Business News › Prime › Consumer › Shopify has made inroads in India's online D2C. To go deeper, it must outshine the competition.

E-COMMERCE | ETPrime

Shopify has made inroads in India's online D2C. To go deeper, it must outshine the competition.

00:00 01:35

Getty Images

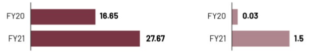
Synopsis

For Shopify, the next leg of growth will come from onboarding a new set of entrepreneurs, including small family businesses or nearby kirana stores, who have understood the need to go online in the past two years. But to do that, Shopify needs to stand out from firms that offer cheaper options and are easier to set up.

There's no time like the present to launch an online business. Technology has made it easier; the pandemic has made it imperative. As online direct-to-consumer (D2C) businesses explode in India, Canadian e-commerce technology firm Shopify has had a stellar year here. Shopify India has turned profitable with a 5.4% net profit margin and a 66% increase in revenues.

Shopify India: financial snapshot

Revenue **Net profit**



All figures in INR crore
Source: *Company filings*

A growing base

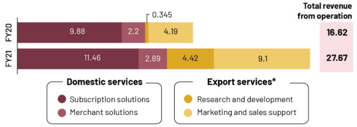
In the beginning of the pandemic (March 2020 quarter), Shopify had over 10,800 stores registered in India. Currently, that number is over 31,000, according to the e-commerce database Store Leads. Over a third of these stores are still apparel brands, although a solid 10% of them sell 'beauty and fitness' products.

In 2020, we **wrote** how Shopify had been at the forefront of India's wave of VC/PE-funded D2C brands, as it expanded its third-party e-commerce app store and network of Web designers that acted as Shopify partners for potential clients. At that time, Shopify's India head **Sandeep Komaravelly** had said that the company would focus on growing volumes by signing up more businesses on to the platform and increasing subscription revenue.

In FY21, subscription was the biggest revenue line item, although the Indian arm also made significant money from services sold to its sister concerns.

Shopify India did not reply to an e-mail with a questionnaire asking for comments.

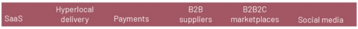
Shopify India: revenue break-up

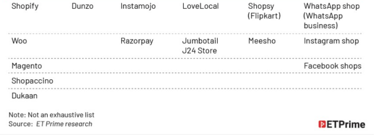


All figures in INR crore
*Export services were sold by Shopify India to fellow subsidiaries in Singapore and the US, holding company Shopify International in Ireland, and ultimate holding company Shopify Inc., Canada
Source: *Company filings*

Where will Shopify go from here? The next frontier of signing up businesses online is to bring on entrepreneurs who are not necessarily serving an urban-affluent customer in the country's top eight to 10 cities. Small family businesses, *kirana* stores and local supermarkets, local brands popular in a given neighbourhood or small town, make the bulk of India's small and medium enterprises. In the two years since the pandemic started, they have begun to understand the need to go online. This is good news for Shopify. The bad news, however, is that entrepreneurs now have many more roads to take their business online.

Many roads, one digital shopfront





Shopify	Dunzo	Instamojo	LoveLocal	Shopsy (Flipkart)	WhatsApp shop (WhatsApp business)
Woo		Razorpay	Jumbotail J24 Store	Meesho	Instagram shop
Magento					Facebook shops
Shopaccino					
Dukaan					

Note: Not an exhaustive list
Source: *ET Prime research*

From payments firms to social-media giants to deep-pocketed tech firms, everyone wants a pie of India's sprawling consumer and retail business that is largely unorganised among micro, small, and medium enterprises. Now, social-commerce and reselling have become big bets, with SoftBank-backed Meesho and Flipkart's Shopsy wooing small entrepreneurs to build an online business using their platforms for supplies.

Facebook has put its might into WhatsApp for business while **Mukesh Ambani**'s Reliance Industries – which also owns JioMart – has taken a 25% stake in hyperlocal delivery app Dunzo that allows *kirana* stores to build an online presence.

So far, Shopify's customers are largely urban-serving, online-first brands. A large number of existing Shopify India stores are based in Mumbai, Bengaluru, and Delhi-NCR, according to Store Leads data.

