

The Aggregation of Unorganised to Organised Sectors

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Abstract

The business model of any organisation is important for the growth of a company, it helps in earning revenues, raising funds, and effective working of the organisation. This type of innovation in the business models not only comes from innovators but also from observing and learning from other business models. India has now become home to many successful startup ventures such as Oyo, Swiggy, Urban clap among many others. Despite of having such a low success rate in the startup industry it is therefore essential for us to understand the models these organizations have used to scale up there functioning and operations. The equilibrium between demand and supply is the key to any successful venture.

Keywords: Aggregator Model, Business Development, Managing Supply, Startup

1. Introduction

Indian economy has been growing rapidly. The growth of the country's GDP has been shooting up but the same time there is a massive level of unemployment and low consumption rate in the economy right now. This all holds to a major setback for our economy.

Government is taking actions that will help the nation and the economy to grow. One of the steps is to promote entrepreneurship in the country.

Startups such as Oyo, Urban clap, Swiggy and Ola among many others have attracted a lot of foreign investment while providing employment to a high number of people. They are not only solving one problem but along with it helping in employment generation, increasing the rate of consumption and helping in overall growth of the economy.

2. Review of Literature

There are many researches that have been conducted on organizing the unorganized sector as well as on the

aggregator business model. Many of them help us in understanding the concept and notion of success behind them.

A research was conducted by Supriya Roy Chowdhury in 2005 on women in the unorganized sector in the garment industry, it helps us to conclude that due to the unorganized nature of the garment sector in the industry wages, and working conditions in Bangalore remains unregulated. Many organizations and NGO are uplifting the topic to regulate and stop the exploitation of these females. The business model of organizing the unorganized can therefore acts a boon in such a situation and stop exploitation while leading to higher amount of activism in the society.

Another research conducted by Uma Rani and Jeemol in 2004 on the organized and unorganized sector of manufacturing helps us to infer that due to economic reform policies there was major growth in the automobile sector as well as the real estate sector. It also analyzed in particular that all this helped in the growth of the manufacturing sector in

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the unorganized area and helped in ample amount of generation of employment in the sector.

A more relatable research done by R. Srinivasan in 2017 on Organizing the unorganized as Role of platform intermediaries in the Indian real estate market helps us to know that there are three primary problems associated with the unorganized sector of the Indian economic industry, which are adverse selection, moral hazard, and weak contract enforcement. All these play a more role in organizing the sector and developing a better economy. Another research done by Farrell in 2004 helps in identifying three factors that result to the development and growth of the unorganized sector. These factors include slack enforcement of regulations, bureaucratic costs of formal operations, and social norms as all these encourage non-compliance to laws and order of the state as a tool used by small enterprises to compete with large modern players. He also highlights the problems that can be faced because of operating informally which can be low productivity levels due to lack of access to capital for investments from the formal financial system and the lack of comparable choice for the consumers, as the unorganized sector providing them with cheap, unregulated products and services.

Another study conducted by Garcia Bolivar in 2006 states that attempts have been made in past to organize the unorganized and still has failed miserably.

3. Research Methodology

The research was done in a qualitative manner to understand the functioning of the unorganized sector in a better manner. Using the qualitative method in the form of observation of the behavior, personality needs and wants of the business development partners, the functioning of the business could be understood in deeper detail. The research was carried out considering following Research Objectives:

- Understanding aggregation as a business model.
- To study different sectors: Organized and Unorganized in Indian market.
- To analyze how aggregation model brings equilibrium between supply and demand.
- To understand the importance of the organized sector over unorganized sector.

To fulfill the research objectives qualitative research in the form of observations of the stakeholders was used and secondary data analysis was carried out.

3.1 Qualitative Method

Qualitative research can be defined as a research methodology that mainly emphasizes to obtain data through open-ended communication style. This research method also allows for in-depth analysis and encourages further probing and questioning to the respondents on the basis of their responses, where the researcher also focuses on the personality and behavior of the respondent. Main qualitative methods were used for this research which includes observation and interview (Bhat).

3.2 Secondary Research

Secondary research is a research methodology which involves analysis and collecting data using already existing data by various researches already done. All the existing data is analyzed and summarized after which it is collated to increase the overall effectiveness and efficiency of the research.

4. Aggregation Model

This unique business Model is a network model where the organization collects the information about a particular service provider, make the professionals their partners, and sell their services under its own one brand. As the aggregator is a brand, it has to provide services which have standardized in quality and price. They do this by signing up a contract with the partners. The professionals never become aggregator's employees and continue to be the owners of their businesses. Organization in this business just helps them in marketing in a unique win-win way (Pahwa, 2019).

Startups like Oyo, Urban clap and Ola are all trying to organize the unorganized sector. For instance Oyo is the largest branded network of hotels which is operating in more than 12000 hotels (Pahwa, 2018). They just did not focus on the discoverability of the partners among the users but also on the standardized quality of the service provided.

Swiggy on the other hand is market place which has become a middle man between the consumers and the

restaurants for food delivery. They add value by bringing convenience to the consumers.

