

'Calling online retail a failure is myopic'

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The Zuri Group recently ventured into office supplies e-commerce business through its website Zuri.com to cater to the needs of corporate organisations looking to source office supplies in India. The group is headquartered in Bangalore and is promoted by a consortium of investors from the Middle East and had began its India operations in 1998 with three hotel properties. Abhishek Kamani, who oversees the business interests of The Zuri Group Global in India as Director - India Operations since 2005 will now head the new venture as its founder and Chief Executive Officer. In an interview with Shayan Ghosh of Deccan Herald, Kamani says that office supplies is a niche space where they see \$20 billion opportunity.

Why did Zuri Group get into e-commerce being traditionally in hotel and realty industry?

We understood that the segment has the potential to contribute a large amount of our group revenues. Then we started looking at all kinds of options in the e-commerce segment and tried to look in an area where we would have a niche market. After looking at several options, we settled on the office supply segment.

There aren't any office supply e-commerce ventures and the entire office supply business worth close to \$20 billion is offline. And, a minuscule part of it is being supplied by companies like Staples who target the multinational and large corporate. We decided that this market also has a lot of gaps selling counterfeit products and going online would give them transparency and multiple options to choose from.

Who are the target buyers for your e-commerce business?

Firstly, we would look at individual buyers and owners of businesses with less than 15 employees, secondly we would target small and medium business with 15-100 people and the last category would be multinational companies. However, the large companies are not the ones we are primarily fo-

cus on as they are serviced by other retailers also.

How is your new venture being funded?

The venture is 100 per cent owned by the Zuri group and will be entirely funded by the group. So it is a very simple structure and would be entirely from internal accruals. We plan to invest \$20-25 million in the next three years. However, since we have no venture capital backing and don't have a target to exit our business in the years, we are looking to stay for much longer in this business and want this business to contribute \$300 million in the next five years.

Do you have an offline presence also through which you would be targeting specific sets of customers?

We have two warehouses set up in Bangalore and Delhi and we want to set up warehouses in 12-15 cities in the next five years. This would help us improve further on our customer experience and bring our logistics cost down to service a larger section of India faster. The offline presence would go and target the larger contracts from MNCs for lakhs of rupees. The offline sales team would not go around for orders worth in thousands as that would be on the e-commerce platform easily but for much larger ones.

What made you enter e-commerce when a lot of such companies are closing down?

When people say that e-commerce companies are closing down, the view is very myopic and rather we should look at why they are shutting down. A majority of them are shutting down because they are unable to raise funding.

This has nothing to do with the dynamics of the business. E-commerce in India is an idea that I believe is definitely going to do well as we are constantly growing in terms of number of online transactions and to add to that even our logistics are getting better. However, the bloodbath in this



Abhishek Kamani

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sector is mainly because of the companies who are not getting funded.

Few years back, everyone who wanted to be an entrepreneur started an e-commerce venture and most of them who raised series A funding from VCs couldn't get the second round of funding.

Before we started our website we felt that we have the funding and we have the managerial talent needed to run this business and thus have a long-term goal in this industry and we are looking at 10 years ahead when this business would become self-sustaining and profitable.

As you know, the government is planning to bring a policy to deal with online retail. What do you have to say about that?

We welcome the initiative and I'm happy that they are looking at it as a major industry that is providing employment and revenues to the country and it is nice that

they are giving it an industry status. I think, if they allow FDI then it would benefit all as competition is beneficial to every player in the market and I'm happy that it would grow the size of the market. If the government is proactive, we all benefit from that.

Why did you choose an inventory-led model and not the marketplace model?

We are in inventory-led model because all our shareholders are Indian residents and thus it does not fall under FDI category as it is all Indian money.

Moreover, marketplace model is better when your shopping basket is comprised of smaller number of goods, unlike in office stationery space where you buy several things.

In that case it would be extremely difficult for the customer if he gets his order in pieces as it would come from different vendors in marketplace model.

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