Next level of expansion

Bringing online the next set of entrepreneurs with existing offline businesses is the holy grail that all these firms are competing for. But for many kinds of consumer businesses and categories, the unit economics of going D2C with the Shopify social-media marketing ecosystem does not always work.

"We don't see any particular channel as big or small, just a way to be where the customer is," says Madhushree Khandelwal, founder of Jaipur-based home and kitchen goods brand Femora. "If you compare with the commission structures of marketplaces, going D2C is actually very expensive. The cost of running your own store and making it financially viable is hard."

Khandelwal says every consumer sector has so much capital that everyone is spending hefty amounts. "Marketing spends and customer-acquisition costs have gone through the roof. Bootstrapped brands like us have to compete with the big elephants and the big-funded startups for a piece of the D2C pie," she adds.

For many bootstrapped or family-owned businesses, capping the costs of going and growing online to a sustainable level is a top priority. Khandelwal uses Jaipur-based Shopify competitor Shopaccino for Femora's D2C operations.

One big differentiator though is that Shopify also takes a percentage of total transactions in fees along with the subscription charge. Shopaccino's subscription model is a flat fee, even as the client's business scales up.

Fellow Jaipur-based luxury furniture and home décor brand Gulmohar Lane has also been signed up with Shopaccino since it launched online operations in 2014.

"We always wanted a lot of customisation options on our website. This [luxury furniture] is a very specialised category," says **Saurabh Ailawadi**, co-founder and managing director, Gulmohar Lane.

"We offer a lot of options and add-ons to our customers on a single page, such as sides, finish, changing the legs [of a piece of furniture], whether a sofa should be tufted style or not. Initially, when we started in 2014 and were working on our website, Shopify did not offer these customisations. Shopaccino really helped us customize a lot of things, especially in user design," he says.

Among other clients that firms like Shopaccino, LoveLocal, Dunzo, and Instamojo have been able to attract are local *kirana* shops, supermarkets popular in an area, even a chain of local restaurants. Instamojo's payment-gateway business has become a stand-in for small businesses that supply on Instagram in a given city or neighbourhood, including nurseries, bakeries, local artisanal goods, and single person-led crafts businesses.

"In the last one year, more kinds of consumer categories are moving online," says **Vishal Singhal**, founder and managing director of Shopaccino. "Previously, I have only seen fashion and beauty products going online. Now, in any kind of offline model, there is a possibility to sell online. For example, we are coming up with an online store for someone selling natural stones. We were already handling a similar store for a brand in the UK."

For a young entrepreneur just starting out, there are options cheaper than Shopify to go online.

For a bigger play

Shopify's other play could be to move to bigger D2C brands, especially as large legacy FMCG firms begin to roll out or acquire their own digital brands. Some, like Himalaya Wellness and Hindustan Unilever's Lakmé, are already on Shopify, according to data from Store Leads. But several others have built that technology in-house. The data shows that brands like Clovia, Wildcraft, Bewakoof.com, LimeRoad, and Asian Paints have built their D2C capabilities on a 'custom cart', meaning their own in-house technology and platform.

This could become a dominant trend as FMCG firms set ambitious internal targets to get a larger share of their sales from e-commerce and digital brands. For example, Marico is in the process of building a business unit of digital brands brought via acquisition and is aiming to turn it into an INR400 crore-INR500 crore business unit by 2024.

The bottom line

The last two years have been more like 10, when it comes to the evolution of India's D2C ecosystem. What was once a difficult proposition – setting up a website, getting a payment gateway, a logistics partner, and several marketing channels – has become a plug-and-play system. This is good news for Shopify India, which is riding the ongoing D2C wave.

Increased dealmaking activity with the entry of **Thrasio** and Thrasio-style roll-ups, along with capital-rich legacy FMCG firms, will lead to the founding of more D2C brands. But the competition that Shopify India faces has also intensified dramatically. India's consumer and retail market is big enough to give space to many competitors, but some of these are deep-pocketed and may be beating the company at its own game.

(Disclaimer: Times Internet, which publishes ET Prime, is an investor in Instamojo and also operates D2C online brands.)

(Graphics by Mohammad Arshad)

The latest from ET Prime is now on Telegram. To subscribe to our Telegram newsletter click here.

