.

Services Economy Moves Online

Shrutika Verma

December 2011

A rooster screeches its lungs out, jolting me out of my sleep. As I lazily toss in bed, my brain lulls me to get back to sleep. But the screech gets deafening. Chennai-based sleep.fm, the Internet alarm, has just done its job, kicking off my day-long rendezvous with services on the world wide web

It's 6.15 am and my yoga instructor has arrived. I found him through 32-year-old Delhi entrepreneur Mohan Kumar's theyogaguru.com, one among several sites such as yoga.in and yogalife.org that connect yoga teachers with clients, as per need, or budget. Choose from power yoga, yoga for specific ailments, yoga for office and yoga to — hold on — gain weight! Their income stream is website advertisements and a share of the instructors' Rs 1,200-2,000 an hour charge. On a monthly revenue of approximately Rs 5 lakh, Kumar says he makes Rs 1.5 lakh as profit.

You could be forgiven if you are a cynic but at least 150 million Indians — the world's third largest Internet community — buy services and products worth Rs 48,000 crore (about \$10 billion) annually, and the market is growing at a whopping 50 per cent a year. Services form the majority (92 per cent) of the overall e-commerce industry, vastly dominated by travel (75%). What's noteworthy is the big rush for non-travel services, which accounts for 8-10 per cent of these services. For this story alone, we met 30-odd entrepreneurs who have set up shop in the past year or so — and they are a mere fraction of the total community. Thousands are going live every day, even as many fail within a few months of starting out bravely.

Online Explosion

Today, if you can spend days without stepping out of home, that's because you can order 'convenience' at the click of a mouse. Ingenious entrepreneurs are trying out everything they can: offering temporary drivers and domestic helps, plumbers and virtual secretaries, chopped vegetables to readymade tiffins, and car washes to shoe repair. "India is going through Web 1.0 and Web 2.0 together. We will see large Internet businesses being built in a very short span of time," says Rajan Anandan, managing director, Google India. This movement is significant because it is tapping into an existing need. The odd one who gets his model right — and funding correct — could build an iconic business. At the moment though, it seems customers are getting a better deal than entrepreneurs.

My mother has long been nagging me about a kitchen shelf that needs repair. The local carpenter isn't keen on the minor job, and we're chary of asking a stranger to land up for the job. But I did my bit of research before logging on to 24-year-old entrepreneur Shaifali Agarwal's easyfix.in. The flash effects-laden website offering electricians, plumbers and carpenters takes some time to load. After struggling to understand the 7-page menu, I ring up their call centre and book a service. The business is five months old and Agarwal says she earns Rs 6,000-7,000 a day by running a tight ship of 25 handymen. At a minimum of Rs 100 a visit, charges are higher than the neighbourhood carpenter, but certainty of service and ease of use make it a service worth trying. Despite the demand, Agarwal is barely keeping her head above waters. Scaling up nationally requires substantial investments. More importantly, it requires hundreds of trained carpenters, plumbers and electricians, all of whom also have to be trustworthy. Her struggle is on, though some day she hopes to offer housekeeping services, nannies and even drivers.

If you are one of those who have lived through a similar rush of online services in the dotcom boom of 1999-2000, the new websites and their offerings will sound eerily familiar. But almost none of today's entrepreneurs have those easy dollars of angel investors, venture capitalists or private equity that characterised the first dotcom boom. Most VCs today shun online entrepreneurs with shaky business models. Instead, most of the people we spoke to have kicked off with meagre resources of family and friends. Agarwal received 50 per cent of the Rs 20 lakh initial investment from her former employer ChannelPlay. Part of her share of Rs 10 lakh was borrowed from her father. Arguably, the founder's direct intervention keeps a tight leash on funds, and services are vastly better.

The Virtual Experience

The volumes needed to build scale are hard to come by despite the convenience and attractive prices on offer. What could help is the coming 3G boom this year, to be followed by the broadband wireless rollouts. But for those on the edge, every passing day is crucial. Companies are failing at nearly as fast a pace as they are starting. Between the time I first heard of groceries site nammagroceries.com in September and vegetable suppliers subzimandi.in and harisabzi.com a fortnight ago, and today, the three have downed shutters. "People inquire about setting up a website for Rs 20,000, they think e-commerce is a joke," says Sadique Ahmed, CEO, Pathfinder Software Solutions, a Chennai-based consulting and Web designing company.

