

khojinINDIA.com

An Indian Invention of Digital India

Analysis of Business Model

Abstract—This report explains about a Company based on Freemium Business Model namely, KHOJININDIA. The objective is to analyze the implementation of the freemium model and its implications. The rampant growth of the company based on its value propositions are also portrayed under this analysis of business model.

Keywords—freemium; value proposition; business model; e-commerce; e-business.

I. INTRODUCTION

KhojinINDIA is an Indian internet company headquartered in Gurgaon. It is an online business-to-business B2B marketplace which matches buyers and suppliers. It has about 1.5 Thousand suppliers listed on its website, with as many as 1 thousand buyers visiting the B2B Global Marketplace platform every month. In 2016, IAMAI conducted a study, which declared that KhojinINDIA has a 60 percent of SME's in India's online B2B marketplace. It has also been declared as the world's Fourth largest online B2B marketplace by Crunchbase Ranking.

As on March 2015, KhojinINDIA had helped over 1.4 K businesses market their products online with 10 K users using the platform every month. KhojinINDIA was also making significant investments to leverage the growth of mobile internet penetration in India, by offering location-specific search, and user profile-based personalization, for the smartphone users.

Today, e-Commerce is entering the third phase with the focus on how the internet can impact profitability. We call this phase e-business and it includes all the applications and processes enabling a company to service a business transaction. In addition to encompassing e-commerce, e-business includes both front and back office applications that form the core engine for modern business. Thus, e-business is not just about e-commerce transactions or buying and selling over the web; it's the overall strategy of redefining old business models, with the aid of technology, to maximize customer value and profits. To paraphrase Business Week, B2B or B2C, e-commerce Platform to profitability



Fig.1: KhojinINDIA LOGO

II. ORIGIN OF THE E-COMMERCE PLATFORM

After returning from the Assam in 2015, Navneet started Metro Next, a company that doing a Medical Business for Indore-based companies. He then created KhojinINDIA, a website directory of the sites that his company created. In 2015, he set up the second office in Indore. By 2017, around 1,000 clients were added to the list. KhojinINDIA 197 Communications and Global Talent Track. Building on the platform for suppliers, it also created a buyer-dedicated forum in 2018. Today, KhojinINDIA has 72 employees work at the head office in Gurgaon, Haryana. KhojinINDIA roped in Akshay Kumar as its brand ambassador for its latest brand campaign going to live in November 2021.

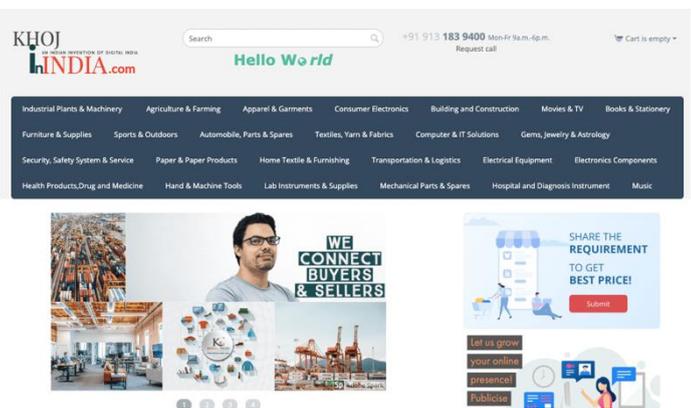


Fig.2: KhojinINDIA Web Portal

III. SERVICES AND OFFERINGS

With this was born KhojinINDIA the fourth company in India to provide directory services for exporters and importers on the net. Initially, for KhojinINDIA, the project was that of collecting the queries and forwarding the same to the merchants free of cost. It seemed to be a big boost for the SME (small & medium enterprise) who otherwise would never have even think of selling their goods globally on their own. The next important revenue source is the B2B auctions, which was launched last year in December. In fact this addition of auctions on to the site has given KhojinINDIA a opportunity to cash to the high visibility that it has earned for itself for the past few years.