2 COMMENTS ON THIS STORY

Saikat Mandal 18 hours ago

D2C helps to get more consumer oriented data, more big brands will pave their path through shopsy like platfotms.

Ravindra Mathur 1 day ago

Side effects of the pendemic of a positive kind.A win win for both e commerce companies and the consumer.

VIEW COMMENTS

ADD COMMENTS

POPULAR WITH READERS

tcs
TATA CONSULTANCY SERVICES

INVESTING

Buy back shares, offer good premium, repeat. Can TCS give investors risk-free return this time, too?

5 mins read • By Prashant Mukherjee

45 companies meet 'NSE Prime' criteria, a chunk are from banking, financial services

3 mins read • By Kiran Kabtta Somvanshi

E-COMMERCE

Shopify has made inroads in India's online D2C. To go deeper, it must outshine the competition.

7 mins read • By Soumya Gupta

RECENT HIT

From chulha to induction, how renewable power is fuelling India's transition to e-cooking

6 mins read • By Prashant Mukherjee

MORE STORIES ON CONSUMER

MORE FROM
CONSUMER »

FOOD

As the F&B industry battles the pandemic, QSRs are not just surviving but thriving

6 mins read • By Shabori Das

ET PRIME MEMBERSHIP EXCLUSIVE
we're open!
PrimeTalk
The F&B industry is back to where it was when the pandemic started. How will it navigate its way this time?
Register for this PrimeTalk now!
January 19 | 4 pm

PRIMETALK

The F&B business in the time of a pandemic

3 mins read

FMCG

Passing the pandemic blues: home drinking, premiumisation keep alco-bev firms in high spirits

8 mins read • By Shabori Das

MODERN RETAIL

Social commerce, metaverse et al. Technology-led business models likely to dominate retail in 2022.

5 mins read • By Sandeep Das

Packaged foods, commodities push FMCG sales up 11%

3 mins read • By Sagar Malviya & Writankar Mukherjee

From digital clothes to algo-powered trends, technology will change how we create, sell and consume fashion

6 mins read • By Nupur Amarnath

ET The Economic Times

Search News, Stock Quotes & NAV

Trending Now

PM Modi News | Budget 2022 | Covid third waveLive updates | Priyanka Maurya News | GDP | UP Assembly Polls | Stock Market Live Updates | Bulli Bai app case news | Cryptocurrency News | Mutual Funds | Sovereign Gold Bond | What is a Green card | Tax slab | Sovereign gold bond | Best ELSS funds | Large cap funds 2021 | Best mid cap funds 2021

Popular Categories

Covid Updates | News Live! | Elections 2022 | Markets Live! | Stock Reports Plus | Stock Screener | MF Screener | ITR filing guide | Candlestick Screener | Sunday ET

Hot On Web

Gold Rate Today | Budget 2022 | Cryptocurrency | Binance Coin Price | What are multi asset funds | What are balanced mutual funds | Global markets | Mutual funds | Breaking news | LTC Cash Voucher Scheme | SGX Nifty | Sensex Live | IRCTC share price | Infosys share price | Rupee | Aadhaar Card | How to save Income Tax

In Case You Missed It

PM Modi News | Budget 2022 | Asian Paints Q3 Results | GDP Growth Rate | UP Assembly Polls | Stocks Market Live Updates | Bitcoin Price Today | Covid third wave news updates | Budget | Cryptocurrency | PPF interest rate | Mutual funds SIP | Tax savings guide 2021 | Arbitrage funds | Large & mid cap funds 2021 | Best aggressive hybrid funds 2021 | HDFC balanced advantage fund

ET Verticals

Auto News | Retail News | Health News | Telecom News | Energy News | IT News | Real Estate News | Marketing & Advertising News | Technology News | CFO News | IT Security News

More From Our Network

Pune Mirror | Bangalore Mirror | Ahmedabad Mirror | ItsMyAscent | Education Times | Brand Capital | Mumbai Mirror | Times Now |

Indiatimes | महाराष्ट्र टाइम्स | ವಿಜಯ ಕರ್ನಾಟಕ | Go Green | AdAge India | Eisamay | IGN India | IamGujarat | Times of India |
Samayam Tamil | Samayam Telugu | Miss Kyra | Bombay Times | Filmipop | MX Player | Newspaper Subscription | Times Prime |
Colombia | NBT Gold Podcast | Ei Samay Gold Podcast | MX ShareKaro App | MX TakaTak App

