

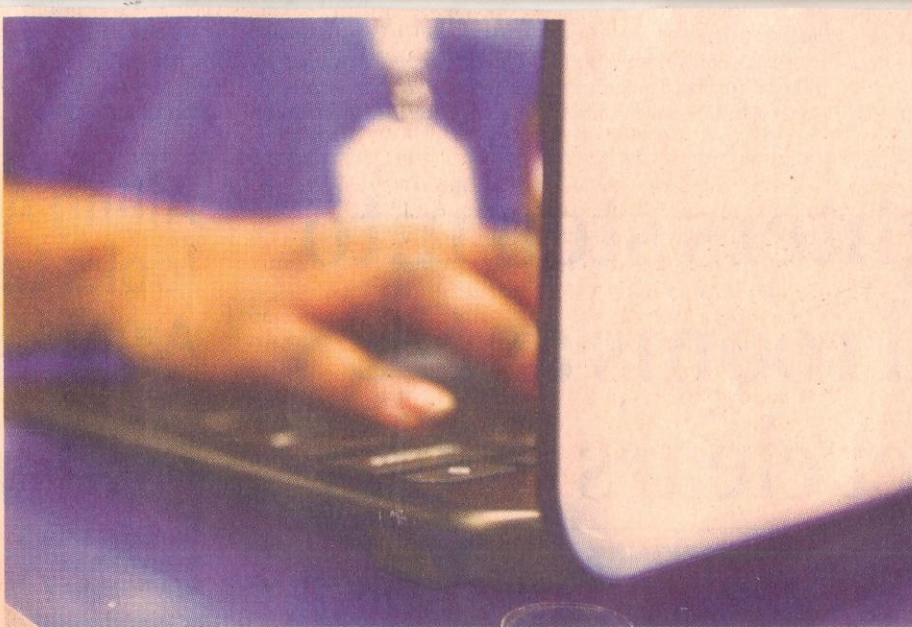
Internet start-ups carve out a niche in single-product category

In October this year, a website called AllSchoolStuff.com started retailing a range of products required by students, starting from books to stationery and bags. Considering the 417-million school-going children in India, and the \$8-billion school supplies market, the founders of this website chose this niche market as a platform to enter India's ₹2,000-crore online retail market.

With the success witnessed by portals like Bigshoebazaar.com, Fashionandyou.com, and Yebhi.com, internet start-ups are seeing niche product categories as a more profitable route to break into the over-crowded e-commerce market. Focusing on a single category, say the founders of such portals, is allowing them to establish themselves as market leaders quickly, in a space that has already come to be dominated by the hugely popular. Every month, online retailers for categories as unique as Indian ethnic wear for the US market, and group discount sites for financial products, are coming up in the Indian web space.

Earlier this month, a Delhi-based firm launched HeavenAndHome.com in the home décor and lifestyle segment. JewelsNext.com started retailing jewellery in the country two months ago, and is now selling to customers globally. The site gets 25-30 customers every day, with an average transaction size of ₹20,000-25,000. Earlier this year, GrouponBuy.com, India's first-ever group buying website for financial products, offering group discounted on loan requirements, was launched.

"Customers are looking for a certain degree of expertise and variety in one kind of product, and not multiples of products with a small collection. The deeper segmentation is obvious from the fact that there are sites now only for handicrafts, or women's wear, and even for customised labels for children. There are several companies that have proved that the niche market can do very well," says Manoj Chandra, co-founder and CEO,



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AllSchoolStuff.com.

This move towards single or niche product websites has been a natural function of a maturing market, feel experts. With thousands of retailers, a high degree of specialisation is rapidly becoming integral to the survival of internet companies.

"There are already some really big fish in the Indian e-commerce market now. To establish yourself here, you have to be able to say you are the best at selling one particular product," says Peyush Bansal, founder of Lenskart.com.

"In a niche website, you can ensure that you get every possible option to your customer in one category, which would translate into high recall for the site in that particular product. You also have complete control over the management of inventory, and customer satisfaction with this model," he adds. Lenskart specialises in eye wear and gets 6,000-7,000 hits per day.

While there may be questions about the scalability of websites sourcing and selling just one kind of product, investor interest in such firms has been strong in the past year. Early-stage VC firm IDG Ventures India invested \$3 million in Chennai-based eShakti.com, an online women fashion

retailer catering to the US market. In October, Lenskart also managed to raise \$4 million in its first round of funding from IDG Ventures. HeavenAndHome started off with an investment from Rocket Internet in Europe.

Zovi.com, an online clothing brand, attracted funding of \$5.5 million from private equity major SAIF Partners and angel investors like MakeMyTrip founder Deep Kalra. Zovi. It started with men's formal shirts and belts, and plans to expand further in men's and women's categories. Online wholesaler and retailer of shoes, apparel, bags and accessories, Bigshoebazaar, also raised ₹40 crore from NR Narayana Murthy's venture capital firm Catamaran and Nexus Venture Partners.

"Investors are exploring a variety of models in this space, and the response is usually encouraging. While our first round was privately funded, we will be looking for investors in the second round," says Chandra from AllSchoolStuff. The firm is currently looking to raise \$5 million. The country's online retail industry, growing at 35% year-on-year, is expected to touch ₹7,000 crore by 2015 from ₹2,000 crore at present, according to a report by industry body ASSOCHAM.

— Shreya Roy

EXPERTSPEAK

MANOJ CHANDRA,
co-founder and CEO,
AllSchoolStuff.com



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PEYUSH BANSAL,
founder, Lenskart.com



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GAURAV S ISSAR
founder and CEO,
JewelsNext.com



We have been operational for two months now, and we average 20-25 sales every day, with transaction sizes in the range of ₹20,000 to ₹25,000. We have been able to reach out to global customers as well, with sales in places like the US, the UK and Ghana

STATFACTS

HIT WITH CUSTOMERS

- Online eye wear retailer Lenskart.com, receives 6,000-7,000 visitors per day
- IDG ventures invested \$4 million in Lenskart and \$3 million in eShakti.com earlier this year
- Online retail in India is estimated at ₹2,000 cr
- The sector, growing at 35% year-on-year, is likely to touch ₹7,000 crore by 2015