Urban clap is another startup in the startup ecosystem which runs home services. They provide affordable quality service at the doorsteps of the consumers. They have disrupted the model of middle man by cutting them out and enabling the professionals to register directly on their platform (Agarwal, 2016).

All these startups are bringing value to the economy by proving job opportunity to more Than millions of people (Figure 1).



Figure 1. Aggregation connection.

The basic similarity between all of them is first of all that they are organizing the unorganized sectors of the economy. Second, they are having huge consumer base with millions of registered users. This helps them in maintaining the supply. Although the level of consumption is facing adip in the economy these startups are enhancing the rate by focusing on creating employment for the unemployed people. This enhances the spending capability and gives a boost to the economy. Third, all of them have high quality standards which ensures the consumer about the service. They are trying to sell convenience along with standardized quality. Another major reason for the success of these entrepreneurial venture is that they create a win-win situation for both their partners and their users.

The dynamic model of these organizations function an aggregator between the people and the service. The users register on their application and book the service they are looking for and at the same time the professional from the field gets notified. Hence bringing the consumer the convenience of finding a quality professional in no time by just a click of button (Venkatesiah, 2017).

The question that remains with us is how do they manage to maintain the big user and service providers' data base. There are many ways by which these startups attract the consumers on their platform. They hold extensive marketing and sales budget. Also they pay a lot of customer acquisition cost in order to get a user to

register and use their services. This is due to the high level of emerging competition in the economy. For instance, it can be observed that the discounts these applications offer tend to be cash burning of the investors' money. It is seldom questioned that can cash burning lead to a repeat and loyal customer!

Other ways in which the startups attract the consumers are through referral programs among many others. Swiggy for say gives a discount on the food menu of various hotels in case of delivery

While, Oyo gives a referral amount up to Rs. 300 (Pahwa, 2018). Urban clap offers discount on the first service ordered from the application. These prices are highly competitive in the market and help them grow the user base. Along with this they tend to maintain high quality standards and regular checks for the same. They also have very efficient after sales team that make them highly customer centric and increase their reach among the users.

It is very important for the organizations which are involved in the service industry to balance the supply and the demand side of any service which they are trying to provide to their consumers. The Onboarding process plays a major role in sufficing the demand of the huge market size of India.

The Onboarding process is a complete funnel process in which the cold calling is the first step. Out of pool of service providers available in the market very few are keen to step forward to take their services to the online or the application platform. They are unaware of the benefits of such organizations due to lack of education and also want to avoid the risk of minimal investment involved with these organizations (Figure 2).

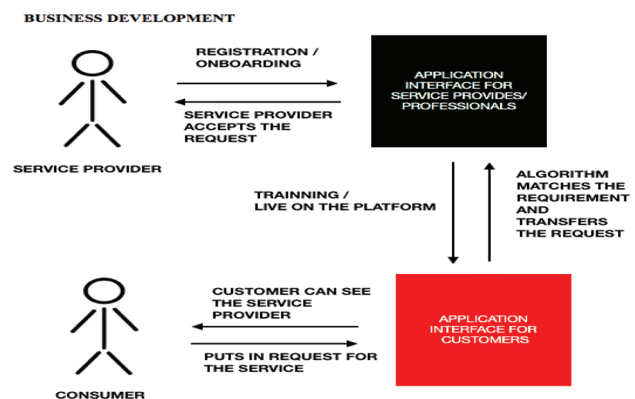


Figure 2. The aggregator model.

For e.g., in case of Ola there is an investment of car and its servicing while in the case of Urban clap there is an investment of products required for catering the services. These companies need to get standardization of the products that their service providers use while providing services to the consumers. Startups like Oyo, Urban clap realized that there has to come a saturation stage of market when there would be lack of experienced service providers or hotels (in case of Oyo) in the market and these organizations are not yet fully equipped with to cope up with this situation. Though, Oyo being partially successful in switching to constructing their own properties or Swiggy for cloud kitchen, it would be difficult for organizations like Urban Clap to tackle this problem (Russell, 2018).

Successful organizations like Uber have already reached this stage and have decided to target the below poverty line people and train them with services to cater their increasing demand (Laidre, 2015). In any service provider company, the quality of the service is utmost important for the customer retention as there are many customer touch points in the service industry. One bad customer review would pull down the demand side due to viral marketing. Hence the quality is maintained by these organizations by training of these professionals by the experts (Pradhan, 2018). These experts are cover topics like Customer experience, Basic Manners, Modern Techniques to provide the service etc. The knowledge transfer from the expert to the service professional stands out to be an important factor for maintaining the quality as the consumers of the Indian market are very peculiar about the service that they receive and also need value for money. The Application or the online platform services can only be monitored through reviews and ratings of the customers. These service professionals are continuously being monitored by the organizations as they have two different frameworks for the customers as well as the service professionals. Two different frameworks help in keeping the data of service providers and customers safe as these organizations are responsible for the security of both.

5. Conclusion

The economy for startups is at a boom in the country like India. The aggregation model is coming up to

organizing various unorganized sector of the country by standardizing various services and at the same time increasing the visibility of the professional service providers. The innovative business model of these startups is able to maintain equilibrium between demand and supply giving a good service to the consumers. They use technology hand in hand with the human resource to effectively achieve their targets.

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