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INDIA'S  
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MAGAZINE  
ON MODERN  
RETAIL

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## E-Commerce The New Gold Rush



**ENTREPRENEUR**  
Naresh Khatar  
CMD  
ME N MOMS  
Baby Business



**RETAIL EXCELLENCE**  
Sahil Malik  
MD  
DA MILANO LEATHERS  
The Italian Touch



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Editorial Director  
Publisher

Amitabh Taneja  
R S Roy  
S P Taneja

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#### ADVERTISING

##### Waseem Ahmad,

assoc. vice president (real estate)  
waseemahmad@imagesgroup.in  
Mob.: +91 9833628852

##### Mansi Chawla,

senior general manager (retail support)  
mansichawla@imagesgroup.in  
Mob.: +91 9899900399

##### DELHI:

**Sachin Khanna**, asst. manager (real estate)  
sachinkhanna@imagesgroup.in  
Mob.: +91 9818818142

##### Mohd. Iqbal, asst. manager (tech.)

mohdiqbal@imagesgroup.in  
Mob.: +91 9871249479

##### Naveen Chauhan, dy. manager (retail supp.)

naveenchauhan@imagesgroup.in  
Mob.: +91 9891390763

##### MUMBAI:

**Nayan Shetty**, manager (retail support)  
nayanшетты@imagesgroup.in  
Mob.: +91 9892769533

##### Chandan Singh,

sr. exec.- sales (real estate)  
chandansingh@imagesgroup.in  
Mob.: +91 9769653976

##### Images Multimedia Pvt. Ltd.

**Delhi:** S 21, Okhla Industrial Area, Phase II, New Delhi 110020  
Ph: +91-11-40525000, Fax: +91-11-40525001

**Mumbai:** 1st Floor, Bharat Tin Works, Opp. Borosil Glass Works, Off. Military Road, Marol Maroshi, Andheri(E), Mumbai 400 059  
Ph: +91-22-42567000, 29200043/46, Fax: +91-22-42567022

**Bangalore:** 523, 7th Cross, 10th Main, (Jeevanbhima Nagar Main Road), HAL 3rd Stage, Bangalore 560 075 Ph: +91-80-41255172/41750595/96, Fax: +91-80-41255182

**Kolkata:** 30-B, Anil Roy Road, Ground Floor, Kolkata 700 209  
Ph: +91-33-40080480, Fax: +91-33-40080440

##### KOLKATA:

**Piyali Oberoi**, assoc. vice president  
piyalioberoi@imagesgroup.in  
Mob.: +91 9831171388

##### Rohan Narayan,

sr. exec. (real estate / retail support & tech.)  
rohannarayan@imagesgroup.in  
Mob.: +91 9830961388

##### BANGALORE:

**Suvir Jaggi**, assoc. vice president  
suvirjaggi@imagesgroup.in  
Mob.: +91 9611127470

##### Ashraf Alom, asst. manager (tech.)

ashrafalom@imagesgroup.in  
Mob.: +91 9980965890

##### AHMEDABAD:

**Pankaj Vyas**, manager  
pankajvyas@imagesgroup.in  
Mob.: +91 9909977088

##### LUDHIANA:

**Hemant Gupta**, associate  
hemantgupta77@gmail.com  
Mob.: +91 9814019745

##### CHENNAI:

**S. Venkataramanan**, associate  
thulsi53@gmail.com  
Mob.: +91 9444021128

#### BUILDING THE WAVE OF THE FUTURE CLICK BY CLICK

The Indian e-commerce industry is one of the most happening places today in the retail world. It is a scene of feverish activity buzzing with the energy of entrepreneurs and investors alike where almost every week some new online venture takes shape to benefit from the ongoing boom in online retailing.

The value proposition that e-commerce brings to the table is immense. It makes geography irrelevant by reaching out to customers far and wide. Its costs are low compared to the traditional retailers, and these are early days yet which offer a vast scope for early e-tailers to grow and become rich. The best is that this enthusiasm and dynamism of entrepreneurs is finding a ready resonance among customers who are taking to online retail like fish to water.

Many e-commerce players in India are growing in double digits month on month. Some have already reached turnovers of hundreds of crores of rupees in a very short span of time, leaving many traditional retailers scrambling to play catch-up by launching ecommerce portals of their own.