Other Useful Links

About Us | Archive | Subscribe to ET Prime | Book your Newspaper Subscription | Create Your Own Ad | Advertise with Us |
Terms of Use & Grievance Redressal | Privacy policy | Contact Us | RSS | DNPA Code of Ethics | Longwalks App

Top Searched Companies

Data Patterns India Ltd Share Pr... | Sintex Inds. Share Price | Indian Energy Exchg Share Price | Lloyds Steels Share Price |
IndusInd Bank Share Price | MFL India Share Price | Coal India Ltd Share Price | Indosolar Ltd Share Price | BF Utilities Share Price |
Zomato Ltd Share Price

Top Definitions

Whistleblower | Law Of Demand | Matrix Organization | Bonus Share | Indifference Curve

Most Searched IFSC Codes

State Bank Of India | Punjab National Bank | Indian Bank | Union Bank Of India | Allahabad Bank

Top Prime Articles

Vistara Is Operating As An Indep... | Lithium Ion Batteries Just Made... | White Oak Capital Makes A Tran... | Target Usd100 Billion Can Fta W... |
Ashneer Grover Kotak Group Sp... | As The Fb Industry Battles The P... | Indias Invit Market May Have Fo... | After Tasting Success With Soor... |
From Chulha To Induction How ... | Lic Ipo How The Mother Of All Iss...

Top Story Listing

Earthquake In Delhi | Narendra Modi | Nifty Crash | H 1b Visa | Smallcap Stocks

Top Slideshow

Money Making Ideas | Stock Ideas | Tata Power Buy Target Rs 245 | Upl Buy Target Rs 820 | Decentraland Mana | Money Making Ideas |
Stock Ideas | Tata Power Buy Target Rs 245 | Upl Buy Target Rs 820 | Decentraland Mana

Top Trending Topics

Pune Lockdown | Link Pan | Shiba Inu | Flight Cancellations Due To Cor... | Telangana Night Curfew Extended

Top Videos

Jacqueline Fernandezs Photos ... | Economic Times Wishes You A V... | Major Lapse In Pm Modis Securi... | Google Celebrates Winter Solsti... |
Covid 19 Registration On Cowin ... | Cm Kejriwal Announces Restrict... | Tatas Covid Test Kit Omisure To ... | Uae Drone Attack On Fuel Carry... |
Kanpur Raids Dggi Recovers Rs ... | No Lockdown In Delhi For Now C...

Private Companies

Excellent Escort Services Private... | Billionbrains Garage Ventures P... | E Store India Private Limited | Phygicart E Commerce Private ... |
Asclepius Wellness Private Limited

Popular Articles

India Should Adopt Risk Based ... | What Foreign Brokers Said On R... | Apple Samsung May Make Han... | Trident Q3 Results 88 Jump In P... |
Tesla Wooed By Indian States Af... | Stocks In The News Bajaj Financ... | When Is Eps Pension Credited I... | Inside The All Out Campaign To ... |
Day Trading Guide 2 Stock Reco... | With Suzuki In Tow Toyota Readie...

Most Searched Articles

Investing And Beyond Books Th... | Boost Your Productivity At Hom... | How To Withdraw Money Twice ... | Best Mutual Fund Sip Portfolios ... |
Exclusive Thrasio Ceo Calls India... | Buy Apollo Hospitals Enterprise ... | 10 Things Investors Need To Kno... | Happy Birthday Haruki Muraka... |
Jpmorgan Morgan Stanley And ... | Ronnie Spector Girl Group Icon Of...

Trending Articles

How Do I Know If I Have A Cold ... | Upl Corporation Raises 700 M L... | How You Can Invest In Us Marke... | Income Tax Return Filing Deadli... |
Cryptocurrency Hyper Fund Unde...

Follow Us On:

Download ET App:

ANDROID APP ON Google | DOWNLOAD ON THE APP STORE

SUBSCRIBE TO OUR NEWSLETTER

ETPrime BECOME A MEMBER

Copyright © 2022 Bennett, Coleman & Co. Ltd. All rights reserved. For reprint rights: Times Syndication Service