Capstone Project Milestone 1

Brainstorming Ideas

1) **BPO Company**

2) **Flipkart**

3) **Snapdeal**

4) **Meesho**

5) **Shopclues**

Brainstorming Idea – Shopclues

ShopClues was an Indian e-commerce company that was founded in 2011 by Sandeep Aggarwal, Sanjay Sethi, and Radhika Aggarwal. It started as a marketplace for small and medium-sized businesses, with a focus on providing a platform for sellers from smaller towns and cities to reach a larger customer base. However, despite initial success, ShopClues faced several problems that eventually led to its decline and eventual acquisition by Qoo10 in 2019.

1. Initial Stage/Effective Start:

- ShopClues was founded with the aim of addressing the needs of small and medium-sized sellers who were looking for an online platform to sell their products.

- The company initially gained traction by offering a wide range of products at low prices, targeting budget-conscious consumers.

- ShopClues also implemented a unique business model that focused on unstructured categories and unbranded products.

2. Problems:

a) **Competition**   c) **Quality Control**

b) **Management Conflict**   d) **Funding Issues**

3. Decline and Fall:

- **Rapid Growth:** ShopClues initially experienced rapid growth, but it couldn't sustain that pace due to competition and other issues.

- **Market Share Erosion:** As competitors like Flipkart and Amazon aggressively expanded their reach and product offerings, ShopClues began to lose market share.

- **Customer Complaints:** Increasing customer complaints regarding late deliveries, counterfeit products, and poor customer service negatively impacted its reputation.

- **Financial Challenges:** The company faced financial challenges, including losses and difficulty raising capital, which limited its ability to invest in technology and infrastructure.

4. Values to Society:

- ShopClues initially provided opportunities for small and medium-sized businesses, especially from non-metro cities, to reach a wider customer base.

- It contributed to the growth of e-commerce in India, helping consumers access a variety of products at affordable prices.

- The platform aimed to bridge the gap between urban and rural markets, contributing to economic empowerment in smaller towns and cities.

5. Revenue:

- ShopClues' revenue grew steadily during its early years but began to stagnate as competition intensified.

- In its peak years, it reported annual revenues in the hundreds of millions of dollars, but it struggled to turn a profit due to heavy discounts and operational inefficiencies.

- As its troubles deepened, revenue growth slowed, leading to a decline in overall revenue.
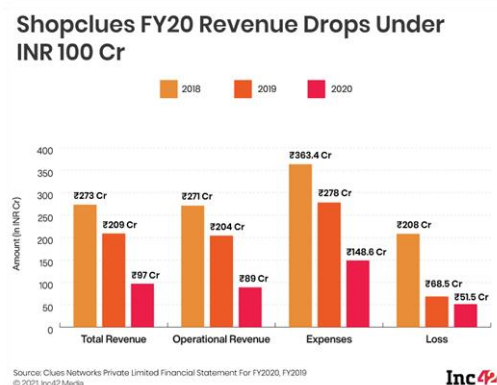
Fall of a unicorn: Why did ShopClues implode?

The success of an eCommerce venture goes beyond selling its products. From rival companies to internal affairs, a lot more goes behind the brand's capability of running operations smoothly. Sustaining a project as well as ensuring a stream of profits at the end of every fiscal year is not as easy as it sounds.

- **Aggressive Rival Tactics**

When ShopClues came about and gained traction in the Indian consumerist sector, eCommerce businesses were a thing of rarity. Its founders took advantage of this in 2011 and began to market its products accordingly. However, by 2014, Amazon and Walmart-owned Flipkart began to focus their attention on establishing online shopping platforms in India.

Whereas Flipkart was seen as only an online bookstore and Amazon as a western organization. Both began to aggressively market themselves to remove rivals. This affected the growth and consolidation of ShopClues, which became the small fish surrounded by sharks. New rivals with better and more refined marketing skills overpowered any model ShopClues could produce. This was one of the reasons behind the failure of ShopClues.

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- **False Branding**

The company also suffered losses in terms of its offerings. In 2011, the vision was to bring urban goods to sub-urban and rural spaces that lacked the opportunity to access the same. However, complaints from consumers began to stream in that the products were fake. The Luxottica Group, the owner of Ray-Ban, alleged that ShopClues had been selling Ray-Ban products under fake labellings. The accusation prompted the Delhi High Court to pull up the Indian brand for selling the products despite previous warnings. This adversely affected the image of ShopClues among the public.

- Poor Quality Products

Alongside fake products, reports also came in that the brand was dealing people with poor-quality products. Despite the low costs and exciting offers, the products were not up to par. Many users complained of scams and dupes perpetrated by the company. People did not receive their goods or refunds on time. The customer support option was unavailable to most pleas for help. This created bad blood among users towards the brand and affected ShopClue's image.