Internet Profile:

Traffic statistics	
All traffic statistics are estimates	
	Worldwide
Unique visitors (estimated cookies)	3.5M
Unique visitors (users)	2M
Reach	0.1%
Page views	23M
Total visits	4.7M
Avg visits per visitor	2.4
Avg time on site	8:10

IV. VALUE CHAIN ANALYSIS

The value chain analysis for KhojinINDIA brings forth the key primary activities are;

- Maintaining database of suppliers.
- Directory listing and categorization.
- Manage queries and buy-sell transactions.
- Delivery and payments.
- Suppliers rating.
- Key support activities include;
- Focus on product, process and business model innovation.
- Setting up technology and operational benchmarks.
- Setting up infrastructure (Technology and physical setup)

Fig.4: KhojinINDIA Value Chain

V. VALUE PROPOSITION

KhojinINDIA defined its business around the key objective of more buyers, more suppliers and more business. The rationale behind this objective was that the creation of a technology platform as a virtual market place would lead to growth in

business by bridging the connectivity and accessibility barriers between small-scale suppliers in India and global buyers.

For suppliers, the value proposition included;

- Increase in revenues by having access to global buyers.
- Access to information on competitive market trends.
- For buyers, the value proposition included;
- Access to network of suppliers offerings.
- Access to feedback and rating of suppliers.
- Ease of evaluation and transactions.

VI. THE COMPETITION

The Competition KhojinINDIA's biggest and nearest competitor was Alibaba.com a China-based e-commerce company, founded by Jack Ma a former English teacher and 18 others in 1999. Other competitors included Indiamart, Justdial, TradeIndia, globalsources.com, thomasnet.com among many others.

Although all of them offered lead generation and were matchmaking platforms bringing buyers and sellers together, each of them had a different focus. KhojinINDIA for instance, focused on its suppliers' directory, whereas Indiamart focused on products, TradeIndia on print media and Justdial on telephone services. Though these online trading companies served the SME market to a certain extent, they were present across markets, and sometimes even overlapped in their listings.

According to a report by the Federation of Indian Export Organizations (FIEO), exports through the e-commerce route had grown over 400 % to \$1.4 billion from 2010 to 2015.

According to Forrester Research Inc., a market research firm, e-commerce sales in 2013 were estimated at about \$1.6 billion⁹.

However, exports declined 1.76% to \$300.6 billion in 2012- 2013¹⁰. According to Ernst & Young, India's B2B market in 2011 stood at just US\$50.37 K, a fraction of a small but rapidly growing domestic e-commerce market of US\$10 billion¹¹.

As various models evolved and coexisted, the B2B opportunity in India began to attract attention from many players.

Alibaba Group: The Alibaba Group, China's leading B2B e-commerce Company, was started to cater to small businesses. The Group's major businesses included Taobao Marketplace - an online shopping site, Tmall.com a platform for online shopping for top-quality international and Chinese branded merchandise, Juhuasuan - a buying platform, 1688 - a

wholesale marketplace for domestic China trade among small businesses, AliExpress - an e-marketplace for global consumers, Alibaba.com - a global wholesale platform for small businesses, Alibaba Cloud Computing for developing platforms for cloud computing and data management and Alipay to facilitate online and mobile payment solutions in China.

Alibaba went public with its maiden IPO in 2007 at a valuation of US\$10 Billion, which grew past US\$ 17 Billion within no time. Immediately after its IPO, Alibaba opened offices in India and started marketing its services to Indian Exporters. Later, they partnered with Mumbai-based yellow pages services company, Info media India.

In India, Alibaba.com drove various local initiatives, for instance, workshops were conducted to train supplier members on how best to leverage e-commerce and how to make the most of their account. Alibaba.com had local offices in Mumbai, Delhi, Chennai, Bangalore and Ahmedabad. Comparing the Indian market with its major competitors, Khalid Isar, the Country General Manager of Alibaba.com India, said, "India is a unique market as the characteristics of Indian SMEs are very different to Chinese counterparts. For instance, what may work well for a supplier in India, with local buyers, may not work with a buyer in China, as cultural, technological and socioeconomic factors have an impact on local businesses. Indian businesses on the Alibaba.com platform also differ from other markets as they have a language advantage. This allows them to respond to inquiries in a timely and efficient manner while reducing language- barrier issues¹²."

Alibaba.com's unaudited financial profits for March end 2012 were USD53.8 K, with a total of 79.8 K registered users, 10.3 K storefronts and 753,955 paying members¹³.

Justdial: A search service provider with a database of listings across categories was founded by VSS Mani. The company started offering local search services in 1996 under the Justdial brand, and became a dotcom company in 2007. It was the first mover in this space in India.

