Beginning of the Bust in an Ecommerce sector?

Juhi Lohani

Abstract" Never before have entrepreneurs and entrepreneurship in India been as feted and funded as we are seeing today. In Roman mythology, unicorns are creatures with the body of the horse, head of the deer and a single horn sticking out from the middle of the foreheads. Start ups that are valued at over a billion dollars are dubbed as unicorns because they were supposed to be a myth, both investors and entrepreneurs could dream of, a rare phenomenon. Not anymore, though US today boasts of over 50 unicorns, India has at least a dozen, Shopclues being the latest one to achieve the distinction in January,2016. With the amount of funding flowing into the start ups, there is invariably some fear that we are approaching another bubble , and the euphoria surrounding the start ups currently was last seen in the heydays of the first dotcom boom, just before the crash. To a certain extent, this is correct, as highly funded start ups that have spent enormous money on branding will inevitably run out of cash one day and will close down. However, though a lot of start-ups will fail, as is the nature of game, there will be some revolutionary ones who would emerge as winners and would have changed the rules of game forever.

Introduction:

In the recent wake of socio economic changes, that human civilization has witnessed, Globalization has become the buzzword which includes anything from religion to culture to products to civilization. It is a process of socio-economic and culture change which breaks down the boundaries and intensifies the interdependence and worldwide social relations among nations.

The term "Globalization" means integration of economies culturally, economically, socially, politically through flow of technologies, ideas, innovations, information, goods and services, capital, finance and people. The realization dawned upon the countries that they cannot be cocooned in their own nests, rather they have to take into account the competencies, and dependencies of the world and have to be a part of larger picture. In common parlance Globalisation means international integration wherein travel, communication is expanded and we are able to buy the same kind of product, be it a car of jeans in Beijing, Rome, Mexico, Canada ie the production, consumption and exchange are more integrated with rest of the world.

Globalisation depends on:

a)Rapid Improvements in Technology:

1. Transportation Technology :The main objective is fast delivery of goods at low cost and movements of goods and people.
2. Information and Communication Technology: Computers, internet, telegraph, telephones, Mobiles, and fax are used to connect one another all around the globe.

b)Liberalization of trade and investment: It includes-

1. Removing Trade Barriers: Removing the trade barriers and taxes imposed by government, facilitated trade among nations
2. Liberalization of investment policies: Foreign investment barriers were removed to enable MNCs to set up their operations.

c)International Organizations such as WTO (World Trade Organization): WTO is an intergovernmental organization which regulates international trade, established in 1955, created by Uruguay Round negotiations make the rules regarding international trade for all its member countries. It has the following features:

1. Administering WTO Trade agreements
2. Handling Trade disputes.
3. Monitoring national trade policies.
4. Technical Assistance and training
5. Cooperation with other international organisations.

Literature Review:

Extensive research and scholarly articles have been done on the impact of globalization on the economy.This literature deals with the positive and negative side of globalization and its impact on socio economic development.

Milberg (1998) highlighted that Globalisation includes greater geographical dispersion of activity and is another word for liberalization and openness. He described the current situation as being dominated by transnational firms and financial institutions which operate outside the national or domestic boundaries.

International Labour Office, Geneva, Switzerland described the effect that globalisation has on increase of illegal cross border activities. The heightened crime rate , money laundering cases and tax evasion cases have been attributed to Globalisation. Smuggling of people, heightened human trafficking, illegal cross border transactions and decrease in transportation cost and growth of mass tourism has been due to Globalisation.

Chesnais and Simonetti (2000): referred to globalization as spread of capitalism at the world level. He highlighted that finance capital has emerged as the supreme capital, after the liberalization and deregulation policies and it is the main channel which globalization works on. He stressed on the fact that industrial and finance capital are closely intertwined and there is no separation of the role. According to him this new development has been facilitated by techonological developments and by government policies.

Haas de Hain (2007) in his article anaylsed the positive impact of Globalisation. He highlighted that it has the capacity to improve the well being and give an economic and social boost and lessen the poverty. However in order to avail the full benefit of globalization, it is essential that the government policies including the social, political, and economic policies are implemented.Only then the full impact of the globalization will be realized.He used a variety of alternative qualitative methods like partial and temporal scales of analysis to come to this conclusion.

Research Methodology: The present research is based on secondary data available in journal, books, research papers, internet which have been previously used.

Objectives of Study:

1. To know how globalization is impacting the environment in which the countries operate.
2. To know the uncertainty, it is causing in the cultural set up in economy.
3. What is it that is leading to unprecedented flow of goods and people and leading to enhanced regional cooperation and integration?
4. To find out under the purview of, increased costs of production and value tampering, the future prospects of globalization.