- Internal Scandals

Multiple scandals rocked the company over and over. The founder and CEO of ShopClues, Sandeep Agarwal, was charged with insider trading allegations in 2013. Consequently, Aggarwal was arrested in the United States where he accepted a plea bargain on the accusations and pleaded guilty. He resigned from the post of CEO of ShopClues the same year.

2017 saw a stormy year for the brand internally. Sandeep Aggarwal blamed Radhika (his estranged wife) for forcing him out of the company. Subsequently, the couple split up and continued to spar publicly over voting privileges and charges of fraud. Aggarwal then made a humiliating Facebook post regarding his wife and also filed a case of criminal defamation against Sethi and Radhika. He accused them of downplaying his contribution as the creator and founder of ShopClues. All such scandals among the founders created a false image of the platform in the public eyes.

- Migration of Consumers

With a clear lack of invigorating and innovative business foundations and adaptability, ShopClues was slated for failure when the big names came into the fight. Platforms like Amazon and Flipkart started gaining popularity and trust among the consumers and ShopClues did not have an adequate plan to retain its consumer base, leading to a collective exit of many consumers towards other platforms.

- **Extreme Cost-Cutting Measures**

Due to continued failures, ShopClues decided to undergo extreme measures to save costs. Hundreds of employees were regularly laid off every year after 2016. In fact, more than 200 employees were laid off in 2017 itself. ShopClues' expenses decreased by a whopping 60% between 2018 to 2020. The financial year of 2018 saw Rs. 363.4 crores in expenses which went down to Rs. 278 crores in 2019. 2020 saw a further dramatic decrease of Rs. 148.6 crores.

ShopClues shortened its budget for ads and promotions down to 80% in 2018. It further slashed costs to 60% in 2019. The shipment cost dropped completely down to 100%. There were no reports of transport or charges for hiring in the fiscal year of 2020, so it is assumed that these costs were also slashed.

Shopclues Goes For Aggressive Cost-Cutting, Expenese Cut By 60% Since FY18

ShopClues appears to have lost out in India's fierce e-tailing battleground dominated by Flipkart and Amazon; while Flipkart and Myntra had a 36.6% market share in FY2018, Amazon had 31.2 %; ShopClues accounted for just 1.6% of India's e-tailing pie

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Indian e-tailer ShopClues announced a merger with Singapore's Qoo10 Pte Ltd in a stock deal reportedly at a valuation of $100 million. That's a fire sale considering that ShopClues was once a unicorn that reportedly turned down higher acquisition offers over the past three years.

- **ShopClues ceased to be disruptive:** It had a cost advantage versus any other e-tailer as it was ahead in the managed marketplace model when it started in 2011. Flipkart and Snapdeal were yet to become a marketplace; Amazon hadn't launched. But over the years, every e-tailing company became a marketplace and ShopClues' edge dropped. Meena thinks it has to do with not evolving to what customers wanted - a better experience. "Every company evolved in the past five years. But ShopClues did not. The buyer also evolved during this time. They became more confident online shoppers and wanted an experience. That is something ShopClues wasn't able to do. Amazon and Flipkart reached out to customers with a better service," he explains.

End of the road for Shopclues?

The company admitted in the last two years even as it reduced losses by 85 per cent via cost reduction and contribution expansion, it reduced its operational workforce 15 per cent to further lower operational costs

Shopclues, run by Gurugram-based Clues Network was once the fastest growing unicorn in the country and the leader in the online marketplace for unbranded and 'affordable' goods.Now, the company founded in 2011 by Sanjay Sethi, Sandeep Aggarwal and Radhika Ghai faces an existential crisis, which could see the first much-hyped unicorn shut shop even as rival Snapdeal is trying to turn around.

"In the last two years, ShopClues has continued its journey to enable MSMEs & service Tier 3/4 consumers from its platform. It launched multiple lines of businesses besides it core B2C marketplace which gained traction in the last two years. Our Enterprise Business is now 15 per cent of revenues and Ezonow, our social selling platform has crossed 8 lakh in resellers base" the statement said.

The company admitted in the last two years even as it reduced losses by 85 per cent via cost reduction and contribution expansion, it reduced its operational workforce 15 per cent to further lower operational costs.

In a blog post earlier this year in April, Sanjay Sethi, co-founder of the company wrote "Last 3 years have been challenging to say the least, but these challenges also allowed us to rediscover ourselves. As a company, we had to figure out who we are and what we stand for. Figure out what value we add to our customers & employees. The good news is that we have come a long way and are stronger & wiser".

