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Amazon's M&A Strategy in India:
**Right Investments at the
Right Time!**

EXECUTIVE SUMMARY



Global e-commerce giant Amazon has set its sights on India as the next frontier for its exponential growth. The company is doubling down on investments in retail and beyond to position itself as a one-stop shop for all consumer needs. Its success in the US showcases its abilities in the e-commerce space and it seems to be making the right decisions at the right time to replicate that success in India.

Since its launch on June 5, 2013, Amazon India has diversified just as fast as its parent in the US; today, it has disrupted at least six sectors, namely, e-commerce/retail, logistics, cloud services, media & entertainment, consumer technology, and, recently, fintech. Apart from these, Amazon India is exploring the food delivery, e-pharmacy, publishing, and advertising sectors for an imminent foray into these spaces.

Today, Amazon India is a lot more than “Apni Dukaan.” It is a preferred vendor for cloud and web services, operator of a successful OTT platform, a disruptor in the payments space, and has even got conservative Indians conversing with a bot (Alexa). Its grand achievement is the highly successful delivery-fee-based subscription, Amazon Prime, which is an exemplary feat in the usually price-sensitive Indian market.

If its recent investments and acquisitions are any indication of its long-term strategy for India, Amazon is expected to diversify its offerings and commoditize services from insurance to loans and healthcare. Its investment in Kindle Direct Publishing on Amazon.in as well as the launch of Amazon Marketing will add new sectors to the e-commerce leader’s portfolio. In addition, it is only fair to assume Amazon India will benefit from the USD 200 million Alexa Fund’s investments in new-age sectors or the innovations that spring out of Lab126.

EXECUTIVE SUMMARY



These investments seem to have certain common traits—notably, scalability, customer acceptance, market potential, and most important, possible integration with existing business lines. More importantly the underlying trends provide insights into what you can expect from Amazon in the coming years.

Diversification will surely be a key strategy—Amazon India will explore new sectors/services that can be readily integrated with its platform. It will also consider investment in sectors it believes might be ripe for a structural reform, with technological solutions ready at hand to solve any prevailing issues. Lastly, we may see Amazon India enter into new partnerships and joint ventures with traditional distribution leaders to enhance its physical network via stores to reach consumers across India's towns and villages.

One theme that stands out clearly is that Amazon India is willing to spend, but will not give into tempting high-flying valuations unbound by strong fundamentals. It would rather assess the synergistic benefits to be gained from a long-term growth perspective. This strategy will not only help Amazon (US) dominate the Indian e-commerce market, but also help it reach an operational profit (in India) soon, thus fulfilling the eager anticipation of the e-commerce giant's patient shareholders.



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Amazon India Business Model

Amazon India (Amazon.in) officially came into existence on June 5, 2013, when the parent company (Amazon) launched its site as a marketplace to connect sellers and buyers. India had become familiar with e-commerce by then via platforms such as Flipkart and Snapdeal, which had established a relatively strong foothold in this segment. Amazon India started by selling books, but soon graduated to electronics. Within a few years, it established itself as a serious player in India's e-commerce landscape.

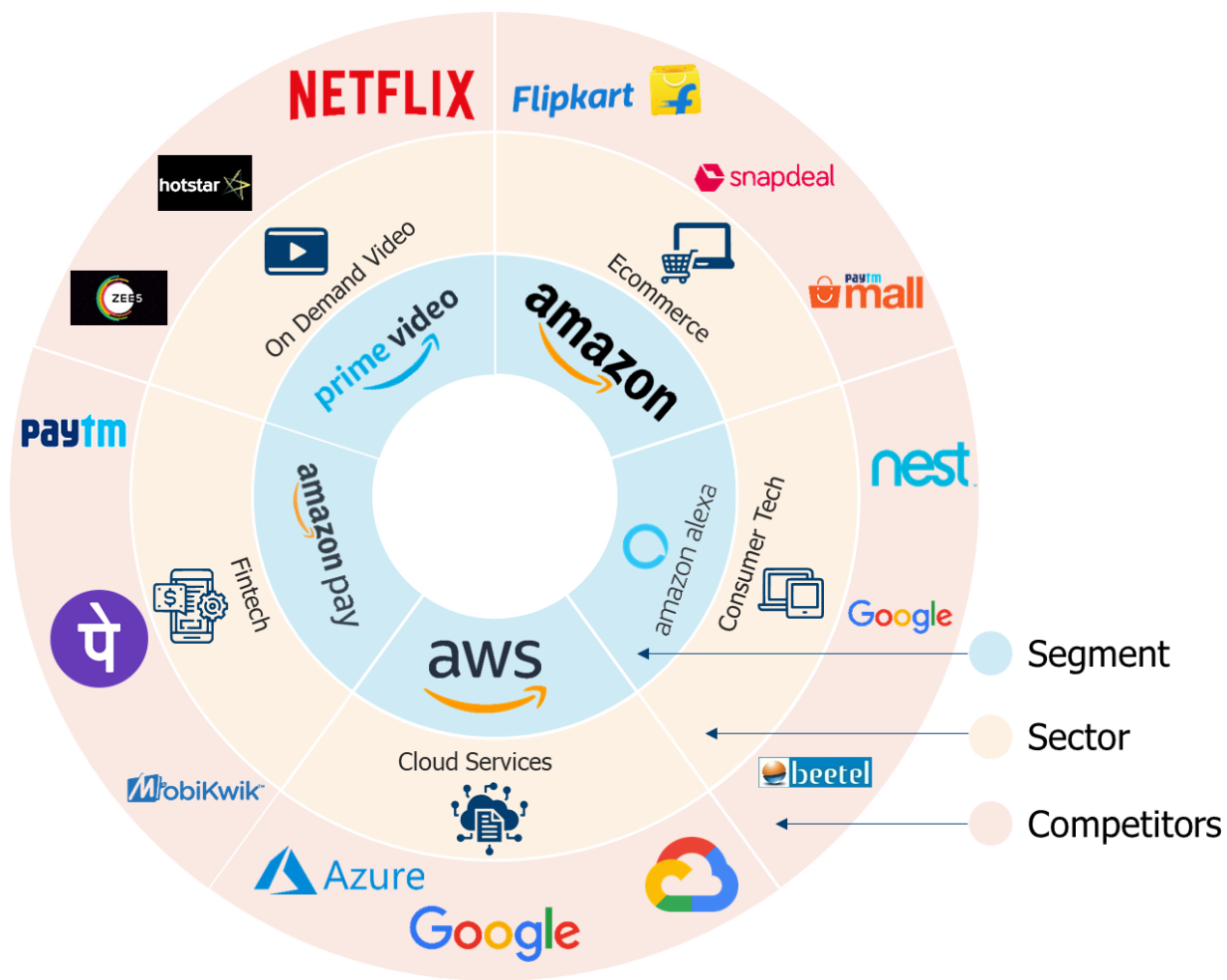
Indian regulations restrict multi-brand retailers from selling their own products on the company's e-commerce platform. Therefore, Amazon India always positioned itself as a marketplace, but has been recently been experimenting with this business model via different strategies.