Present Scenario in an Ecommerce sector:

From the start-up India movement launched by prime minister, Narendra Modi; to the daily obsessive headlines we see in the papers; we are surrounded by this new found excitement. From the food tech companies, to the grocery vertical, to the fashion landscape, we are in the grip of start-up fever. With the government support, Gung-ho entrepreneurs, access to easy money, rising angel investors, steady flow of FDI and venture capital, **'acche din'** seem to have arrived (so as the BJP says).Investment values increased at a CAGR of more than 57 percent between 2011 and 2015 in Indian start-ups, Flipkart, Snap Deal, Ola raised funds in excess of $500 million in 2015, Paytm, Zomato, Quikr, Shopclues became unicorns, Grofers' shrunk capital cycles from Series A to series C in less than a year, showing the euphoria in the start-ups landscape.

From the sublime to the ludicrous, a degree of realism has been creeping into the Indian silicon valley, the spiritual home of many start-ups. A number of listed and unlisted unicorns start ups such as Box, Dropbox, Zynga, Twitter, Alibaba.com,Fitbit, PepperTap among others are witnessing their valuations getting slashed. Recent incidents of drastic restructuring measures along the lines of management change (Rahul Yadav of Housing.com) and bulk firing (Tinyowl) leave market watchers and start-ups with many lingering questions.Are the companies raising capital from the right investors? Are they raising money for long term value creation? Is the start up bubble about to be pricked?

I opine, one of the most important forces driving investments and valuations in ecommerce is "Topi Theory" the idea that investors can get into the company , pump it up and dump it onto somebody else's head. The FOMO (Fear of missing out), drives a lot of investments. The pressure built on venture capitalists, as the hedge funds wrote big cheques and the theory **" baad mein Gabbar ayega"** , referring to hedge funds, drove greater investments by venture capitalists. Easy money, momentum investing, lack of market competition analysis by enthusiastic young entrepreneurs, cash burn due to huge discounts by companies are leading to an unprecedented churn.

Scaling down of operations by Tinyowl, bulk firing of employees by Zomato, shutting down of operations by small start-ups Dazo, Potjoy, Mealme, Tum Tum, execution issues in Foodpanda, Spoonjoy getting merged with Grofers show the grim scenario . The fashion landscape is equally cluttered.Myntra and Jabong might be the big daddies but there are others who are vying to grab a pie like Zovi, Lime road, Roposo,Yepme, Zivame. The party of lofty valuations, reckless fundig seems to be coming to an end with the worrying signals in February when a Morgan Staley mutual fund marked down the value of its stake in India's highest valued startup Flipkart by 23 percent. The bitter wars where combatants are jostling for supremacy seems to be unending and unforgiving. Flipkart fighting with Snapdeal, Myntra trying to stay ahead of Jabong, Zomato and

Foodpanda aiming for supremacy, OLX and Quikr trying to kill each other just prove the argument.

Golden agers often say that this ecommerce boom is headed for a bust, just as the original dotcom bubble in the year 2000-2001.Though there are some similarities. The rising valuations for companies incurring losses, proliferating me-too ideas, and heightened interest of governments in the start up ecosystem, however, a few facts are being ignored. Unlike the last dotcom bubble, ecommerce revolution this time has a more complete ecosystem, the logistical issues and delivery mechanisms are very robust, the convenience hypothesis is very strong, and there is an exponential rise in people transacting online. Moreover **"Science, not the rule of thumb"** principle of management where everyone is constantly experimenting with new techniques and ideas to make the work simpler, is considered by every participant in the race to achieve competitive edge in the marketplace, and sustain it for a period of time.

According to me, though the ecommerce boom will continue even if the valuation bubble bursts, many of the start-ups will inevitably fail but some will go on to become billion dollar businesses. The fight for supremacy has reached the crucial endgame because these companies have pulled away from the herd and now are aiming at the ultimate prize. The bitter battle of dominance is because ecommerce space globally is **'winner takes all arena'** and unless you become the absolute leader of the pack, you lose the game. Who comes out to be 'the last man standing' remains to be seen.

Conclusion:

As it is obvious from the discussions above , there are no black and white outcomes but rather nuanced research outcomes. Considering the income distribution effect of globalization it is true that increasing trade and FDI are not the main culprits of increasing within-country income inequality in Developing countries. FDI is neutral when it comes to poverty and income distribution while increasing trade does help in poverty alleviation.

Considering the impact of globalization on employment, it is mainly dependent on labour flexibility and mobility. Globalisation definitely helps with the employment generation but at the same time it increases income inequalities and social dumping in the developing countries. Thus physical and human infrastructure plays a crucial role in shaping the impact of globalization

Thus country specific impact of globalisation needs preventive intervention through adequate social, labour and income multilateral policies. It remains to be seen the future prospects of globalization but the positive and negative sides are here to stay and it depends on us if we want to leverage it to our advantage through regional, industrial and innovation policies at the national level.

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