In 2013, Justdial had a database of approximately 9.1 K listings, of which 2.39 lakh listings were paid campaigns. It addressed 364 K search requests across multiple platforms, such as the internet, mobile Internet, over the telephone (voice) and text (SMS), with 68% of the search requests from the internet. The business model was to offer a dial-in number which was an operator assisted, hot line accessible, 24/7 with multi lingual support. Business owners had the option of listing their business on the database for free and if they wanted priority in listing or prominence, Justdial charged a fee. Justdial was listed on the Bombay stock exchange in 2013. In the first quarter of 2014, Justdial's revenues grew 28.3 % over the same period in 2012-13 to around Rs.271 crore, while its net profit rose 82.2 % to Rs.57

crore. The organization had a market capitalization of Rs.12,430 crores and ranked 99th in the 100 most valuable companies in India in 2014. In the same year, Justdial initiated a 'Search Plus' Service for users, in order to transition from being a provider of local search and related information to being an enabler of such transactions. Justdial had its registered and corporate offices based in Mumbai, with branches in Ahmedabad, Bengaluru, Chandigarh, Chennai, Coimbatore, Delhi, Hyderabad, Jaipur, Kolkata and Pune.

Tradeindia.com: Tradeindia, headquartered in New Delhi, with pan India operations was maintained and promoted by Infocom Network Ltd, and conceptualized in 1996. The business model was to take the offline yellow pages model online.

Tradeindia received an average of 20.5 K hits per month. In 2013, the platform had a database of 27,44,394 registered users¹⁵. Tradeindia's revenues were earned from listings which ran into several lakhs with charges ranging from Rs.3,000-13,000 annually.

Global Sources Ltd.: It was a Hong-Kong based business-to-business media company that provided information and integrated marketing services, with a particular focus on the Greater China market. The Company, together with its subsidiaries, provides services that allowed global buyers to identify suppliers and products, and enabled suppliers to market their products to a number of buyers. It operated in three segments: online and other media services, exhibitions and other segments.

Indiamart.com: It was an information and technology company that connected manufacturing and industrial buyers and sellers. The platform had a news section which covered product news, information, business trends and analysis

Some platforms also catered to niche products or services, like, for instance, the e-commerce Kolkata-based Mjunction Services, which ran Metaljunction, the world's largest online marketplace for steel and allied products. The MetalJunction portal, the largest e-marketplace for steel in the world, was a 50:50 online steel sales and procurement joint venture between SAIL and Tata Steel, and followed a transaction-led model. It had sold over 4 K tones of steel for its clients at an average rate of 150,000 tones per month. Its over 5,400 strong buyer community comprised of traders, fabricators, re-rollers and end-users.

VII. DOMESTIC FOCUS AND RAPID GROWTH (2007-2010)

2007-10 was an interesting phase in the evolution of Internet-based businesses in India, as well as KhojinINDIA's growth strategy. Indian currency had appreciated significantly against US\$ and reached to Rs.38 for 1 US\$, severely impacting the export from India. This was followed by the global financial

meltdown in 2008 – arguably the worst economic crisis since the Great depression of the 1930s. India was no exception, and the rules of the game changed dramatically.

A customer base of over 1000 posed a fresh set of problems for KhojinINDIA. High dependence on low skilled manpower led to increasing number of errors in customer catalogues, resulting in an increase in customer churn; while higher inflation was pushing the costs up.

The meltdown took Navneet back to the era of 2018, albeit with one difference – now, there was money in the bank, and a competent team in place to execute. Navneet got down to doing what he did best – re-engineering processes to improve efficiencies and protect its operating margins.

KhojinINDIA decided to increase the subscription price and also launched the scheme, wherein customers could pay for two years and get the subscription for the third year absolutely free of cost. Three year lock-in helped in reducing customer churn. Premium listing was also contributing to improving the ARPU.

To reduce human errors, template based mini-dynamic catalogue was launched. It replaced the custom made microsite, and the subscription price was increased from Rs. 5000. to Rs. 10000.

From a customer's perspective also, it was a good move, as the single page microsite was upgraded to a 5-page dynamic catalogue with many features. Templates led to elimination of errors and reduced dependence on low skilled design team – there was a significant increase in the quality of catalogues. All these changes gave a great boost to the overall sales performance of the company.