However, there is a catch – most e-commerce players of India are today chasing top lines, not bottom lines. Transacting customers are the key to good valuations and many online retailers are burning cash at a frightening pace to attract buyers. This is clearly unsustainable. For long-term survival, the industry has to shift focus to creating sound fundamentals and profitability, as our cover story in this issue notes.

It is fascinating to see the birth of an entire new industry in the country which is fundamentally going to change the way we shop. Here is wishing the e-tailers of India many profitable clicks ahead so that e-commerce is able to emerge as a formidable player in its own right on the Indian retail landscape in a win-win situation for all.



Amitabh Taneja

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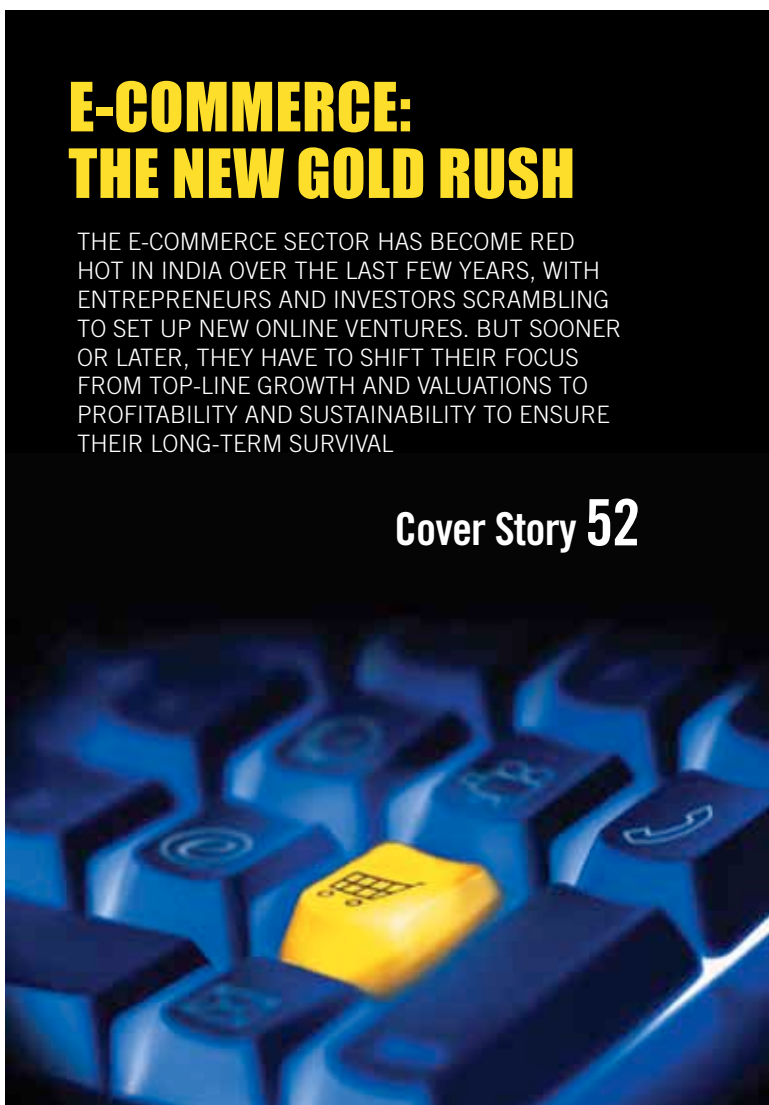
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## E-COMMERCE: THE NEW GOLD RUSH

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# Baby Business



IN 1987, LOCAL BUSINESSMAN AND NEW FATHER **NARESH KHATAR** WENT SHOPPING FOR HIS BABY'S SUPPLIES. TO HIS AMAZEMENT, HE COULD NOT FIND ANY STORE IN THE CITY THAT SUPPLIED EVERYTHING A BABY NEEDS. THIS SPARKED IN HIM A DESIRE TO START A BUSINESS THAT WOULD RETAIL BABY PRODUCTS ACROSS INDIA.