But I thank my stars that I have plstakemycall.com — my virtual secretary at Rs 1,000 a month — as I troll online news feed without

being interrupted by calls. All I had to do was to divert my calls to the call centre of Delhi-based My-Tel Technologies. I chose to call my assistant “Monica”. No biases! I have never seen her and I talk to her when I need to change the script of my opening message. By default she says “Good morning! Can I have a message for <customer’s name>” Some find her rude, and her American accent, fake. Some think she sounds like a tele caller. My ‘dearest’ friends are convinced I change my voice to flaunt a secretary.

When Monica is not taking my calls, she is Jenny for a Delhi-based cricketer who is part of the current Indian team, and Aradhana for those calling a renowned singer. But Monica has simplified my life. Details of all calls received are SMSed within 15-20 seconds. Clients can also ask for a call list e-mailed to them every day.

Seven months ago, founder and CEO Harpreet Singh borrowed Rs 10 lakh from his father’s chemical business to fund plstakemycall.com. He hired 25 agents like Monica to cater to 800 customers like me. Service is only available from Monday to Saturday, 9 am to 8 pm; he will go 24x7 soon. Singh’s monthly revenue is Rs 6-8 lakh, but he is losing money currently. Profits will come at 1,500 customers, he says. For professionals such as lawyers, the company has customised offerings, including reminders for important meetings or court hearings.

The More The Merrier

This day that I have taken off from office is as much to pacify my parents who are ever complaining about my odd working hours and usual absence from home as it is to actually try out the services these entrepreneurs are peddling. As a ‘responsible’ member of the family, I undertake household chores for the day. I start with cleaning. Sweeping and washing are not my cup of tea. Fortunately, we have Vini. No, I have not found her online! Although aasthajob.com and babajob.com could help you find a domestic help. Four-year-old Bangalore-based Babajob.com is a social networking platform like LinkedIn, but for the blue-collared workers. It makes money out of ads. About 730,000 jobs are on offer today. The firm uses SMSes, automated voice systems, and calls to connect employers with maids, cooks, drivers, even gardeners. The problem is that it works erratically. A couple of my friends have no luck whatsoever while trying to find domestics through Babajob.

Next, I turn to my room. It begs for a makeover. The corner is stacked with books — college textbooks, fiction, non-fiction and some old diaries. Next to the stack is a broken photo frame and a bagful of greeting cards collected over a decade. I put them all in five boxes of 15 x 12 x 10 inch from Amit Wilson’s StoreMore.in.

Wilson, founder of StoreMore.in, wants to make a business out of the average Indian’s habit of hoarding objects in the name of emotions. He stores the boxes at Re 1 a day at his warehouse in Noida. Storage for unlimited number of boxes costs Rs 499 a month. I chose a three-year plan for Rs 999. The 3,500-sq. ft warehouse is fire proof and is secured by automated locking systems. Pest control is every 15 days. Should you need any item, mail the company with the box’s bar code, it will be delivered for Rs 200 per trip.

Wilson and partner Nitin Dhawan started StoreMore in June 2011 as a second thought after they founded Reliable Records under

Star Records Management in May 2010, as an office documents storage for entities such as law firms and government departments. “The StoreMore concept sounds interesting to many. But when it comes to placing orders, hardly 1 per cent of total inquiries materialise in business,” says Pooja Kothari, Wilson’s business as well as life partner.

StoreMore is yet to hone its business model. Wilson, for instance, doesn’t know whether to store an old refrigerator or a bike or furniture. “You cannot stack them one over the other like boxes,” Wilson explains. Mom’s old sewing machine, the outdated monster-size vacuum cleaner and a Daewoo double-door refrigerator can’t be accommodated at StoreMore. So I turn to classified portals Olx.in and sulekha.com to dispose them of. Olx has an Android app, which I promptly download on my phone. For the sake of convenience, I chose it over Sulekha. Within three days, I had sold the 10-year-old refrigerator, without compromising on the price.

