Krafting online market for small enterprises

KartRocket recently attracted $8 mn in a third round of funding and is set to play big with larger brands, say **Gireesh Babu** & **T E Narasimhan**

Saahil Goel loved designing websites from his teen years. The e-commerce upswing in 2010-11 provided him the opportunity to turn his hobby into business.

A stint in the US with health insurance company Highmark as a big data analyst and experience as systems architect and management consultant with multinational companies made him more confident.

"I spoke to childhood friend Gautam Kapoor after returning to India and we decided to build a platform with a focus on sellers," says Goel. They decided to build a platform where small sellers can build an e-commerce-enabled website.

The idea took shape when they launched KartRocket, an end-to-end e-commerce solutions provider, aimed at helping small and medium enterprises (SMEs) and individual entrepreneurs to sell their products online, in 2011. The company helps SMEs in building websites, integrating payment and logistics options, providing promotion tools and an integrated platform, where a seller can manage placements and orders from various online marketplaces and social media .

"There are about 50 million homepreneurs (entrepreneurs working out of home) and small sellers in India, with no other medium to make their products available online. By bringing such sellers online, we're building a supply base of unique products for buyers to choose from," says chief executive officer Goel.

(From left) **Vishesh Khurana (director), Saahil Goel (co-founder & CEO) and Gautam Kapoor (COO) of Kartrocket**

Smaller players within SMEs

It raised a seed fund of $2,50,000 in July 2013, from angel investors 5Ideas Startup Superfuel and 500 Startups. In October 2014, it received $2 million in a Series-A round from Nirvana Venture Advisors, 500 Startups and Beenos. The money enabled them to scale up. In August 2015, they launched another model, Kraftly, a mobile-first platform for small sellers mostly in the customer-to-customer (C2C) market, for whom the existing model was not working.

Rajan Mehra, co-founder and managing director at Nirvana Venture Advisors, sees KartRocket's focus on bringing sellers on online platform as an advantage in a space where most players target buyers. "It offers end-to-end services to sellers, which would bring more to the platform," he says.

FACT BOX

Inception: January 2012

Area of business: End-to-end e-commerce solutions provider

Fund raising: $250,000 from 5Ideas Startup Superfuel and 500 Startups in July 2013, $2 mn from Nirvana Venture, 500 Startups and Beenos in 2014, $8 mn from Bertelsmann India in 2016

Goel says the idea of having two models was to bring both larger and smaller players within the target group to the online market.

While KartRocket is a platform to support larger players in the small and medium businesses, Kraftly enables individual entrepreneurs to start their own domain and sell products online through its app. It also enables sellers to sell through WhatsApp, Facebook or Instagram.

The company has a built-in logistics exchange, where it integrates hyperlocal service providers like Roadrunnr, Parcelled and Pickrr, and national ones like BlueDart and Fedex. "By doing this, we allow sellers to utilise any of our shipping services at a click," says Goel.

Business model

The business model is different for KartRocket and Kraftly. On KartRocket, sellers are charged a flat monthly fee, payable quarterly or bi-annually. It ranges from ₹3,000 to ₹15,000 a month. KartRocket sellers, who run their own website, generate a gross merchandise volume of $50 million annually.

On Kraftly, it only takes a commission of five per cent on the sales.The company might monetise the business by charging for some of its tools. It could be a Freemium model, where sellers get to share a certain number of models of their products on Instagram or Facebook for free but are charged on exceeding the limit. A model based on ad revenues could be another option.

Goel says they are reaching break-even in KartRocket. "The revenues are healthy and we are close to $2-3 million annually. We will break even in three to four months," he says. The company plans to be aggressive on marketing to make it happen soon.

Kraftly hosts around 16,000 shops and KartRocket has about 2,500 sellers.

KartRocket attracted $8 million in a third round of funding between January and March 2016. The company now wants to go big with larger brands and is looking to have 5,000 merchants by year-end. For Kraftly, it expects 150,000-200,000 sellers by then.

"I would be happy if we have 100,000 sellers in Kraftly doing one order each a month," adds Goel.

There are quite a few in this segment. While KartRocket has competition Zepo and Primaseller, the single biggest one for Kraftly could be Snapdeal's Shopo, a business similar to it and launched almost at the same time. According to reports, Snapdeal is planning to invest around $100 million over two years in Shopo to ramp up the technology and in brand building.

"The integration Kraftly offers and other supports that KartRocket can offer cannot be found in others," says Goel.

EXPERT TAKE

Being an e-commerce enabler is a great space to be in. While most start-ups are figuring out how to be profitable, players in this segment are going to be the first ones to achieve that. Look at the recent debutant in the capital market, Infibeam. While 70 per cent of its revenue comes from its e-tail portal, the profit entirely comes from the KartRocket competitor, BuildABazaar. That's why all the investment pouring into online businesses is spent on these services. KartRocket solves key problems like setting up technology, payments and logistics for entrepreneur. But, the market is crowded with bigwigs like Shopify, BuildABazaar, Zepo and MartJack. Kraftly is relatively new and small, and focusing on the slowly growing home entrepreneur segment. Managing the businesses of KartRocket and Kraftly are difficult tasks. First, this segment is very demanding and second, the moment businesses using these platforms start growing, they move to more customised solutions. If they find a way to retain successful businesses by allowing these the required freedom to grow without leaving their platform, that will be the key. This is why I believe they will be spending a lot on technology.

Chirag Dagli is co-founder & director, e-commerce strategies of Ecumen, an Ahmedabad-based e-commerce consulting & technology provider