LITTLE DID HE REALISE THAT 18 YEARS AND 15 STORES LATER, THE BRAND HE STARTED – ME N MOMS – WOULD BE THE BIGGEST IN THE COUNTRY IN ITS CATEGORY, AND HE WOULD BE RUBBING SHOULDERS WITH INTERNATIONAL GIANTS. HERE IS THE STORY OF KHATAR – THE CHAIRMAN AND MD OF ME N MOMS – IN HIS OWN WORDS, AS TOLD TO NIVEDITA JAYARAM PAWAR AND SHANTI PADUKONE

→ It was way back in the mid 1980s, when my father suffered a paralytic attack and I was left to handle his small saree-fall business. But with the Punjabi suit gradually taking over the saree as the most-worn garment by



women, business was slow and I saw no future in the line. Moreover, the job involved managing a small factory and was rather tedious. As a result, I was on the lookout for something new and different. The turning point came when my daughter Mamta was born, and I, an excited father, decided to buy all the things she required. But, to my dismay, I had to visit two to three shops to purchase different things. That was when I thought of starting a business in the baby products sector. The idea was that every parent wants to buy the best of everything for their child, but that was not available in India under one roof.

### STARTING FROM SCRATCH

After my initial burst of inspiration, I sat on the idea for two years conducting extensive research – on the market, any other store selling such goods, sourcing options, etc. Then, on December 13, 1989, I opened my first store in a shopping centre in Santacruz West (Mumbai). I called it Mamta Collections and sold products for infants in both the B2B and B2C businesses. It was a small 50 sq.ft. space and we literally had to open the shutter, pull the counter out, jump inside and set the counter back!

India was isolated from the rest of the world in those days. The market was restricted to local products and no imports were allowed. Our product mix comprised local stuff and some international products that I would request friends to get from abroad. But business was good from day one and we flourished at the centre for five years from 1989 to 1994. I invested ₹5 lakh in the store and recovered it within two years!

### UP THE RETAIL LADDER

With the Indian market opening up and the business flourishing, in 1994 we shifted shop to Juhu. At that time, as even today, Juhu was an upmarket area, plus we had started talking to various large and international companies for product distribution. So we decided to rename our brand. It was difficult and took me three months, but we finally called it Me n Moms. Me n Moms' first shop covered 350 sq.ft. and the response for both B2B and B2C sales was tremendous. Finally, in 1995, we bought our own office in Khar for our B2B business and got distribution rights for the Singaporean company Tolly Joy.

I was very deeply involved in the Juhu store. That's where I got hands-on retail experience. With my daily interactions with customers, I learnt one very important thing in the baby business – customers are willing to pay; what they want are quality products for their children. With this in mind, in 1999, I decided to refocus on our B2B business. That's when we opened up a wholesale office in Delhi

to cater to North India. With the orders flowing in, we expanded with offices set up in the South, starting with Chennai and Bangalore. In 2004, we expanded our Juhu shop from 350 sq.ft. to 5,200 sq.ft. It became our first flagship store.

### SPREADING WINGS

By then, malls began to mushroom in India, the first one being the Inorbit in Malad, Mumbai. That's where we ventured in 2005, and then there was no looking back. Me n Moms stores started opening up all across the country -- Surat, Andhra Pradesh, the South, etc.

Our focus at that time was mainly on products made in South-East Asia. We had exclusive distribution rights for Tolly Joy, but that was it. In 2004, during some research, I realised that apart from Me n Moms and Pigeon (a global mother-and-baby-care products company), there were no big players in the Indian market for baby accessories and products. The right kind of product was not reaching the customer and several essential items were missing.

In 2006, I started Mee Mee to meet these essentials. Today, it works such that our research team at the Khar office conducts research on various lifestyle products catering to babies. Once, the product is decided upon and planned out, we place a manufacturing order with our various clients in China, Thailand, Malaysia and Taiwan. These are then shipped back to us (once I check the quality at site) and sold at our stores. We have five warehouses to stock these products on the outskirts of Mumbai.