Incidentally, online classifieds such as Sulekha.com and Naukri.com are the rare remnants of the Internet boom-and-bust of 1999-2000. According to the Internet and Mobile Association of India, online classifieds was a Rs 1,210-crore business in 2009. Of that, online jobs were Rs 484 crore. B2C (business-to-consumer) classifieds are barely 9 per cent.

Olx, to me, is a second-hand goods sale platform; but for my Bangalore-based friend Antonita, it is the place to meet book lovers who exchange old titles. With eight to nine million visitors per month, Olx — a free classified site — is localising with regional language content and city-specific hyper links to widen its presence from the 1,000 cities and six languages it has. Classifieds are free, but you could pay Rs 50 per week to figure on top of the searches. “We already have Google ads on our website; that’s our way of sustaining the business right now when the user base is not large enough,” says Amarjit Singh Batra, country manager, Olx India.

Bangalore, Mumbai, Pune and Mysore residents also have the option of librarywala.com. Beginning with 9,500 books in August 2006, it is India’s biggest online rental library with about 22,000 members, 30,000 unique titles and 35,000 books. The business model is simple. Money comes from registration fee, book rentals and book sales. Rentals vary from Rs 79 to Rs 299 a month. It turned profitable last fiscal.

Will They Bust?

Experts are polarised over the kind of online businesses that will survive. Many think changing lifestyles and the need for services at the doorstep will drive the services economy; others say human-intensive businesses may be the first to wind up. “If the firm has a software-based model, it is scalable. In (labour-intensive) businesses, the challenge is building the talent pool,” says Praveen K. Kopalle, professor of marketing at the Tuck School of Business at Dartmouth.

“In services, customers don’t know who you are and what kind of service will they get. Marketing budgets and planning have to be strong to build trust,” says Pathfinder’s Ahmed. As I get on with the cleaning drive, our service-starved five-year-old car grabs my attention. carwashwale.com comes in handy. Within hours, two uniformed representatives are at the door with a 30 kg bag on a

bike. They ask for 3 buckets of water and a plug point. The pressure cleaning, buffing and minor paint job takes about one hour and Rs 700. When 28-year-old Gaurav Shokeen and his 24-year-old cousin Vineet Dabas tossed up the idea seeking initial investments from their families in February 2011, they were snubbed: "What kind of work is this? Will you clean dirty tyres and windows of cars after finishing an MBA?"

But their car-cleaning-at-the-doorstep idea generates 100 queries a day, 30-40 get converted into firm calls. Of three dozen service providers I met, carwashwale claims to be the most profitable. Founders say the net profit is Rs 1.8 lakh on a Rs 3-lakh monthly revenue. The initial capex of Rs 10 lakh will be recovered within a year. "Looking at the scale of our business, the families are happy," smiles Dabas and Shokeen.

Franchise operations will start soon in Vapi and Chandigarh. Royalty will be 30-40 per cent of the revenue. Next, it intends selling accessories such as door mats and car fresheners, gradually moving to basic services such as engine oil and seat cover replacements.

It has rivals in city-specific sites such as delhicarwashers.com. But I really miss pegasusfacilities.com kind of services in Delhi. The Chennai website is a one-stop shop for cleaning: living room, bathroom, kitchen. Even gas stove, chimney and exhaust fans. Founder Vijay Simha, started way back in 2000, and earns Rs 30 lakh a month, but scaling up to other cities is a puzzle he is yet to crack.

As winter is on, I fish out my boots. They are fungus-ridden and I need theshoespa.in. Twenty-four-year old Noida-based entrepreneur Tabish Ahsan and his ex-partner Saral Budhiraja believed if humans and animals can have dedicated spas, so can shoes. So, after getting their bachelor's degree in business administration in July 2010, they launched theshoespa.in.

Ahsan's 13 employees travel on bikes, collecting shoes, cleaning, mending and colouring them at the workshop, and then delivering them back. The company's monthly turnover varies from Rs 60,000 to Rs 1.5 lakh. "There were days when I had no orders at all and did most of the work like shoe collection and repairing them in my backyard," says Ahsan, who now gets 500-700 orders a month from just the national capital region. Charges vary from Rs 99 per pair to Rs 699, depending on the make of the shoe and service required.

