

THIS COULD BE A BIG DEAL

Flexibility and nimbleness have marked Snapdeal's rapid growth. Kunal Bahl and Rohit Bansal need to maintain the sprint as competition intensifies

By PRINCE MATHEWS THOMAS

In a short entrepreneurial journey that began in 2007, friends-turned-business partners Kunal Bahl and Rohit Bansal found themselves facing a day to forget in just two years. Sometime in 2009, the two founders of Jasper Infotech were grappling with how to pay salaries amounting to Rs 4 lakh; the company account was almost bare and pay day was upon them. They had no choice but to dig into their personal accounts that, together, held a balance of Rs 5 lakh. "By the end of the next day, we had less than a lakh left in our accounts," says Bansal.

A bigger survival question now hung over the two childhood friends who had shared a bench during their days in Delhi Public School. Both held prestigious degrees. (Bahl had done business management from Wharton School and Bansal had earned his engineering stripes from IIT Delhi.) They had also held top-paying jobs before turning entrepreneurs. The resultant introspection was inevitable: "Should we leave this life of uncertainty and go back to the comforts of a salaried job? Or should we stick on?"

But, as Bahl recounts, "We had a *keeda* [loosely translates to obsession] from our school days that we want to do something of our own." This was not the time to give up on that dream. As it turned out, that call

Friends Kunal Bahl (left) and Rohit Bansal had founded direct marketing firm Jasper Infotech before setting up Snapdeal in 2010



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was a good one. "We never had to revisit such a day," says Bansal.

They started changing their business model as often it took until they got the right mix. From a company that sold discount coupons, first offline and then online, they made the transition to building a marketplace-based ecommerce company called Snapdeal in 2010.

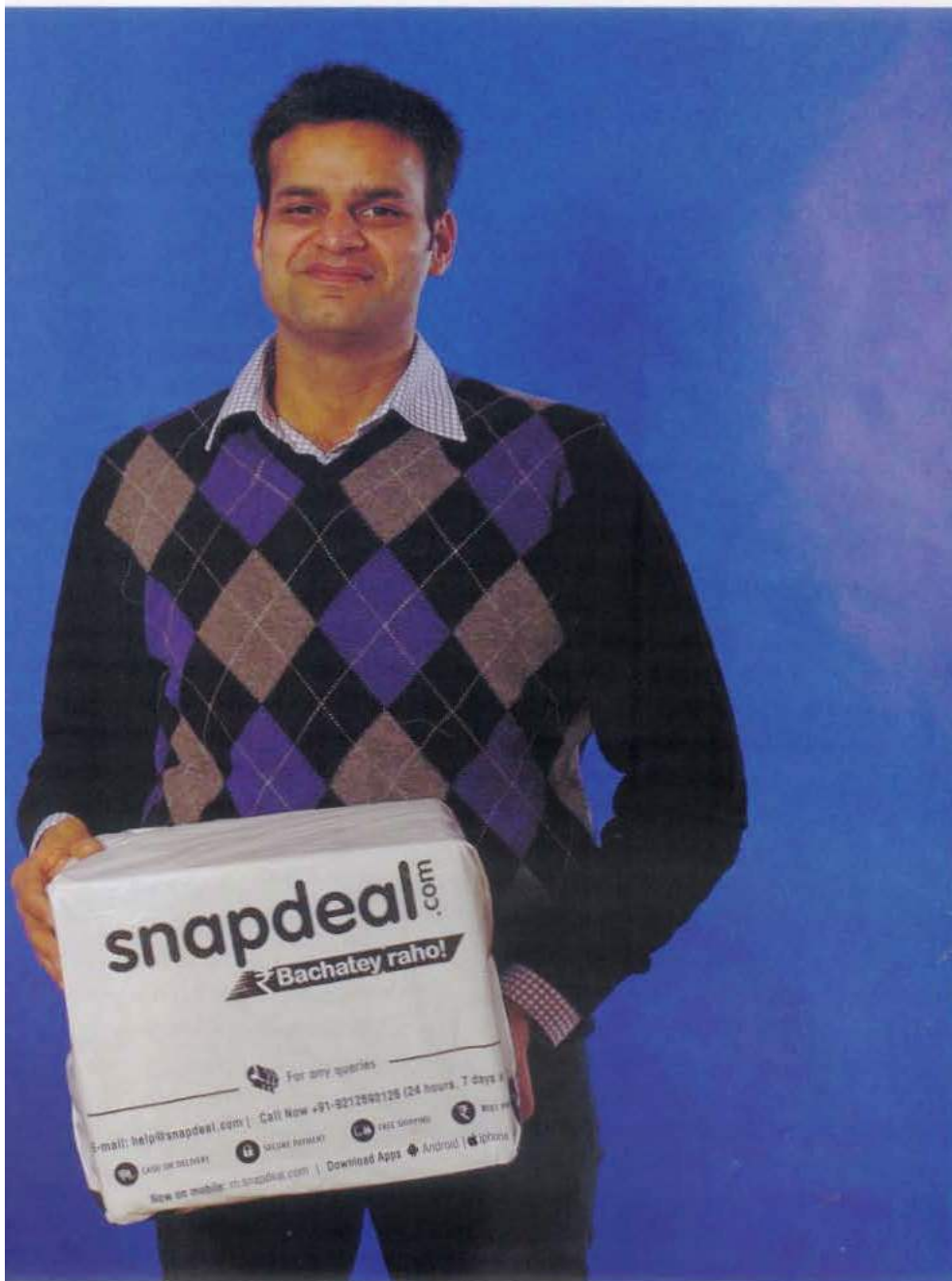
There has been no looking back since as Bahl and Bansal have single-mindedly grown what is today the largest ecommerce marketplace in India. A 20-member team in 2010, Snapdeal has 1,200 "team members" today ("I hate the word employees," says Bahl). Its sellers' network includes more than 50,000 merchants/brands and has a customer

base of 20 million, the company website claims. Its customers come from over 4,000 cities and towns.

