START-UP ISLAND

How does an e-comm start-up stay healthy amid changing govt policy

Pursuing tech-led efficiency helps ShopX keep the business going

JESSU JOHN

The Centre's demonetisation move in November has resulted in ups and downs for all kinds of businesses, including those in retail. But how does an e-commerce company stay healthy regardless of whatever may be unexpected in the policy or regulatory sphere?

This edition of Start-up Island looks at perspectives for growth through the eyes of ShopX, a start-up invested in the idea of e-commerce as "everyone-commerce". Meanwhile, it remains vital to assess if there are lessons here for all businesses as we move into a new year.

Crafting the market

Can a business model centred on including the small retailer while pursuing technology-led efficiency give us a different picture of e-commerce than we're used to?

Set up in the early half of 2015, the company spent its first six to nine months "not chasing growth but testing its own hypotheses." In the last six months, ShopX says it has added 42,000 small retailers and is currently averaging around 25,000 transactions a day. Its reach spans approximately 210 towns.

Amit Sharma, CEO and Co-founder of ShopX, says, "We'll be hitting ₹100 crore annualised this month."

Revenues are typically quoted in GMV terms by the sector. ShopX attempts to quote discounted merchandise value (DMV), which is linked to the price at which the consumer actually buys and not the MRP. Even if we take ShopX's revenue figures to be conservative, the company's goals aren't small – it wants to add 10 lakh retailers by 2018.

Capital efficiency

Sharma explains, "When we say 'everyone-commerce', we want to take digital retail to 400 million people. What we're also trying to do is expand the income of small retailers by 30-40 per cent."

The company pursues a "high velocity and capital effi- cient" town addition model (it has a local partner in every town), and adds retailers on the same principle. But how can a business pin "capital efficiency" down to brass tacks? ShopX automates whatever it can to improve efficiency. The company studied the notebook/ledger-based system of accounting kirana stores typically maintain, for example.

Then it built a 'digital

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ledger' feature into the ShopX app that allows retailers to track all their credits and debits in the same way they are used to looking at data. "This has reduced our helpline calls around order and accounting related issues by 90 per cent," Sharma says.

The company also uses "fully automated pricing machinery that combines inputs from various online and offline sources and sets prices", keeping the pricing team in ShopX at three. Sharma says this improved the company's "contribution margins by 100 per cent within 45 days" and is keeping ShopX on the path to profitability.