He said the idea was not to try and compete with Amazon or Flipkart by using their playbook but play by their strengths. "We ended Q4 FY2017 with Rs.38 crore in net revenue and a Rs.89 crore burn, while last quarter (Q4 FY2019) we did Rs.61 crore in net revenue with a Rs.8 crore burn. That is a 60 per cent increase in revenue while reducing our burn by 90 per cent in the same period" he added.

While the company battled the intensified competition, the ugly spat between the co-founders led to the exit of Sandeep Aggarwal. It also lost the effort to sell the company to Snapdeal at a throwaway valuation of around $280 to $320 million led it further into a downward spiral. It still claims to have 50 million registered customers with 22 million monthly unique visitors with more than 50 per cent of the traffic growing organically and 60 per cent of customers coming from Tier 3/4 cities.

With it being almost out of cash and no buyer in sight, Shopclues is said to be looking for investors on a war footing for survival.

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Loop Holes – Shopclues

ShopClues faced several critical weaknesses that led to its decline and eventual acquisition:

1. Quality Control Issues: ShopClues received criticism for selling low-quality or counterfeit products due to lax quality checks, damaging its reputation.

2. Customer Service Problems: The company struggled with poor customer service, including late deliveries and inadequate responses to customer issues, harming the customer experience.

3. Intense Competition: Operating in a fiercely competitive market against giants like Amazon and Flipkart posed a significant challenge.

4. Funding Challenges: ShopClues struggled to secure substantial funding compared to competitors, limiting its ability to invest in technology and growth.

5. Operational Inefficiencies: Inefficient operations raised costs and reduced profitability.

6. Management Conflicts: Internal disputes among co-founders affected decision-making and strategy.

7. Lack of Adaptation: ShopClues couldn't pivot effectively to changing market dynamics and customer preferences.

Solutions to the Problems Shopclues faced

1. Quality Control and Authenticity:

- **Solution:** Implement stringent quality control measures and authenticate sellers and their products. Establish a verification process for sellers and their products to ensure that only genuine and high-quality items are listed on the platform.

- **Practical Steps:** Conduct regular audits and inspections of seller inventory, and create a rating system that highlights reliable sellers. Invest in technology like AI and machine learning to identify counterfeit products.

2. Customer Service Improvement:

- **Solution:** Invest in improving customer service and responsiveness. Implement a robust customer service training program for support staff.

- **Practical Steps:** Set up a dedicated customer service team with clear protocols for handling customer inquiries and complaints. Utilize chatbots and AI-driven solutions to address common customer queries promptly.

3. Competition Mitigation:

- **Solution:** Focus on niche markets and product categories where competition is less intense and establish a unique selling proposition (USP).

- **Practical Steps:** Identify underserved market segments or emerging trends and tailor the platform to cater to their specific needs. Develop exclusive partnerships with manufacturers or brands to offer unique products.

4. Funding and Financial Sustainability:

- **Solution:** Seek strategic investors or partnerships to secure funding and improve financial sustainability.

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- **Practical Steps:** Identify potential investors who have an interest in e-commerce and can provide both capital and strategic guidance. Consider forming strategic alliances with complementary businesses that can provide resources or access to new markets.

5. Operational Efficiency:

- **Solution:** Streamline operations to reduce costs and improve efficiency.

- **Practical Steps:** Optimize the supply chain and logistics operations to reduce delivery times and costs. Implement data analytics and automation to enhance inventory management and reduce wastage.

6. Management Alignment:

- **Solution:** Ensure that co-founders and key management personnel are aligned in their vision and strategy for the company.

- **Practical Steps:** Conduct regular management meetings to foster communication and consensus. Define clear roles and responsibilities within the leadership team to avoid conflicts and ensure accountability.

7. Adaptation to Market Changes:

- **Solution:** Be agile and adapt to changing market dynamics and customer preferences.

- **Practical Steps:** Invest in market research and data analytics to stay informed about industry trends. Be open to pivoting the business model or expanding into new product categories when necessary.

8. Marketing and Brand Building:

- **Solution:** Invest in marketing and brand-building efforts to improve customer acquisition and retention.

- **Practical Steps:** Develop a comprehensive marketing strategy that includes online and offline channels. Focus on building a strong brand identity and loyalty program to attract and retain customers.

By addressing these practical solutions, ShopClues could have improved its overall business performance and competitive position in the e-commerce market. Implementing these changes would require a concerted effort and commitment from the company's leadership and stakeholders.

User Persona – Individual

User – 1 Abhi Jindal (PGD202350494)

1) Helped with the Revenue details.
2) Sorted the content.
3) Provided different aspects of solutions.

User – 2 Arpita Sharma (PGD202350432)

1) Helped with the Data collection.
2) Problem Statements

User- 3 Kashish Sharma (PGD202340525)

1) Wireframe – Application
2) Analysed the context of the Application.
3) Looked up to the positive sides of the brand.