Although margins are healthy, the break-even is three-four months away as he is yet to recover his initial investment of about Rs 11 lakh in machines and marketing. Scalability remains his biggest concern, though for stable revenues he is in discussion with Reebok and Nike for the tie-up. But he will need to plan for spa services for leather bags and accessories to keep pace with the market. "For survival, one needs to experiment and innovate," says Ahmed of Pathfinder.

Online Gains

Kelvin's just sneaked into the room to draw my attention to a guest at the door. My uncle's three-year-old Golden Retriever needs a makeover too. I had booked a slot with petspot.in, but handling Kelvin while driving is tough. So I had requested a driver from

driverbulao.com. The gentleman in a neat white shirt and black trousers has arrived. At Rs 250 for four hours, Rs 500 for eight, these drivers come at a premium, but are efficient and police-verified by the company. Driverbulao shares 70-85 per cent of earnings with drivers but is yet to break even.

Mumbai too has the three-year old driverinmumbai.com — a very different model. It operates as a consultancy out of a four-bedroom flat in crowded lanes of Bandra West, providing drivers to individuals for Rs 450 for eight hours and to companies as well. The website has more than 5,000 contract drivers plus 35 employees in the backend. Besides a share of the fee, drivers also pay to register on the database. It makes Rs 4 lakh a month with a net profit of Rs 1 lakh.

As I get ready to take Kelvin to petspot.in, I pray it is as good as the dog grooming service I availed at kabbs.in in Chennai's Alwarpet. Founded in July 2010, it allows online appointments for spas, grooming, massage and styling of cats and dogs. You could also buy dog/cat grooming products. Sundar Ramaswamy, founder of kabbs.in clocks revenues of Rs 2.5-3 lakh a month with a 40-50 per cent margin, catering to about eight pets a day. Ramaswamy himself got trained in Singapore and invested Rs 10 lakh in importing equipment from China. After an hour-long hair cut — with spikes — and shampooing, Kelvin seems happy.

Returning home well past lunch time, I get ready to deliver on my promise of the 'biryani' dinner. I must have been brave. I venture near the kitchen only if I sniff an LPG leak. If you are in Chennai, veggibazaar.com will deliver chopped vegetable packs for specific dishes such as biryani. Delhiites have no such luck, so I hunt for online recipes. All I know about biryani is it tastes delicious when served hot with some raita and tastier when someone else cooks it. But cooking it from scratch? May God save my family tonight!

Last night, I ordered vegetables on freshsubzi.com. My mom's heart skipped a beat when I was ordering tomatoes. "Make sure they are red, juicy, round... not too soft, desi...", her list doesn't end until I click 'submit'; actually not even after that. To calm her down, I take her through the pedigree of vendors such as freshndaily.com, freshsubzi.com and veggibazaar.com. That the founders are smarter — some, engineers and IIM graduates — than the local sabziwalas and that vegetables will be delivered. Most of these young entrepreneurs have quit their jobs dreaming of scaling up to the levels of a Tesco.com or Webvan.com.

All In A Day's Time

Most online vegetable sellers have identical models. They collect orders by night, procure vegetables from the local mandi in the morning, pack them in branded bags and send it to your doorstep. This helps them avoid storage costs, losses and fluctuating vegetable prices. The US has been the graveyard of online vegetable vendors, costly delivery model being the difference between success and failure. Since margins are 3-4 per cent, delivery models need to be efficient.

But who's afraid of experimenting? Starting in 2009, Veggibazaar is at Rs 2.5 crore in revenue, it says. Initially, it tried delivery through refrigerated trucks with GPS trackers linked to website. But had to dump the expensive model soon enough. "Hiring trucks had

shot up our expenses which looked impossible to recover and so we moved to two wheelers,” says founder-director K. Venkatesan, who quit a leading IT firm during recession to turn entrepreneur.

Searching for a recession-proof business, he studied international models freshdirect.com, Walmart and Tesco.com, which helped him create Veggibazaar. He aims to be a Rs 100-crore company in three years by providing pan-India services. His short term goal is to reach five cities by 2012. Venkatesan also hopes to modernise vegetable selling on carts by introducing Godrej's Chotukool refrigerators to deliver.