Over the years, Amazon India has campaigned extensively, offering several kinds of discounts and attracting not just Flipkart and Snapdeal customers, but also drawing first-time users. With early successes, Amazon India was able to secure additional funding (over USD 6 billion) from its parent entity to expand operations in India. Today, Amazon India claims over 31% of the country's e-commerce space with over 222 million monthly visits. Simultaneously, Amazon Echo is the preferred smart speaker, with about 60% share of this market, Amazon Web Services dominates the Indian web service market. Amazon India's other achievements in the Indian marketplace are equally commendable.

Over the past few years, Amazon India has earned the reputation of being an active player on the merger and acquisition (M&A) scene. With founder Jeff Bezos' recent blessing of USD 1 billion aimed at digitizing small businesses in India, Amazon India will soon be scouting for smart technology solutions to support its core passions of customer satisfaction, simplified innovation, and frugality.

Amazon has built its brand in India through smart penetration strategies and calculated plans. It is important to understand the current business model, launches, expansion plans, category management, and disruptive technologies it has invested in. Amazon India has created much excitement around its brand, making customers eagerly anticipate its next big move. Every

acquisition by Amazon India can thus be said to have a value-accretive impact on multiple segments. Today, Amazon India's business model can be classified into five key categories.



Note: Amazon India operates other divisions such as Kindle Direct Publishing, Amazon Advertising, and other ancillary divisions as well.

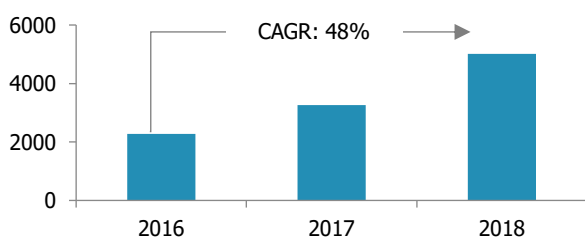
A key advantage – and probably the biggest value driver for the entity – is the integration amongst business lines and Amazon's analytical prowess that leverages consumer data to promote better products and services. Alexa can already place orders on the Amazon India site – amazon.in – and process payments via Amazon Pay. Amazon Prime members can avail discounts on amazon.in, free content on Prime Video, and cashback/rewards on Amazon Pay. This seamless collaboration is no easy feat as multiple business units have to work in precise synchronization to achieve this end. Amazon India has been investing and acquiring new platforms to enhance this coordination and increase customer delight. For us to truly grasp the company's long-term acquisition plans, we need to first understand the strategies executed by its business segments until date and how these can be enhanced by acquiring other entities.

Amazon India's e-commerce story is incredible and an exception to every rule in the book. While Flipkart, Snapdeal, and similar others introduced Indians to the world of e-commerce, Amazon India capitalized on changing consumer behavior and enhanced their experience. The company offered a better platform, exceptional customer service, and the industry driver – promotional discounts – to acquire and retain customers.

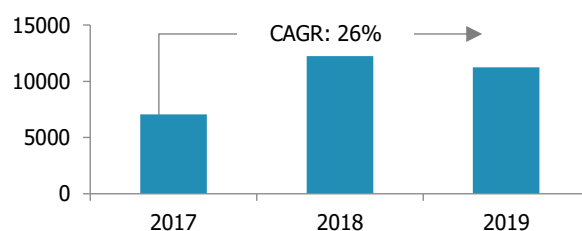
A growing population, a young demographic, and access to affordable smartphones and cheap data would further boost India's online presence. As per a report by Bain and Company, online shoppers in India are expected to increase from approximately 100 million as of 2020 to over 300 million by 2025. This would also drive an increase in gross merchandise value (GMV) in the e-retail market at a CAGR of 30% – over three-fold – from USD 30 billion in 2020 to over USD 100 billion in 2025.

The company seems poised to successfully explore this growing potential. While the future seems bright, Amazon India's past few years were equally spectacular.

Amazon Seller Services












Amazon Wholesale Services



Technically, Amazon India is still making losses, but its customer acquisition & revenue generation capabilities have amazed all critics. This could be a result of a combination of several strategies.

| | | |
|--|---------------------|--|
| | Subscription | Amazon Prime Subscription cost & 1-Click Buy options enabling greater customer stickiness or |
| | Marketing | Innovative marketing campaigns ("Apni Dukaan", "Aur Dikhaao", "Kitne Me Mila") targeting a different segment (and emotion) on each occasion, or |
| | Customers | Timely follow-ups seducing buyers to prepone that Electronics purchase or using encouraging buyers to use the "Expiring soon" coupons as seen on the latest Prime Day Sale or |
| | Network | Reach out and connect buyers and sellers in suburban and rural areas of Tier 2 and Tier 3 cities to create a massive 'Glocal' network with a wide range of products, or |
| | Operations | Launch Seller strategies ("Amazon Chai Cart", "Easy Ship and Seller Flex", Fulfilment By Amazon) and Operational advances (new warehouses, coordinated logistics) to assist sellers expedite product delivery to customers |

On the competitive front, it is the leading player in India's online market and is expected to continue its reign for the foreseeable future. Amazon India has the deep pockets needed to sustain the discount-offering and customer-acquisition fight against its only true competitor – Flipkart – which is now backed by an equally powerful partner (Walmart). Reliance, another well-funded player, could be a formidable challenger with its recent Jiomart launch, but would need six months to a year before it becomes a worthy rival.

| | amazon | Flipkart  |  snapdeal |
|---|----------|--|--|
|  Traffic Share | 63.98% | 33.92% | 2.10% |
|  Monthly visits | 222.2 mn | 194.8 mn | 15.22 mn |
|  Monthly unique visitors | 71.31 mn | 67.66 mn | 8.11 mn |
|  Visits/Unique visitors' ratio | 3.12 | 2.88 | 1.88 |
|  Avg. Visits Duration | 07:23 | 06:35 | 02:27 |
|  Page Per Visits | 7.90 | 7.17 | 3.38 |
|  Bounce Rate | 37% | 35% | 52% |

The main objective of Amazon's Prime subscription has always been to create a bond between customers and the platform. With a down-payment of sorts, every subscriber is more inclined to spread their fixed cost over a higher volume of orders, thus giving into the well-known "Golden Handcuffs" subscription model. As of August 2020, Amazon India had over a million Prime users purchasing from over 650,000 sellers, enabling product deliveries that covered over 97% of India's pin codes. About 65% of new subscribers were from outside the top 10 cities of India, re-emphasizing Amazon India's strategy of attracting buyers with discretionary income in rural/suburban markets.

