



# Catch the shopper

**This issue of Praxis focuses on how traditional businesses are making the transition to the 'new economy'. This section and the next look at e-tailing, a business model thrown up by the 'new economy'. While this chapter looks at the proposition of Fabmart, a pure-play e-tailer, the next is a case study of a horizontal e-tailer, Shopping@satyamonline.**

**F**ABMART is one e-tailer which keeps hitting the headlines often, as much for its new initiatives, as well as for reports that say that Rupert Murdoch and Dhirubhai Ambani have looked at equity stakes in the e-tailer. So, what makes this 10-month-old online store click?

Fabmart went online on September 29 last year, and processed 12 transactions in its very first day of operation. What followed were days of struggle when the store survived on minimal transactions. But shoppers kept trickling in, and there was no day when Fabmart failed to attract at least one request.

The store now registers about 250 transactions a day, with the average transaction amount hovering at around Rs 200. A leading IT magazine in its recent survey on Indian e-commerce engines picked Fabmart as the 'best focused' e-commerce shop. More recent-

ly, readers of *Chip* magazine voted Fabmart the 'best virtual superstore'.

Fabmart acknowledges that not all e-commerce ventures will survive and expects "most of them to fall by the wayside". Talking to *Praxis*, K. Vaitheeswaran, Vice-President, Marketing, Fabmart, outlined how his company's e-tailing model is different from horizontal portals and other e-commerce engines. Being an early mover, and now an established one, the Fabmart model is now considered a benchmark for financial institutions looking at e-commerce ventures.

#### **How it differs**

According to Vaitheeswaran, horizontal portals offer all things to all people, and online shopping will remain a small part of such ventures. These portals are not focussed e-commerce engines.



# by the e-tail

Boby Kurian

Then, there are e-tailing Web sites. They start off with many items such as books, CDs, some shirts, teddy bears and some colour TVs. They offer width without depth. Fabmart, on the other hand, believes in providing depth rather than width. Starting with books and music, it now offers a wide collection from within these categories and, according to Vaitheeswaran, it focuses on providing high levels of customer satisfaction.

The store is designed on the 'find what you need fast' policy. Take the bookstore, for instance. A shopper can use the option of searching either by title, or first/last name of the author. There is also an additional facility of advanced search for those who would like to search by combining two or three options.

If a customer does not have a specific book title in mind, he/she can browse through the available books, where the browse feature allows the person to surf either by subject or by author.

A dropdown box on the top band of every page lists all subjects, enabling the browser to select the subject of his/her choice for a list of all books on that subject. Each subject page also lists new releases, Fab Specials, Fab Toppers and Fab Bestsellers for the chosen subject.

All books are also classified by author, with a 'browse by author' link available on each page. Clicking on this brings up another page, where the person chooses the subject and then the first letter of the first or last name of the author whose books he/she would like to browse through.

Clicking on a letter of the alphabet will list all authors whose first/last names start with that letter, and the shopper can then choose the author of his choice for a listing of new releases, Fab Specials, Fab Toppers and Fab Best Sellers (if any) for that author.

Other sections in the bookstore include award winners, featured author, Fabmart recommends, spotlight and promotions and contests.

The search options are similar for the Fabmart music store. Once the customer has selected the items to be purchased, he/she then clicks on the 'add to shopping cart' icon and goes through the entire shopping process.

At the time of confirming his/her order, the shopper is given a reference number that can be used to track order status.

Fabmart is banking on the virtual store's depth in offerings and customer satisfaction initiatives to add value to its e-tailing business. And this, it hopes, will be the final differentiating factor.



*Fabmart hopes to add value to the customer through the depth of its offering and other initiatives.*



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### **The fulfilment process**

It's easy to lose an online customer. For him to prefer an online store to a neighbourhood shop would have been a difficult decision involving a fundamental behavioural change. And the e-tailer just cannot disappoint the customer in service or delivery. In fact, Fabmart is to shortly introduce an online call centre (live chat) where a customer can get instant feedback on his/her queries.