"Our business has grown by six times in the last year. By the end of financial year 2015, we will cross \$1 billion in sales," says Bahl, who is the CEO. Co-founder Bansal is the COO of the company. Snapdeal, which gets a commission that ranges from 5 to 30 percent for each product sold, expects to close the present financial year with sales of \$500 million.

Naren Gupta, co-founder and managing director of venture capital firm Nexus Venture Partners, calls Bahl a "six sigma entrepreneur". The Nexus team had met Bahl when he was working on the idea of the offline printed discount coupon. The team wasn't clear if that idea would scale or even work, and suggested that Bahl focus online. After a year Bahl decided to take his model online. That's when he met Nexus again and got them excited about his proposal. And Gupta, who saw a scalable opportunity in the online model, decided to back him. "Once the model was clear, I knew that Bahl had the execution capabilities to make the business a huge success. We were thrilled to back him," Gupta says. Adds Suvir Sujon, co-founder and managing director at Nexus: "We were convinced that only a marketplace of services will be able to achieve scale in India and expanding into products would be a logical extension."

The firm, along with IndoUS Venture Partners, was the first to invest in Snapdeal with a \$12 million funding in 2011. Both were later part of another two rounds of fund-raising by Bahl and Bansal. The last one, in June 2013, saw the \$14 billion American ecommerce major eBay taking a slice of Snapdeal and emerging as one of its biggest investors.



But these are early days in the Indian ecommerce industry. “Compared to the US and even China, we are just beginning to scratch the surface in India,” says Rahul Khanna, managing director, Canaan Partners, India, the local unit of the multibillion-dollar venture capital firm based in Silicon Valley. Ecommerce is just 0.25 percent of India’s total retail activity. But there is a difference. “The US has an old and rich legacy of organised retail and ecommerce came in later. In India, both are growing almost together. [So] Indian ecommerce will grow much faster,” points out Khanna, hinting that as the market matures there might not be enough space for all the present players. (Canaan has also invested in marketplace ecommerce company Naaptol.)

Perhaps that is why it would be premature to call Snapdeal a success story despite its steaming growth and scale in operation. The company is yet to turn a profitable year, though that is the case for its peers as well. But Bahl and Bansal have already shown that they are capable of taking counterintuitive decisions which have fuelled their growth.

The most significant of these was to opt for a marketplace model instead of an inventory-based model that is followed by most online retailers. The biggest ecommerce company in India, Flipkart, is mostly inventory-led but has diversified into the marketplace model lately.

Bahl and Bansal’s decision had its positives. For one, they didn’t have to invest in building infrastructure (like warehouses) to enable buying and selling of products. Instead, they got suppliers—including the biggest brands and hundreds of

smaller traders—to list themselves on Snapdeal.com. When a customer orders a product, the merchant dispatches it from his own warehouse.

Fabdeal’s Ankur Agarwal approached Snapdeal in 2012 when the sari-maker from Surat wanted to go beyond its traditional distribution channels. “From 10 pieces a day initially, today I sell about 400 pieces every day through ecommerce. The company earns about Rs 60 lakh a month by selling online,” says Agarwal, who also sells on other ecommerce sites now. Most of his customers are from south India.

But it is clear that as the business grows, the model gets tweaked. For instance, Snapdeal has also started using warehouses for some of its merchants who have high volumes and not enough of their own space. Naaptol, on the other hand, has added a layer in the process. Products from the merchants’ warehouses first come to Naaptol so that it can ensure quality of the product and reduce the percentage of ‘returns’. After the check, Naaptol sends the packet to its customers.

Another benefit of the marketplace model was that Bahl and Bansal didn’t have to compete with the likes of Agarwal when it came to sourcing products and understanding customer taste. “We didn’t want to waste three to four years in understanding how it works,” says Bahl. As Agarwal points out, “I understand the fabric business better than them.”

The call on the business model was not the only unusual decision taken by them. At a time when most ecommerce companies were setting up their own courier units to transport goods, Bahl and Bansal decided to work with existing courier

companies. “While this helps us in maintaining a tight team, it also helps us reach the remotest parts of the country,” says Ankit Khanna, vice president-product at Snapdeal and a one-time entrepreneur himself.

The secret, says Bansal, is to back your decisions with a lot of data. Not surprisingly, each team in the company has an analytics department.

The young age of the leaders has helped as the buzz at Snapdeal’s Okhla, Delhi-based office shows. “The two are completely accessible and this rubs off on the rest of the team,” says Anupama Beri, head-human resources, Snapdeal, of the two founders. The average age of the Snapdeal team is 26; and that of the senior management (top 11 members) is 32. “It is not intentional,” says Bahl who sits for most of the recruitments, which includes a “presentation round” where aspirants have to outline their plans for the role they have applied for. Apart from HR, Bahl takes care of category management, brand marketing and merchant relationship. Meanwhile, Bansal is responsible for supply chain, online marketing, technology and analytics.

The duo’s partnership is integral to Snapdeal’s success as is their ability to retain nimbleness. Any initial apprehensions about the transition from friendship to business partnership seem to have been allayed—their relationship looks seamless. “We understand each other well and know what the other is thinking,” says Bansal. That will increasingly come in handy as the ecommerce industry in India consolidates and competition heats up. 

With inputs from Pravin Palande