Investment-driven Expansion Strategy

Amazon India's primary mandate has been to increase the network effect and bring more people onto its platform before its competitors. Its investments in Shoppers Stop and the acquisition of More Retail are a testament to its expansion plans in the retail segment, even through traditional channels. With its aggressive growth strategy, it is no surprise that Amazon India is in it for the long haul and will soon bundle Prime offerings with an array of Amazon services in India. The next logical diversification for the e-commerce leader would be other customer-centric marketplaces (InsureTech/HealthTech/Mobility) that connect buyers and sellers, most likely as an extension of the customer's Prime membership.

Amazon Devices

On November 6, 2014, Amazon introduced Echo to the world. By 2018, Amazon India shipped over 753,000 Echo units to households, leading the country's smart speaker market with a staggering 59% share, as reported by OutlookIndia. Amazon Fire TV stick sales also found similar success, logging over 2 million sales within the first two years of its launch. These numbers might seem minuscule in a country with over 1.3 billion people; however, the integration of voice assistants such as Alexa with other smart devices/platforms is slowly gaining traction, which would add to the numbers. Product novelty supplemented by the allure of a connected/smart home is driving rapid adoption, especially among the upper-middle-class and the elite, a group of as many as 70 million households (2018), as per a report published by Consultancy.org.

Amazon India has managed to attract this large market with heavy discounts and promotional marketing, primarily through Amazon.in. Additionally, Amazon India has facilitated customer acceptance of new-age devices in the country. Products like the Kindle (e-book reader) and smart speakers are relatively young, and Indians are not exactly agile in conversing with a machine. The company's long-term plans for these devices could include subscription models for Amazon music, e-books (Kindle), self-learning courses, smart home monitoring, balance inquiries, bill payments, and related platforms. This is no longer a futuristic goal and would likely materialize over the next few years. For instance, Alexa can now communicate with over 9,500 partners globally; the Fire TV stick has almost every major media application integrated on its platform. Amazon India's recent investments in voice tech, smart homes, and machine learning are yet another testimony to its commitment to further nurturing this segment.

Investment-driven Capability Enhancement Strategy

Amazon India will benefit from the integration of its current platform with the new capabilities/technology acquired through Alexa Fund's investments. However, it might also move to partner locally with enterprise partners or brands via diverse programs and trainings. This would not only help Amazon India enhance its device capabilities, but also deliver local content in regional languages (sports, politics, news). Amazon India would probably continue investing in developer workshops and hackathons as well as in partnerships with media outlets. Its long-term strategy could include acquiring/investing in partners to launch Amazon Advertising/Promotional messaging through Amazon Echo and the Fire TV stick platforms.

Amazon Pay: Amazon's Online payment platform

Amazon Pay, the company's virtual wallet or united payments interface (UPI), has been another of its successful ventures. Launched in late 2016, during the aftermath of India's demonetization drive, it faced fierce competition from global giants such as Google Pay, Paypal, and local alternatives like Paytm and PhonePe. However, Amazon Pay has established itself as a faster, frictionless payments alternative to the traditional payment channels. Shortly after it secured a wallet license, Amazon India aggressively promoted the prepaid option (via Amazon Pay) on Amazon.in. Today, 65–70% of Amazon.in orders are prepaid using Amazon Pay and other wallets, compared to the industry average of 40%, indicating the significant headway made in resolving issues with post-paid and cash-on-delivery transactions. It partnered with ICICI bank to launch the Amazon Pay ICICI credit card (issuing substantial cashback for transactions processed through this option), thus attracting new users to the platform. Instant EMI was another feature launched ahead of the festive season to attract users and finance their purchases at low interest rates. The bill payment features as well as its partnerships with several leading merchants (Swiggy, Bookmyshow, Netmeds, etc.) have boosted user acceptance and usage. Recently, Amazon Pay launched its Smart Store, a feature that allows small businesses to set up a digital storefront on the marketplace that customers can access by scanning a QR code. They can then pay online through their Amazon Wallet, credit and debit cards, or in monthly instalments.

Investment Strategy: Diversification to Build Comprehensive Fintech Platform

Amazon India's strategies are essentially driven by acquisitions in related segments and are instrumental in increasing overall traffic. EMVantage and ToneTag were crucial acquisitions in setting up the in-house payment process architecture while Capital Float was instrumental in the EMI feature. QwikCilver enabled sales of Amazon Gift cards. Recent investments in Acko and BankBazaar are strong pre-cursors of Amazon India disrupting the Indian insurance market (particularly the auto segment). Amazon Pay's long-term strategy would include continued exploration of supplementary financial technology (Fintech) services and its integration with the company's core business structure. We could also expect partnerships with new players (or investees) in sectors that have their payments facilitated via Amazon Pay.

Amazon Prime Video: Amazon's Video-on-Demand Platform

Launched in India in December 2016, Amazon Prime Video (APV) aggressively pursued broad-spectrum strategies such as content creation, new user discounts, and telecom partnerships (Airtel, Vodafone) to increase its adoption and acceptance in the Indian over-the-top (OTT) market. These efforts resulted in a substantial increase in viewing hours on the platform and strong evidence of crossovers wherein avid Hollywood loyalists have tuned in to regional TV shows. Just like Amazon India's other offerings, APV was launched with a discounted value proposition (a year's free subscription, etc.). This was diametrically opposite of Netflix's strategy, which always positioned itself as a premium alternative content provider. Over the years, APV has coordinated regional content on the platform to attract new users to watch movies/TV shows in their language. In addition, APV has signed up with several large Indian production houses – such as Yash Raj Productions, Dharma Productions, Excel Entertainment, and others – to gain first rights to telecast their productions on its platform. Furthermore, the launch of original, premium content from Amazon Studios has bolstered APV's growth plans at a comparatively low cost than licensing movies from production houses. Today, APV has positioned itself as a leading player in India's OTT market.