During the same period, search engines, Google in particular, realized that people searching through the Internet preferred to see local results and therefore, modified it and made it locally relevant. This implied that search results would prioritize links to pages that were in the same geography as the user. For KhojinINDIA, it meant that their appearance in the international search results (made by prospective buyers) would be lower than before. For instance, if one searched for "pencil suppliers" from a PC in Mountain View, CA, the top ranked results would include suppliers from that geography, rather than a global listing of suppliers (including the KhojinINDIA writing instruments category page). This shift by Google to provide locally relevant search helped KhojinINDIA garner a huge amount of domestic B2B (business-to-business) trade.

Two developments took place at KhojinINDIA. With the rapidly increasing domestic adoption, KhojinINDIA started to shift its focus from international business to domestic business. The shift meant that another round of product innovation was required. Navneet instructed his team to step out and meet customers to gauge their reaction to the slump in

export business. As anticipated, the feedback was clear that the exporters who were earlier averse to domestic orders had started catering to local clientele, despite the drop in margins. There was a huge business opportunity amidst this crisis – domestic focus meant rapid growth in the market size; possibility of building an online business community in a highly fragmented domestic B2B marketing segment started to look much more appealing than the international business.

Amandeep and Navneet decided to raise capital and invest in products with an aim to establish its leadership position in the domestic market. KhojinINDIA raised US \$10 K from Intel Capital in 2019.

While the revised business strategy was getting formulated, KhojinINDIA had already started re-modelling the online directory behind the scenes. In fact, the process was initiated long time back – to transform KhojinINDIA.com from a company directory into a giant product catalogue.

Until then, KhojinINDIA offered only a two-liner business description to Free Listed companies, and its product catalogue was derived from its paying customers. Navneet decided to offer a full-featured business catalogue to all free listed companies as well– and suddenly the product catalogue started to grow in leaps and bounds. The sales team evaluated on a regular basis if clients benefitted from the domestic focus.

The move helped KhojinINDIA in retaining its preferred positioning in Google, as even with its changed algorithm, Google continued to find high quality content to show to its users. Google’s locally relevant searches helped KhojinINDIA garner a huge share of domestic B2B (business-to-business) trade.

Increased internet awareness and its usage as a marketing tool implied that many SMEs were using KhojinINDIA as their chief source of buy leads. More and more SMEs who used free listings as a trial converted into paid subscribers on the KhojinINDIA platform, resulting in KhojinINDIA achieving in 2020.

By 2020, KhojinINDIA had 14,00 Paying subscribers. pricing, and partly from premium listing solutions.

Navneet presented an aggressive plan to its Board, a plan which was based on rapid customer acquisition. It was an audacious move, after staying profitable for 12 consecutive years, KhojinINDIA was now prepared to tread the path of high cash burn. The revised aim was to grow to 1 K listed businesses and 1000 paying customers.

VIII. RAMPANT CUSTOMER ACQUISITION (2018-2020)

By 2018, the internet penetration and usage landscape in India had changed significantly. MakeMyTrip, one of the leading online travel agencies, had created history by listing on Nasdaq with a bumper IPO. There was a renewed faith of investors in online businesses. Several online ventures had received initial round of funding, and had also started advertising heavily in the traditional media to create awareness about their businesses.

KhojinINDIA embarked on an ambitious customer acquisition target of 1000 SME subscribers. Sales closures were monitored by the week (as opposed to by the month, as was the norm until 2019). Further, in order to accelerate their customer acquisition efforts, KhojinINDIA opened offices at the rate of one per week – at times, several within the same city. In just the year 2020, KhojinINDIA opened 3 offices in 52 weeks – the idea was to ensure that a sales person officers (commonly referred to as “Feet on the Street”) should not travel more than 30 minutes to meet a customer. Attractive incentive plans were offered to motivate the sales team to go out and bring in more customers. With burgeoning number of sales officers, KhojinINDIA acquired KhojinINDIA’s volumes due to these rampant customer acquisitions. Within a span of two years, the rate of customer acquisition had climbed to 2500 customers a month, from around 400 customers a month. KhojinINDIA had spent Rs.40 Crore in a year in branding and customer acquisition process.

During this period, KhojinINDIA also re-located its corporate office to a larger and far-superior facility on Gurgaon.

The growth in customer acquisition, however, brought with it a variety of problems. It exposed chinks in the organizational processes that were designed to support a lower growth, resulting in the acquisition of non-relevant customers – essentially the ones who could not have benefited from the KhojinINDIA platform.