### PLAY WITH PRODUCTS

With Mee Mee, we started retailing feeding bottles, teething rattles, sterilising equipment, prams, strollers, walkers, high chairs, cots, etc. We have also started our range of garments and sippers, etc. Today, we have 450 SKUs and will add more than 150 in the next 3 months. Various brands contribute to Mee Mee and we have already touched a turnover of ₹80 crore. Apart from this, we have recently launched our brand

# Da Milano: The Italian Touch

By Priyanka Dasgupta

THE ₹85 CRORE LEATHER ACCESSORIES BRAND DA MILANO IS WITNESSING YEAR-ON-YEAR GROWTH OF 30 PERCENT. DRIVEN BY STRONG DOMESTIC DEMAND, THE COMPANY HAS EMBARKED ON AN AGGRESSIVE EXPANSION STRATEGY, ALBEIT WITHOUT ANY FRANCHISE PARTNER, AND WILL SOON VENTURE INTO E-COMMERCE SPACE AS WELL



Da Milano currently has 35 EBOs across India and wants to reach the 100-store mark by 2015

→ The well-known Indian leather accessories company Da Milano Leathers was founded in 1989 to create for Indian consumers an affordable luxury brand with a strong Italian influence.

The first flagship store of the company came up in the upscale high-street destination of Connaught Place in New Delhi. According to Sahil Malik, Managing Director, Da Milano, the brand has since then carved a niche for itself in the mind of Indian consumers, driven by the efforts of its designers.

“Da Milano has a dedicated team of designers from India and Italy who have an eye and flair for global fashion,” he says. “Our designers have a market approach coupled with a sense of finesse and class. They deliver fantastic designs at regular intervals that prompt customers to revisit our showrooms from time to time. We keep on introducing collections in sync with the global fashion trends that are incomparable to any other brand.”

Da Milano has marked its presence on a pan-India basis, by operating

stores in cities such as Delhi, Noida, Gurgaon, Mumbai, Pune, Chandigarh, Hyderabad, Kolkata and Chennai. It has 35 EBOs across the country. As of now, all Da Milano outlets are managed exclusively by the company itself as stand-alone stores located across malls and high streets.

The turnover of Da Milano currently stands at around ₹85 crore. According to Malik, year-on-year growth of over 30 percent in the past three years has enabled the brand to set a target of crossing the ₹200 crore mark in domestic turnover by March 2015.



Sahil Malik, MD, Da Milano Leathers

### MARKET

Malik says the organised leather fashion market in India is currently pegged at around ₹400 crore and the industry is growing at a healthy rate of 30 percent every year. “Da Milano has cornered a 25 percent share of the organised leather fashion market in India and expects to reach the 40 percent mark in the next three years,” he adds.

According to him, fashion in India has undergone a sea change over the last few years, as the increasingly wealthy urban Indians get more global exposure in their frequent travels abroad and begin to appreciate international fashion. “Leather fashion has been a key driver of the overall high-fashion market in the country. Further, the opening of foreign direct investment (FDI) in single-brand retail has seen an influx of some well-known international brands into the Indian market, thus offering customers more access to global fashion.”

### CUSTOMERS

Da Milano has been positioned in the “affordable luxury” segment and targets the upwardly mobile, aspirational, and brand-conscious Indian consumers.

Explains Malik: “We are a customer-centric brand and our thrust is to give customers a sense of delight while buying and using our products. We have undertaken a number of initiatives in this regard, such as constant product innovation by our designers, the launch of loyalty

programmes, life-time warranty schemes and so on for the Da Milano customers.”

### PRODUCTS

Da Milano offers an extensive range of well-crafted leather accessories and leather travel products. The products are divided into two distinct categories of women and men.

For women, the Da Milano brand offers handbags, wallets, belts, pouches, and so on. For men, its range has products such as laptop bags, portfolios, briefcases, belts and wallets. Other products that appeal to all sets of customers include luggage and trolleys, folders, key chains, passport cases, card cases, iPad covers and cases, travelling pouches, toilet kits and other types of leather accessories.

### PRICING

“The Da Milano products are priced to meet the aspirations of all strata of the customer base,” says Malik. The

accessories category starts with ₹750. Most products in the ladies and men’s bags segment are available in the price band of ₹5,000 to ₹15,500, while the luggage and travel products range from ₹10,000 to ₹22,500.

The high-end leather footwear items are available in the price band of ₹2,500 to ₹4,500 for women and ₹6,000 to ₹8,500 for men. “However, change in prices is a dynamic structure and evolves with customer aspirations of value for money of our products,” Malik states.

The best-selling items of Da Milano include ladies hand bags, computer bags and trolleys. Every year, the brand makes multiple product innovations – leather covers for storing bangles and iPad have been some recent ones that are doing great sales, according to Malik.

