Problems in start-up sector

What is the issue?

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- The Indian e-commerce and start-up sector has hit a rough patch.
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- Serious questions have been raised about the ecosystem after the arrest of Stayzilla co-founder on a vendor’s complaint and staff layoffs in e-commerce majors Snapdeal, Yepme and Craftsvilla.
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What is the present problem?

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- In the last five years, an estimated $15 billion, or Rs 97,000 crore, has been invested in this sector.
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- Leading domestic players in the e-biz sector raised huge sums of money.
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- These investments were used by the companies to try out new business models.
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- But since they failed to figure out the right economic model, the plans backfired.
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- The venture capital and private equity (PE) players realised that they were unable to reap the real fruits of their investments.
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- While big players face a funds crunch, smaller entities are being forced to shut shop.
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Can this be addressed?

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- Following this, e-commerce majors such as Flipkart were finding it difficult to get the next round of funding.
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- Snapdeal’s major investor Softbank is looking at merging operations of Snapdeal and Flipkart.
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- Paytm is also gearing up to grow its business as investor Alibaba eyes the Indian e-commerce market.
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- All this will result in major consolidation among the players.
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- India’s e-commerce market is still at an early stage.
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- The market is seeing signs of consolidation as scale is a key success factor in the business.
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- In countries like the U.S. and Europe, it is common to see ideas or businesses fail.
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- It is almost a given that about 70% of the new ideas fail, and a few start-ups succeed, and investors accept it as reality.
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- It is accepted that in a strong start-up environment an idea which sounded excellent and received huge funds can fail.
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- Industry experts point out that failures should not cause scepticism towards innovation and entrepreneurship.
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Source: The Hindu

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