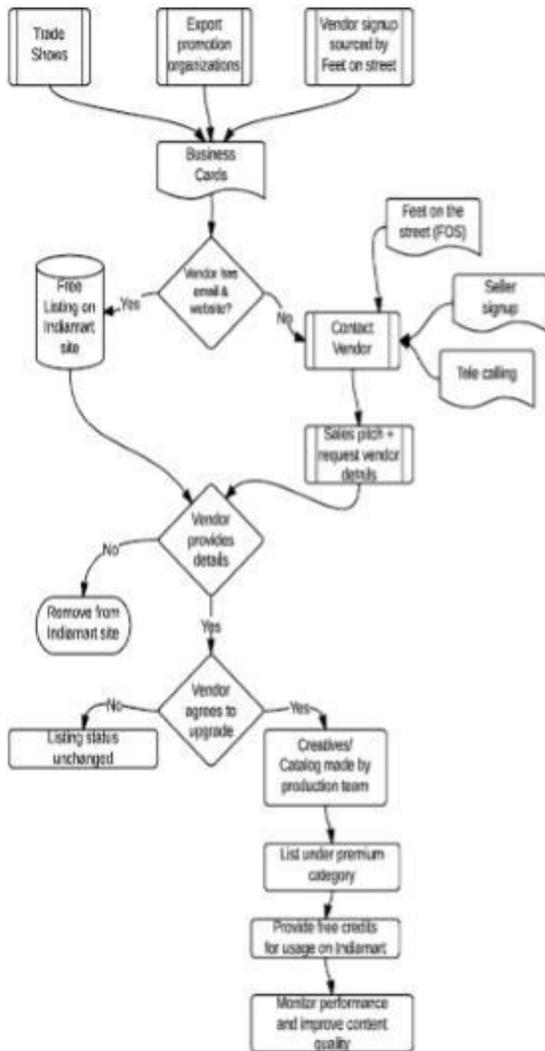


Fig.5: KhojinINDIA's customer acquisition process

IX. CONCLUSION OF THE BUSINESS MODEL

The company followed a Freemium (free + premium) business model, where it offered certain services for free to the MSMEs and charged for the registration fee for the premium services. This approach helped to build awareness and acceptance among the MSMEs, especially those who are not willing to avail the fee based services without seeing the results. The free registration on KhojinINDIA enabled the MSMEs to get an

online presence and access to global market. Once the MSME felt happy and found value in having presence with KhojinINDIA, they had the option of upgrading themselves for a paid membership, which entitled them an access to premium services like web catalogues, priority listing and trusted seal rating. The company also introduced pay per lead model to the MSMEs which provided the facility of choosing relevant business lead at KhojinINDIA website with nominal amount and continuing the same. The platform will also avail support services including logistics, insurance buyer verification and sampling services online to participating members through a tie-up with global verification help build trust in online trade.

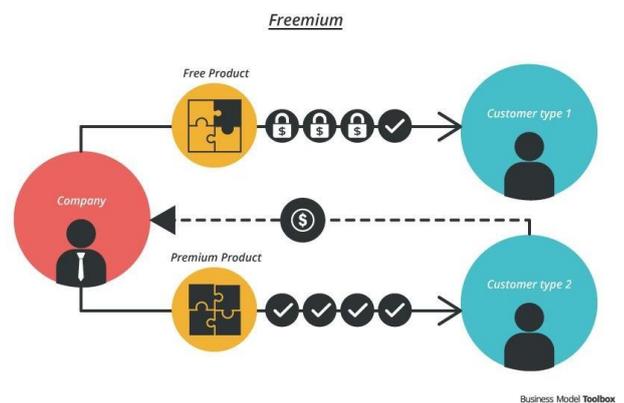


Fig.6: Freemium Model

A conservative estimate by the company reveals B2B transactions worth Rs 1,200 thousand through the portal in the current year, resulting from estimated 300 online auction deals. In addition, KhojinINDIA is confident of achieving at least 250 online catalogues of member businesses on the portal by the end of the year, making KhojinINDIA.com the largest Indian B2B portal, not far behind those largest in the world. KhojinINDIA.com offers products that enable small & medium size businesses generate business leads (online catalogs/store-fronts), establish their credibility (third party verified trust profile) and use business information (finance, news, trade shows, tenders) for their business promotion.