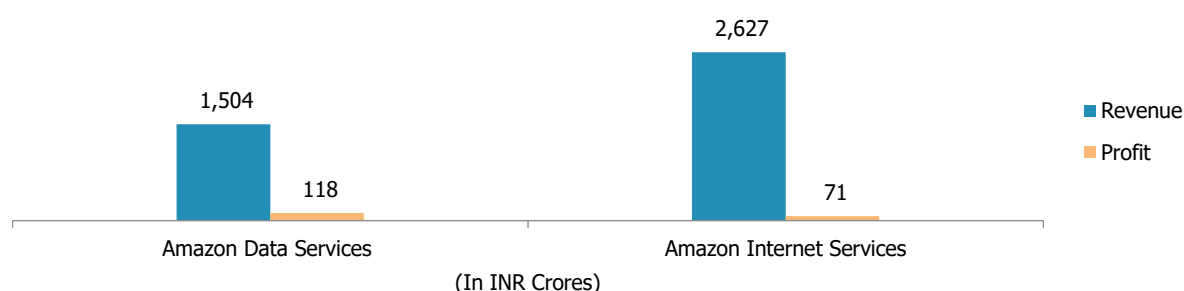
Investment Focus: Content Creation; Customer Acquisition

APV's growth strategy over the foreseeable future would surely include investments in creating as well as licensing new content and technology updates to enrich user experience. It would also involve cross-functional partnerships to increase viewership and sign-ups. Amazon India's exploratory interest in Eros Films for over USD 1 billion is indicative of its willingness to spend and support this business line to get the most out of this market's growth potential. We also see Amazon India investing in smaller platforms under a license deal (such as Hotstar-HOOQ) wherein the smaller platform gets a channel on APV under a revenue-sharing agreement.

Amazon Web Services and Data Services

Amazon Web Services (AWS) is a B2B offering that provides data and Internet services to thousands of businesses worldwide. It has emerged as parent entity Amazon's cash cow, generating the monies that drive investment in other businesses. AWS accounted for over 73% of the parent company's overall operating income in 2018 with USD 7.3 billion, as per its regulatory filings. India is a key market for AWS globally and has surely contributed to Amazon's large numbers. Amazon CloudFront and AWS Direct Connect deployments in India have been widely implemented, adding to the overall adoption of these tech platforms by start-ups and SMEs nationwide. Despite Microsoft Azure's recent advances, AWS leads the India market with its array of 165+ services spanning segments such as storage, compute, databases, networking, AI/ML, analytics, IoT, security, and mobility.

Amazon Web Services (FY19)























Investment Strategy: Innovation and Integration of Latest Big Data Solutions

While the company might not have been subject to substantial M&A activity in India for its AWS offering, its global counterparts amassed substantial technological capabilities. Amazon (US) has executed over 95 acquisitions in the enterprise solutions, cloud tech, and related segments. Given its portability, most of these (if not all) are about to have a positive impact on AWS India's capabilities as well. Amazon India also has a corporate start-up learning program to identify potential candidates for synergistic value-additive acquisitions. Companies such as Eckovation, Kings Learning, and PlayAblo have already joined the AWS EdStart Programme. Separately, AWS is also seeking Indian start-ups (managed service providers, etc.) to invest in and push AWS even further.

Strategic Review and Trend Analysis

Each of the business lines discussed earlier compete with home-grown and foreign technologies. Most rivals are “unicorns”, well-funded by global partners, with an equally good (if not better) product. Currently, they trail Amazon India as the Indian customer assesses the value of a bundled offering and associated services. However, the company may soon lose this advantage as competitors such as Flipkart and Google are also diversifying their offerings, intensifying the competition across segments. Amazon India is now aware and has ramped up the pace of its value-accretive acquisitions. These investments indicate Amazon India’s planned growth strategies.

| | | | | |
|---|--|--|--|--|
|  Venture funding \$10.0 December 24, 2014 |  Series C \$60.0 July 2, 2015 |  Venture funding \$6.0 September 9, 2015 |  Series B \$22.6 December 16, 2015 |  25%Stake \$14 February 11, 2016 |
|  Series B \$12.0 May 27, 2018 |  Series C \$115.0 April 24, 2018 |  Joint Venture- Igate \$3.1 September 25, 2017 |  5%Stake \$28.0 September 23, 2017 |  Series B \$10.0 July 25, 2016 |
|  Series B \$9.0 May 29, 2018 |  Series B \$11.0 July 30, 2018 |  Acquisition \$40.0 August 29, 2018 |  Acquisition \$579.6 April 3, 2019 |  49%stake \$265.0 August 22, 2019 |
|  Series D1 \$5.9 June 2, 2020 |  Series E \$14.4 April 11, 2020 |  Series C \$47.4 February 18, 2020 |  Series C \$65.0 November 23, 2019 |  Acquisition \$7.1 September 9, 2019 |

Amazon Commits to India as Long-Term, High-Growth Market

Amazon's investments over the years in India are a clear indication of its commitment to be a part of this high-growth market. Over the past five years, Amazon has made investments/acquisitions of over USD 1.4 billion across 20+ companies in India and is set to continue the momentum. Despite the pandemic's impact, Amazon has continued its investment spree, pouring in over USD 68 million across three deals, and is currently exploring several other high-value transactions.

Expands Network and Access to Customers via Physical Stores

Amazon India's recent retail investments express its desire to expand its network and access to customers at physical locations. It is crucial for Amazon India to get retail shoppers onto its platform and introduce them to e-commerce to drive growth.

The company's investments in Shoppers Stop and More Retail were steps in the right direction. These not only re-enforce Amazon India's footprint via physical a presence using Amazon Experience centers (Shoppers Stop), but also expand its network with More Retail's 620+ super/hypermarkets, a number expected to double over the next few years.

Amazon India's rumored interest in a partnership with Reliance Retail is also driven by the fact that Reliance's Jiomart might soon become a formidable competitor as the latter has the resources and patience to play a long game, right along with deep discounts and extensive promotions.