User – 4 Krati Pandey (PGD202340261)

1) Helped with the content sorting.
2) Society Value was discussed and explained team.

User – 5 Mohd Moin (PGD202346111)

1) Revenue Details – Explained and searched
2) Finance details – Explained and searched

User – 6 Payel Mondal (PGD202348865)

1) Sorted out the arranged content.
2) Researched about the brand marketing.
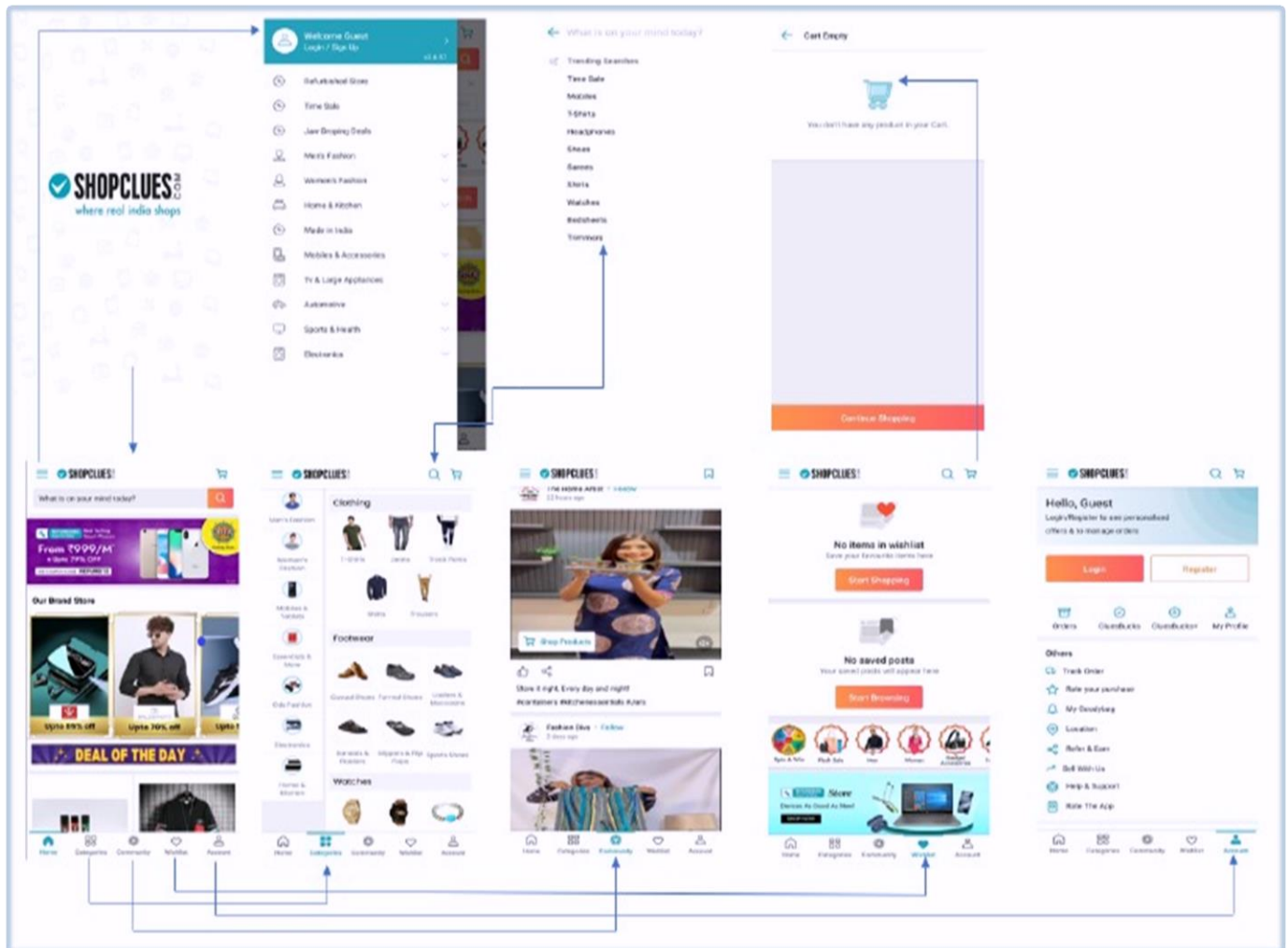3) Part of the group Decisions.

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User – 7 Purvi Kaushik (PGD202349026)

1) Collection of data – Shopclues.
2) Manage the discussion and helped with the finalization.
3) Problem Statements
4) Prepared the assignment for the submission.

User – 8 Vishesh Khajuria (PGD202350537)

1) Wireframe - Shopclues
2) Data collection - Brand
3) Arranged out the content
4) Problem Statements

Application Wireframe - Shopclues