### LOCATION STRATEGY

The Da Milano outlets are strategically located at premium places across the country, including malls and high streets, according to the company. “We maintain an optimal balance between malls and high-street locations,” informs Malik.

### CUSTOMER LOYALTY

According to him, the customer-service philosophy of Da Milano is based on two main features: (i) creating a unique experience for the customer while purchasing the product, and (ii) once the brand equity has been established, to maintain it through post-sale customer service.

For the first, the company has come up with the idea of gift cards to please the existing customers as well as to invite new ones to the Da Milano stores. “In addition, to ensure that our customer-care is par excellence, the concept of lifetime warranty has been introduced for every product that has been purchased from our stores. The details for this unique offering have been placed at every store’s point of sale. This is an important

#### DA MILANO’S PRODUCT PORTFOLIO

- Ladies bags
- Trolleys
- Computer bags
- Portfolios
- Belts for men
- Men’s wallets
- Pouches
- Briefcases
- Ladies’ wallets
- Folders
- Luggage
- Passport cases
- Card cases
- Belt for ladies
- Bottle cases
- Key chains
- Notepads
- Personal organisers
- Desktop sets
- Money clips
- Mobile cases
- Pencil boxes
- Mouse pads
- Tie cases
- Men’s gloves
- Coin cases
- File clips
- Photo frames
- Ladies’ gloves



# E-commerce: The New Gold Rush

By Sanjay Choudhry

THE E-COMMERCE SECTOR HAS BECOME RED HOT IN INDIA OVER THE LAST FEW YEARS, WITH ENTREPRENEURS AND INVESTORS SCRAMBLING TO SET UP NEW ONLINE VENTURES. BUT SOONER OR LATER, THEY HAVE TO SHIFT THEIR FOCUS FROM TOP-LINE GROWTH AND VALUATIONS TO PROFITABILITY AND SUSTAINABILITY TO ENSURE THEIR LONG-TERM SURVIVAL



→ Hardly a week passes these days before the news comes of yet another e-commerce venture starting operations in India. Cyberspace seems to be the new Wild West of modern retail, with maverick entrepreneurs, early-stage investors and even the brick-and-mortar retailers rushing to stake claim to what is still a virgin territory but which is going to get very crowded soon. E-commerce entrepreneurs are trying to gain

the first-mover advantage and sell everything online, from shoes, apparel and jewellery to consumer electronics, tickets, toys, books and even furniture.

## THE BOOM

The Indian e-commerce industry seems to have exploded in the last two years. The country is already among the fastest growing e-commerce markets in the world, and the statistics are impressive.

The access of Indians to the Internet is improving. There are currently around 121 million Internet users in India – a penetration rate of over 8 percent. This figure is going to almost double to over 221 million by 2015. The broadband connections – the key driver of e-commerce – are slated to jump to 600 million by 2020, up from 13 million now.

There are currently 10 million active online shoppers in India, and



the cash registers have begun to ring faster for e-tailers. The turnover of the ecommerce industry in India is expected to explode to \$125-260 bn in the next 15 years, up from \$10 bn now, according to one estimate.

Things finally seem to be coming on track after the infamous dot-com bust of the year 2000 in the US. Sensing the opportunity, deals are being signed at a rapid pace. About \$350 mn have already been invested in e-commerce start-ups in India over the last three years by investors. A huge chunk

e-commerce, followed by electronics, appliances and apparel. E-commerce is popular with customers because it provides cost-competitive products at their doorsteps. Shopping online saves time and fuel, offers more options and people beyond the metros get access to top brands.

No wonder then that the growth of the early pioneers in e-commerce has been staggering, with some of them logging double digit growth month over month. Flipkart aspires to be the Amazon of India and may well be

### HOOKING THE CUSTOMERS

Indian e-commerce companies are trying every trick in the book to appeal to customers and make online shopping as convenient, reassuring and quick as possible. While many of them have introduced concepts such as cash-on-delivery, zero-percent EMIs, pre-paid wallets, original-product warranties, free-shipping and hassle-free returns, Jabong has broken new ground by offering same-day delivery in select metros.

To improve customer service, e-tailers are investing heavily in back-end and front-end logistics to enhance customer experience. For example, Flipkart logistics now covers around 40 cities in India. In these locations, it relies on its own delivery boys – a very expensive proposition – than the courier companies to cover the last mile to customers' doorsteps.