Separately, both Amazon India and Reliance Retail are said to be in a tussle for the majority stake in Future Retail, India's second-largest retail chain, which currently cash-strapped and floundering in a debt-restructuring program. In August 2019, Amazon India invested ~USD 265 million (INR 2,000 crores) to acquire a 49% stake in Future Coupons, an entity owned by Future Retail. As per the latest update, Reliance Retail wants a minor stake of 1–2%, but Amazon aspires to hold at least a 5–6% stake in the combined entity. Notably, Amazon India holds the legal rights to intervene in any stake sale that the Future Group enters into, as agreed during Amazon India's investment in the entity in August 2019.

Acquires, Integrates Hyperlocal Delivery Segments

Amazon India has successfully infiltrated the hyperlocal grocery delivery business via Amazon Fresh and Pantry. Local supply of products is a key requirement for this business segment to thrive. The company accomplished this via integration with More Retail as well as by investing in certain online grocery delivery platforms. It is probable "prospective" partnership with Jiomart will be just an added benefit.

Invests in Fintech—A Disruption Crucial for Indian Market

With the recent monetary and fiscal policies rolled out by the Indian government, the country's cash economy will transform significantly, and every technology player needs to be ready for these sweeping changes. After successfully integrating QwikCilver and EMVantage into its platform and leveraging its ToneTag investment to upgrade its payment capabilities, Amazon India is set to expand into the payments segment.

Amazon India's investment in Capital Float, an online lending platform, has shown positive results. It now has a successful EMI option to facilitate user purchases for high-ticket items, thus not only adding new e-commerce customers, but also establishing its presence in the NBFC space.

Its investment in Acko General Insurance, a digital insurance company with an underwriting and distribution license, complements its other services and can be easily offered as an add-on to the Amazon Pay ecosystem.

Amazon India's recent (second) investment in Bank Bazaar showcases its plans to expand into the financial products marketplace, a platform that can be easily integrated with Amazon Pay or become a supplement of the Amazon.in marketplace itself.

Provides Global Support to Enhance AWS, Data Services

Amazon India has acquired over 32 entities in the cloud and big data space globally, most of which will have a value-accretive impact on India's AWS and cloud/data services. The impact of these investments is clearly reflected in the fact that India has become the first non-US market to double its AWS revenue over the past year. AWS has also committed up to USD 1.5 billion to set up two state-of-the-art data centers in India and is actively seeking investment from local players.

Diversifies into New Markets for Growth

In the US, Amazon has successfully disrupted sectors outside e-commerce, either using home-grown technology or through investment/acquisition. Amazon India may tread a similar path. Recent investments in ShuttI, an app-based minibus service, can be categorized as "curiously experimental" at best. Mobility and HealthTech, two growing markets in India, could just be the next frontier for Amazon to invest in.

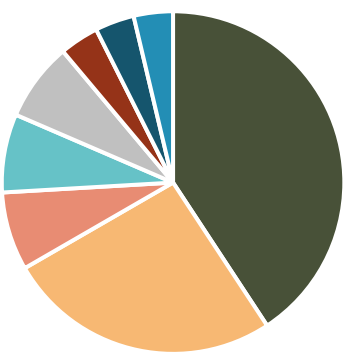
In summary, Amazon is certainly going full speed in India for growth-centric investments, especially if they complement its existing business segments. However, it is also not afraid to spend in new sectors with high growth potential and set up new business lines as it did with Amazon Pay.

Amazon Global vs. Amazon India: Investment Mix

Amazon Global Investments by Sector (Volume)

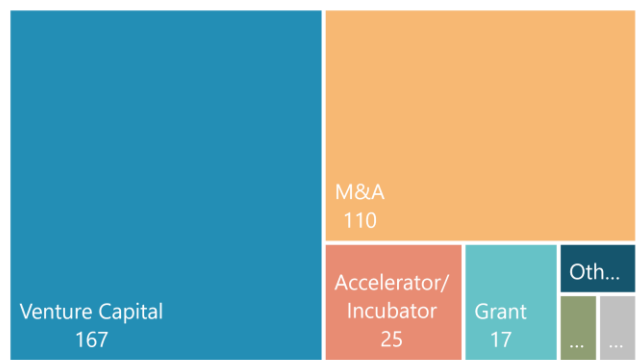


Amazon India Investments by Sector (Volume)

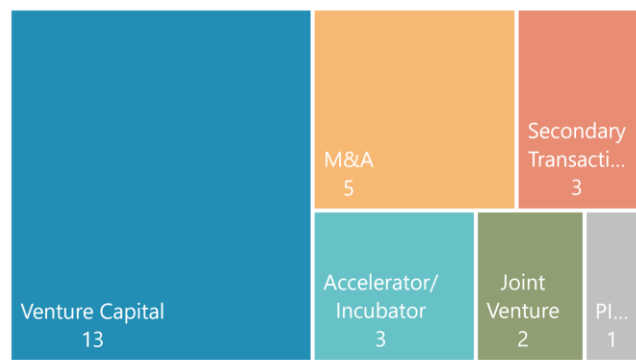


- IoT, AI & ML and Big Data
- E-commerce
- Media and Entertainment
- Enterprise Solutions
- Social/Content Paltform
- Mobility/ Delivery Tech
- EdTech
- CloudTech/ Cybersecuriity
- Marketing and Ad Tech
- Fintech
- Others
- Home Automation and Security
- Healthcare
- Robotics and Drones
- CleanTech and Sustainability

Amazon Global Investments by Type



Amazon India Investments by Type





Transaction Review and Evaluation

A detailed review of each of Amazon India's investments may reveal the rationale in selecting one player over others, the implied premiums/discounts paid, as well as its long-term integration plan for a full-service platform.

Here are some of Amazon India's key investments.




CloudTail India, a retailer of online consumer goods was one of Amazon India's first ventures. Officially owned by Prione, a joint venture (JV) between Amazon India and Narayan Murthy's Catamaran Ventures, CloudTail is one of the most successful sellers on Amazon.in. Within a year of its launch, its authorized capital increased 1,000x from INR 0.5 million to INR 500 million in September 2015. After CloudTail's aggressive expansion, Amazon India no longer needed to rely solely on other third-party sellers for growth. However, CloudTail's hyper revenue growth (~USD 1.2 billion-FY19) drew the ire of Indian regulators, who accused Amazon India of exploiting legal loopholes to operate a "direct selling plus marketplace" model (as opposed to the legally permissible "only marketplace" model). Shortly after India's new e-commerce policy rolled out in February 2019, Amazon India reduced its stake in CloudTail from 49% to 24% to ensure compliance. Amazon India planned similar restructuring with another seller, Appario Retail, a JV between Amazon Asia Pacific Holdings (48%) and the Patni Group (51%).