Fabmart's fulfilment process can be broadly classified into sourcing, order consolidation, and delivery. Sourcing involves collecting various customer orders from wholesaler/distributor/production agencies on an ongoing basis.

At the consolidation stage, the sourced items from the wholesaler are segregated according to individual orders and finally packed on the basis of individual consignments. Once the allocation of each order is completed, shipments are made through Blue Dart couriers.

The key element here is Fabmart's completely automated and Web-based solution, which works on a virtual inventory model where Fabmart does not hold any inventory at all.

The store is still able to meet the delivery commitment within 72 hours typically. Fabmart claims to ship about 95 per cent of its orders within 48 hours, a feat it can achieve because of its rapport with the big book and music companies in India.

Fabmart also has a seven-day, no-questions-asked return policy under which customers can return any items, with a small note stating the reason for dissatisfaction, and Fabmart bears all shipping expenses.

### **The payment mechanism**

The e-tailer has put in place two kinds of security mechanisms – one for debit/credit card transactions and the other for confidentiality of personal details.

Fabmart and Citibank launched what they tout as 'the world's most secure'



payment process on the Internet in December 1999.

In this mechanism, the card number is not provided to the online store but given directly to the bank. In addition, the customer needs to key in the PIN to ensure that no misuse of the card is possible. And since this is done on an SSL (Secure Socket Layer) encrypted link, accessing the card number while it is in transit is not possible.

Sensitive customer details are accessible only to officials in the rank of Vice-President and above and not to all employees. Fabmart's privacy policy clearly states that customer details are not sold, rented or leased out to third parties.

### **Why Fabmart outsources**

Fabmart outsources most functions which have no direct bearing on the customer. For instance, hosting is managed by Bharti Telecom, the payment gateway is outsourced to Citibank and networking is in the hands of Wipro and Compaq.

According to Vaitheeswaran, Fabmart has identified four areas likely to impact a customer: the brand, the relationships



with book and music companies, the store itself, and customer fulfilment.

All other functions are outsourced. Even customer fulfilment, to an extent is managed through outsourcing. Blue Dart delivers goods to 850 points across the country. Similarly, execution of responses to Fabmart's customers is done through an external eCRM firm. If a portal is compared to a human body, all its parts except the brain can be outsourced, and Fabmart claims to be the brain.

One frequently asked question is how viable is outsourcing. While it is true that Fabmart tends to spend more resources on the outsourcing model, according to Vaitheeswaran, it certainly pays, especially when the time gained is considered. If Fabmart had to develop and execute all the operations by itself, it would not have been possible for the company to make the site functional in six months.

#### **Fabmart's long-term viability**

Fabmart's advantage may be that it is a pure e-commerce venture; advertisement revenues are not counted upon. In fact, the store does not welcome ads, except those relating to books and

music. Any available virtual real estate is used for in-shop promos.

With initial VC funding of about Rs 5.5 crore, the online store recently mopped up another Rs 25 crore with second round funding from venture capitalist Chrysalis. With a registered customer base that is likely to grow, the store is confident about revenue flow, and Vaitheeswaran says Fabmart hopes to break even by its third year when it expects business turnover to touch Rs 45 crore.

A jewellery store was launched recently, while a grocery shop is on the anvil, with the ultimate aim to emerge as a focused virtual superstore.

The jewellery store, which went online in June with about 5,000 items, targets the impulsive buyer. And jewellery transactions are expected to drive up the average value of an online transaction.

The grocery shop will attract online customers for need-based purchases. Fabmart's aim is to achieve a mix in customer demographic profile – with both impulsive and need-based consumers.

Fabmart would also need to gear up for competition from players such as Shoppers' Stop and eCrosswords (e-commerce portals of Shoppers' Stop and Crosswords, expected to be online by October).

With a customer base of over 25,000, Fabmart hopes not too many will switch loyalties. The e-tailer hopes to consolidate further in the time that competitors will take to adapt to the dynamics of the Net business. Says Vaitheeswaran: "There's nothing like time gained." ■

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