Most e-commerce companies in India are funded by VC and PE investors who have two things uppermost in their minds: valuations and exit strategy. They typically look for returns on their risk capital over a six-to-seven-year horizon. The market valuation of online retailers thus becomes extremely important if the investors have to exit the business with good returns. This valuation, as things stand today, depends more on the number of customers patronising an e-commerce business than its profitability. The more the number of customers transacting with an online retailer, the higher it is valued by prospective investors even if it is yet to turn a single rupee in profit. The entire e-commerce industry of India currently revolves around this paradigm and investors and entrepreneurs alike are obsessed with sales and top-line growth, often ignoring profits.

Most Indian e-tailers are in a customer-acquisition and brand-building mode, and they are doing it phenomenally well. The web traffic to e-commerce sites is going up exponentially. For example, Flipkart's customer base has increased 10 times to over 20 lakhs in the last one year alone, driven by word-of-mouth



of this money has gone to just four e-tailers: Flipkart, Myntra, Snap Deal and the Smile Group (which owns properties such as BeStylish, Deals & You, Fashion & You, and FreeCultr).

E-commerce in India has traditionally been dominated by virtual goods like hotel bookings, air ticketing and classifieds advertising, but entrepreneurs have now begun to expand their horizons to inventory-driven models and retailing of physical goods, especially of apparel, consumer electronics and books (even though online travel accounts for 80 percent of the Indian e-commerce market even today). Books and music downloads still contribute a substantial chunk of non-travel

on its way to the target, considering its runaway success and revenues. The multi-category e-tailer claims it has been growing 100 percent every quarter since it was founded in 2007. It broke even in three years of launch, increased revenues ten fold from ₹50 crore in FY 2010-11 to ₹500 crore in FY 2011-12, and is now targeting to again grow this ten fold to ₹5,000 crore (\$1 bn) by 2014, driven by its current pool of 4,800 employees. Which offline retailer in India, including the top department chains, can boast of this kind of growth? Daily deals retailer Snap Deal and fashion retailers Jabong and Myntra are other players who have become popular in a short span of time.

e-commerce



# Top 10 Trends in E-commerce

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 7

percent 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

# ORION

MALL AT BRIGADE GATEWAY

## HOW THE BEST NEW MALL IN THE COUNTRY CAPTURED THE IMAGINATION OF MILLIONS

5.5 million footfalls in 6 months

Situated in the award winning  
Brigade Gateway integrated campus

For the uninitiated, no other mall offers an experience as holistic as Orion.  
Here's why:

- 1 World Class Design:** Orion is designed by one of the world's leading architects - HOK of New York. The mall's consumer friendly features like excellent store visibility, simple navigation, elegant interior design along with ample parking ensures a shopping experience beyond compare.
- 2 Strategic Positioning:** A sustained, and focused marketing blitzkrieg, firmly established the mall as a lifestyle upgrade. The mall has attracted visitors beyond its catchment and distant suburbs making it the most powerful lifestyle retail destination in Bangalore city.
- 3 Great Location:** In the heart of the city, Orion takes the pride of place at the award-winning Brigade Gateway integrated campus, alongside coveted brands such as the World Trade Center & the Sheraton hotel adding impetus to its lifestyle signature. The integrated campus also includes 1255 premium residences, Columbia Asia Hospital, Galaxy Club & The Brigade School.
- 4 Optimal Mix of Brands:** Ranging from flagship stores like Zara and Debenhams to Tommy Hilfiger, Apple, Swarovski and other iconic brands, Orion's well planned brand mix satisfies a diverse set of consumer aspirations.
- 5 More Entertainment & Dining:** The biggest Blu-O in India houses the largest bowling alley in Bangalore. A PVR multiplex with over 2800 seating capacity along with 8 fine dining restaurants and an elegant food court that offer over 40 F&B options.
- 6 Lake Promenade:** The pièce de résistance, is a man-made lake located in the heart of the integrated campus. The mall and its signature restaurants overlook the lake, making it an ideal outing for a city that craves open spaces.

Dr Rajkumar Road, Rajajinagar, Bangalore 560 055 Ph: 080 - 67282222 Email: info@orionmalls.com

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