Bank Bazaar, an online banking marketplace designed to provide customized quotes on loans and insurance products, received USD 60 million of Series C funding in a round led by Amazon.com on July 2, 2015. Bank Bazaar's operation is a logical diversification for Amazon India to offer market rates or quote comparisons on the very same platform selling consumer products. InsureTech has been a pretty active FinTech subsegment and

will continue to grow over the foreseeable future in the Indian market. Bank Bazaar raised USD 30 million in a Series D round in 2017. Amazon India participated in the first tranche follow-on Series D1 funding round (USD 6 million) for Bank Bazaar in June 2020 at a pre-money valuation of USD 270 million. Other alternatives Amazon India could have explored include the following

| Metric | Bank Bazaar | Policy Bazaar | CoverFox |
|--|--------------------|---------------------|--------------------|
|  Last known Valuation | \$300 mn | ~\$1.5 bn | ~\$120 mn |
|  Comparable Round | \$30 mn (Series D) | \$238 mn (Series F) | \$4 mn (Corporate) |
|  Raised to date | ~\$115.9 mn | ~\$443.3 mn | ~\$39.8 mn |
|  Revenue | ~\$11.5 mn (FY20) | ~\$41.4 mn (FY19) | ~\$4.4 mn (FY19) |


Source: Pitchbook, Aranca Analysis

The investment round is consistent with the trends noted in the sector at the time of investment.





| Metric |  India |  United States |
|--|---|---|
|  Investment Size (Median) | ~ \$19 mn | ~ \$ 5 mn |
|  Pre-Money Valuation (Median) | ~ \$1.3 bn | ~ \$100 mn |
|  Total Capital Invested | ~ \$579 mn | ~ \$2.7 bn |

Source: Pitchbook: Deal Search for InsureTech start-ups during 2019-2020

As per sources, Bank Bazaar has been seeking a large funding round of USD 80–100 million for about a year now. Unfortunately, its investors seem to prefer smaller tranches of investments over a large amount. At an implied revenue multiple of over 20x and the fact that the company missed its profitability targets in FY19 (loss of USD 22.5 million), the USD 270 million valuation might seem to be at a substantial premium. However, Bank Bazaar does claim to have over 40 million registered users against Policy Bazaar's 10 million unique customers. While this investment may not pass Amazon India's test for financial returns (just yet) given Bank Bazaar's current financial position (net losses), it must be able to clear a strategic test to integrate with Amazon.in, should Bank Bazaar keep up with the technological advances recorded by its peers. Amazon India has already launched snippets of insurance policy sale adverts on Amazon.in.






 **housejoy.in** Housejoy, an online operation of household services, received a USD 22.35 million investment in its Series B round on December 16, 2015, in which Amazon India participated. With a long-term strategy, Housejoy's services could be merged with Amazon.in for consumers seeking household help. It could be offered under a subscription model with Prime.

Other alternatives Amazon India could explore include the following.

| | Metric | House Joy | UrbanClap | Zimmbler |
|---|----------------------|--------------------------|-------------------------|----------------------------|
|  | Last known Valuation | n.a. | ~\$843 million | Acquired for \$10mn (2017) |
|  | Comparable Round | \$22 mn (Ser B- 2015) | \$25 mn (Ser B-2015) | \$5 mn (Ser A-2016) |
|  | Raised to date | ~\$30.6 mn | ~\$185.7 mn | ~\$7.5 mn |
|  | Revenue | ~\$18.1 mn (FY20) | ~\$14.1 mn (FY19) | n.a. |

Source: Pitchbook, Aranca Analysis

The investment is higher than the average deals seen in the sector.

| | Metric |  India |  United States |
|---|------------------------------|---|---|
|  | Investment Size (Median) | ~ \$1 mn | ~12.8 mn |
|  | Pre-Money Valuation (Median) | n.a. | ~ 264.9 mn |
|  | Total Capital Invested | \$3.6 mn | \$1.1 bn |

Source: Pitchbook: Deal Search for Marketplace (Household services) start-ups during 2015-2016

Based on the metrics above and the limited information available online, it would seem Amazon India's investment in Housejoy was at a premium at the time, especially considering the alternatives. While Housejoy's implied pre-money valuation at the time was undisclosed, it is highly unlikely its userbase growth would have exceeded that of UrbanClap, which doubled its valuation primarily following a supernormal user acquisition. Housejoy still operates successfully but is yet to explore the potential of taking on a strategic partner like Amazon India, one that could help with direct customer access, marketing, and bundles, among a host of other initiatives.



EMVantage Payments, a payment processing platform, has been a key acquisition and the foundation of Amazon Pay. The payments sector is a saturated market in India. Given the stage of investment, certain competitors that Amazon India could have considered were Acculynk (acquired for USD 85 million by FirstData in 2017) or Atom Technologies (acquired for USD 16.7 million by NTT Data in 2018). Here is a sector snapshot at the time of the said investment.

| | Metric |  India |  United States |
|---|------------------------------|---|---|
|  | Investment Size (Median) | ~\$6.5 mn | ~\$5.9 mn |
|  | Pre-Money Valuation (Median) | ~\$34.5 mn | ~\$29.2 mn |

Source: Pitchbook: Deal Search for Payment Wallet start-ups during 2015-2016



QwikCilver, a stored value and gift card provider, received USD 10 million in funding (for an estimated 20% stake) in a round lead by Amazon India on December 24, 2014 and supported by Helion Venture Partners and Accel Partners. This was one of Amazon India's successful ventures as QwikCilver grew into a regional gift card leader, managing over USD 1.5 billion worth of transactions across India, the Middle East, and South Asia, right before it was acquired by Pine Labs for a staggering USD 110 million in March 2019. Back in 2015, Amazon India's alternatives for a prepaid card provider were limited and consisted of the following entities.