For inspiration, he may look at the ingenious delivery model of Mumbai-based Freshndaily.com. Thirty-year-old Vikas Chauhan, who quit an IT company, has a delivery van that procures vegetables from local mandi, brands them with FreshnDaily packets and delivers to areas it has identified as key zones. It has just two delivery boys who supply in key zones. For the rest, it has tied up with small nook and corner shops. At Ghatkopar, for example, the helper of the corner mobile recharge shop collects the vegetables from the delivery van and delivers door to door. FreshnDaily pays the errand boy a monthly salary and the mobile shop gets the boy's services for free. The shop even gets an incentive when deliveries cross Rs 5,000 a day.

Chauhan and his three partners invested Rs 30 lakh in November 2010. The business has since expanded to five pin codes in Mumbai. Revenues have shot up from Rs 1 lakh a month to Rs 7 lakh a month. On an average, it takes 60 orders a day with average ticket size of Rs 400. The company is looking to raise funds to expand to other cities.

The vegetables arrive. Mom had a complaint or two but no serious objections. It is not just the vegetables, you can order groceries too online. I log on to aaramshop.com and order the month's ration. Prices match my local kirana store. Delivery is free at the doorstep. The most interesting online grocers, however, are in Bangalore: atmydoorsteps.com and ecityindia.com.

Sushant Junnarkar, founder and CEO of atmydoorsteps.com quit a cushy job with an MNC bank and rented space right next to wholesale mart Metro cash and carry in Kanakapura area. Unlike other vendors who rush to a local wholesaler, Junnarkar, IIM-Ahmedabad pass-out, heads to Metro every morning and procures items based on the previous night's orders. This helps him play in margins of about 8-12 per cent, higher than the usual 3-5 per cent. After trying his hands at three different businesses, eCityIndia's Arun Sundaram also narrowed down to a similar business model. He, too, procures from Metro Cash & Carry.

The biryani preparation — as expected — was a disaster. Meanwhile, zomato.com's mobile app came to my rescue. From posh restaurants to neighbourhood dhabas, you can troll addresses, phone numbers, emails, menu cards, even reviews if

you like. I, of course, ordered biryani. Zomato is a three-year-old creation of founders CEO Deepinder Goyal and chief operating officer Pankaj Chaddah. It is a 100-people company with a turnover of Rs 40 lakh a month.

Zomato gets 80 per cent of its revenues from ads on its website. The ad rates range from Rs 15,000 to Rs 40,000. Twenty per cent comes by revenue sharing between the restaurants featured on the website and Zomato.

The Web Advantage

If you are not the type who swears by food from a restaurant, home-cooked food is delivered by yummytiffins.com from a wide menu option — of nine varied breads/rotis to 12 curries/vegetables. Started in May 2010 by 25-year-old Pratik Jain, it earns Rs 4 lakh a month in revenue. Jain, who enjoys margins between 30-40 per cent, is negotiating with franchisees in Pune and Delhi. He hit upon the idea after getting fed up of the local dabbawala's fixed menu. He invested Rs 4 lakh in a kitchen in Goregaon. His staff comprises two chefs and 5-6 helpers who procure grocery, cut and chop vegetables and pack the boxes. For delivery, Jain chose the dabbawalas themselves, catering to the 250 customers yummytiffins has on board.

At the dinner table I introduce my dad — a banker — to policy comparison websites.

“To ban gaye na ullu” tagline of the policybazaar.com ad is already a hit with my parents. Hence, selling him the idea of researching online through policybazaar.com. Its money comes from featuring investment products/ instruments from insurance firms. The more visibility they want, the more they have to pay.

Closer to rounding up the eventful day, I wish massage and grooming services at the doorstep such as Mumbai's belitaindia.com were available in Delhi. Belita — Spanish for 'little beauty' — is a women's salon that takes orders online and over the phone, and provides services at customer's doorstep. Started by 27-year-old Garima Jain in October 2010, it serves parts of Mumbai: Andheri, Kandivali and Powai. By 2013, it expects to grow from two to eight branches in Mumbai. The website earns about Rs 5 lakh a month and currently operates at net margins of 15 per cent. Jain is looking to raise about Rs 1 crore through angel investors before January 2012.

Half dreaming of the massage I didn't get, I stagger towards my room when my concerned dad cries out, “Don't order your husband online.” If only websites offered boys with a five-year warranty. Or, at least, you could customise them!