| | Metric | QwikCilver | ItzCash | Giftcards.in |
|--|----------------------|------------------------------|------------------|------------------|
| | Last known Valuation | Acquired for \$110mn in 2019 | ~\$150 mn | Acquired in 2018 |
| | Comparable Round | \$10.0 mn (2015) | \$16.5 mn (2015) | ~\$0.8 mn (2015) |
| | Raised to date | ~\$20.1 mn | ~\$51.8 mn | ~\$0.8 mn |

Source: Pitchbook, Aranca Analysis

The sector was attracting investments from corporate ventures and venture capitalists (VCs) alike. Here is a snapshot of the Prepaid Gift card segment at the time of the said investment.

| | Metric | India | United States |
|--|------------------------------|------------|---------------|
| | Investment Size (Median) | ~\$1.00 mn | ~\$6.5 mn |
| | Pre-Money Valuation (Median) | ~\$24.6 mn | ~\$24.7 mn |
| | Total Capital Invested | ~\$37.6 mn | ~\$13.5 bn |

Source: Pitchbook: Deal Search for Prepaid gits cards start-ups during 2015-2016








Capital Float, an online lending platform, received over USD 15 million in a Series E round participated by Amazon India on 11th April 2020. The investment represents Amazon India's willingness to enter the lending business, especially given the financial sector's current challenges (NPAs). Capital Float could fit well alongside Bank Bazaar and Amazon Pay ('Buy now, Pay later' feature), two complementary parts of a consumer's journey seeking loans. Lending is another hot FinTech segment in India (after Payments) and has seen substantial investment. Despite Capital Float's recent profitability struggle, it represents a strategic investment for Amazon India. Alternatives Amazon India could have explored include the following.

| | Metric | Capital Float | LendingKart | ZipLoan |
|--|----------------------|----------------------|----------------------|-----------------------|
| | Last known Valuation | ~\$455 mn | ~\$248 mn | n.a. |
| | Comparable Round | \$15 mn (Ser E-2020) | \$42 mn (Ser D-2020) | ~\$12 mn (Ser B-2019) |
| | Raised to date | ~\$321.5 mn | ~\$225.0 mn | ~\$0.8 mn |
| | Revenue | ~\$29.2 (2019) | ~\$13.1 mn (2018) | n.a. |

Source: Pitchbook, Aranca Analysis

Here is a snapshot of the Lending segment at the time of the said investment.

| Metric |  India |  United States |
|--|---|---|
|  Investment Size (Median) | ~\$3.83 mn | ~\$13.10 mn |
|  Pre-Money Valuation (Median) | ~\$10.6 mn | ~\$58.4 mn |
|  Total Capital Invested | ~\$324.8 mn | ~\$6.1 bn |

Source: Pitchbook: Deal Search for Lending start-ups during 2019-2020








Acko, a digital insurance company with a license to underwrite and distribute insurance products, received USD 12 million in Series B funding led by Amazon India in May 2018. Amazon India also participated in a follow-on USD 65 million round in May 2019. These transactions reaffirm the company's intent in expanding into technology-led infrastructure to capitalize on the growth opportunity of an otherwise underpenetrated insurance market. This is one of the best examples of a probable symbiotic (and therefore strategic) investment—Acko can sell insurance to consumers purchasing underlying assets (cars, etc.) and Amazon India can benefit from Acko's data-led innovation in becoming an "ecosystem" player in the market that provides a range of services (along with Bank Bazaar and Capital Float) linked to the data based on product purchases. There were alternatives Amazon India could have considered, but given the terms, Acko seems like a great investment.

| Metric | Acko | Cholamandalam | Digit |
|--|-------------------|--------------------|------------------|
|  Last known Valuation | ~\$300 mn (2019) | ~\$948 mn (2015) | ~\$882 mn (2020) |
|  Comparable Round | \$65 mn (2015) | \$133 mn (2015) | \$84 mn (2015) |
|  Raised to date | ~\$168 mn | N.A. | ~\$175 mn |
|  Gross Premium | ~\$50.0 mn (FY20) | ~\$406.7 mn (FY19) | \$70.1 mn (2018) |

Source: Pitchbook, Aranca Analysis

Sector Snapshot at the time of investment:





| Metric |  India |  United States |
|--|---|---|
|  Investment Size (Median) | ~\$25.0 mn | ~\$5.0 mn |
|  Pre-Money Valuation (Median) | ~\$1.4 bn | ~\$60.0 mn |
|  Total Capital Invested | ~\$657.3 mn | ~\$1.7 bn |

Source: Pitchbook: Deal Search for InsureTech start-ups during 2019-2020








ToneTag, a proximity-based contactless payments provider that uses sound waves to transfer data, received USD 9 million of Series B Financing in a round led by Mastercard and Amazon India on May 29, 2018. This represents a strategic investment for Amazon India as ToneTag, which had an existing partnership with

Mastercard, was integrating its technology with the Amazon platform. Cash-on-delivery is a favorite payment option with Indian e-commerce consumers and credit-card payment failures on delivery have been an issue. Moreover, in the current (post-COVID-19) landscape, a contactless payment service for delivery transactions would be of great value to any e-commerce player. Even in 2018, there were a few true substitutes for ToneTag's sound wave payment technology, but here are the alternatives Amazon India could have considered.

| | Metric | ToneTag | RazorPay | Ezetap |
|---|----------------------|-----------------|-------------------|-----------------------|
|  | Last known Valuation | ~\$40 mn (2018) | ~\$600 mn | ~\$200 mn |
|  | Comparable Round | ~\$9 mn (2015) | ~\$70 mn (2010) | ~\$16 mn (Ser D 2017) |
|  | Raised to date | ~\$11.3 mn | ~\$109.0 mn | ~\$52.0 mn |
|  | Revenue | n.a. | ~\$25.7 mn (FY19) | n.a. |

Source: Pitchbook, Aranca Analysis

Here is a sector snapshot at the time of the said investment.

| | Metric |  India |  United States |
|---|------------------------------|---|---|
|  | Investment Size (Median) | ~\$9.2 mn | ~\$16.2 mn |
|  | Pre-Money Valuation (Median) | ~\$5.4 bn | ~\$7.5 bn |
|  | Total Capital Invested | ~\$2.8 bn | ~\$1.8 bn |

Source: Pitchbook: Deal Search for Payment start-ups during 2018-2019



Shoppers Stop, an India-based retailer, received about USD 28 million from Amazon India for a 5% stake in September 2017. This was a strategic investment for both parties as Amazon India secured a physical network to launch Amazon Experience centers to showcase its brands and Shoppers Stop benefited from a reliable online channel to sell its merchandize after shutting its own e-commerce website (abof.in).



More Retail, an online operator of food and grocery stores, was acquired by Amazon India (and Samara Capital) through a leverage buyout (LBO) for a reported USD 576 million from the Aditya Birla Group on April 3, 2019. This was a strategic investment by parent company Amazon to set up (acquire) its own distribution system in the hope that 100% FDI in a multi-brand retailer might soon be allowed in India. More Retail's network backed by the Amazon's platform would most likely enable the tech giant to move up to become a marker leader from its current fourth position, passing Reliance Retail, Future Group, and Dmart.



Future Group, the operator of Big Bazaar and other retail chains, has been on the Amazon radar for quite some time. Shortly after the More Retail LBO, Amazon India signed an agreement to buy an indirect minority stake (49% in Future Coupons) in Future Retail, the operator of Big Bazaar and Easy Day chains, for approximately ~USD 265 million (INR 2,000 crore). The deal valued the Future Group at about USD 5.7 billion as of August 2019.

| | Metric | More Retail | Future Retail | Reliance Retail | Dmart |
|--|----------------------|----------------|---------------|-----------------|----------|
| | Last known Valuation | ~168 mn (2020) | ~\$750 mn | ~\$34 bn | ~\$19 bn |

Source: Pitchbook, Aranca Analysis

Notably, Future Retail lost substantial value after Amazon India's investment amid rising debt and a deteriorating business environment. Recent reports indicate Reliance Retail is in late stage discussions to acquire the remaining stake to integrate Future Retail with their operations, but would like Amazon India to exit Future Retail and has even offered a cash buyback of its stake.



Shuttl, an application-based minibus operator, received USD 47.4 million in a Series C funding round lead by Amazon India on February 18, 2020. This was Amazon India's second investment in the start-up, after it participated in a USD 11 million Series B round in 2018. This represents the company's latest attempt to diversify its operations, investing in sectors outside its key segments. Shuttl has been one of the few successes in the otherwise ruthless mobility sector with ever-increasing consumer demands for lower fares and fastest drop-offs in the crowded streets of India's Tier 1 and 2 cities.

Here are the alternatives Amazon India could have experimented with.






| | Metric | Shuttl | ZipGo | CityFlo |
|--|--------------------------------|------------------|-----------------------|----------------|
| | Last known Pre-Money Valuation | ~\$168 mn (2020) | n.a. | n.a. |
| | Comparable Round | \$47 mn (2020) | ~\$44 mn (Ser B-2018) | ~\$8 mn (2020) |
| | Raised to date | ~\$101.1 mn | ~\$51.7 mn | ~\$10.1 mn |

Source: Pitchbook, Aranca Analysis



Westland, a publishing house engaged in retail, distribution, and publishing of educational books/magazines, received INR 95 million (USD 1.2 million) from Amazon India for a 26% stake. This was a strategic fit with Amazon's Kindle program to increase its e-book sales and enter the publishing world. Amazon's Kindle Direct Publishing program allows writers to become self-published authors, write original content in regional languages, and market said content to millions of Amazon customers over its platforms and services.

Here is a sector snapshot at the time of the said investment.

| Metric | |  India |  United States |
|---|------------------------------|---|---|
|  | Investment Size (Median) | ~ \$9.6 mn | ~ \$4.0 mn |
|  | Pre-Money Valuation (Median) | n.a. | ~ \$27.9 mn |
|  | Total Capital Invested | ~ \$3.5 bn | ~ \$1.1 bn |

Source: Pitchbook: Deal Search for InsureTech start-ups during 2019-2020



Zipper, a mobile application with location management services, received USD 6 million from Amazon India on September 9, 2015. Neither party disclosed any stake or valuation considerations. The investment was used to expand Zipper's technology infrastructure and assist Amazon India's seller services in easing last-mile delivery.



Tapzo, an all-in-one super aggregator app that allows users to access more than 35 apps via its platform, was acquired by Amazon India for USD 40 million in August 2018. Shortly after the deal, Tapzo shut down operations and the team along with its founders joined Amazon India's operations to enhance the Amazon Pay platform. In the following months, Amazon India launched its bill payment feature on Amazon Pay, which is believed to be built on Tapzo's architecture.



Qdigi Services, a subsidiary of Qess Corporation, received about USD 7 million in funding from Amazon India to assist the e-commerce giant enhance aftersales and back-end services for mobile phones and electronic items. Qdigi specializes in providing aftersales service for consumer electronics and has an extensive network of walk-in centers and service providers countrywide that can benefit Amazon India's increasingly spread out customer base.



ZopNow, an online grocery platform, was acquired by Amazon India (and Samara Capital) in September 2018 to enhance Amazon.in's capabilities in the grocery and pantry business. Unfortunately, a few months after the acquisition, the platform struggled to grow/raise new capital and subsequently shut down operations. Certain technology assets were sold to another retailer while others were incorporated with More Retail, another Amazon India acquisition.

Closing Words

Considering Amazon India's phenomenal growth and successful bundling of otherwise discrete products, it is hard to critique its business strategy and investment philosophy. However, with the current launches in the e-commerce sector (JioMart, Dmart Online, etc.), Amazon India is up against some powerful local players. Discounting and promotions will only take it so far; the company needs to soon monetize the benefits of an ecosystem player and hence needs to scale up its complementary services to provide a wider basket of services in India.

"Growth at all costs" has been the company's mantra for the past few years, but "Growth through the right investments" is the need of the hour. In today's world, this is crucial, not just to stay ahead of the curve, but to ensure survival in intensely competitive environments. Amazon India needs to identify, plan, and execute strategies to be ready for the next transformative sector, which could be anything from Fintech to AdTech.

A traditional target screening approach within a defined (e-commerce) sector and over-reliance on consultants will not be enough in today's dynamic environment. Amazon India's corporate development team would need to develop wider market-sensing abilities to shortlist innovative technologies and disruptive business models.

Finally, Amazon India might have temporarily received that invaluable blessing from founder Jeff Bezos (and Amazon.com shareholders) to pursue revenue growth and infrastructure expansion, even at the expense of operational profitability. Sooner or later, these patient shareholders are going to ask for a share of the deferred profits and Amazon India better be ready with some quantifiable returns to appease them today for a continued tomorrow!

About Aranca

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