

From Volume to Value: A Research-Led Studio Model and the Next Phase of India's Web Development Industry

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Maaz Ahmad

AETHEX · New Delhi and Mumbai

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Abstract

India's web development sector is among the world's largest and fastest growing, yet the country's small businesses remain digitally underserved in a specific and often overlooked way. The binding constraint is not the absence of websites but their underperformance as business assets. Drawing on public market and survey data, this paper diagnoses a volume and price equilibrium in the domestic market, in which commodity, template driven production maximises the number of sites produced and minimises their price, while leaving conversion, ownership and local discoverability largely unaddressed. We interpret this outcome through the economics of quality uncertainty: when buyers cannot cheaply verify quality, competition collapses onto the single visible dimension of price, and suppliers respond with templates. The paper then presents the operating model of AETHEX, a research led studio, as a candidate intervention built around conversion first design, client ownership of code and data, integrated local discoverability, and transparent fixed pricing. We set out the mechanisms by which such a model could move a segment of the market from a volume equilibrium towards a value equilibrium, and we state falsifiable hypotheses for empirical testing. The paper is conceptual. It makes no claim of proven outcomes; its contribution is a diagnosis and a testable framework.

Keywords: web development, MSME digitisation, conversion, information asymmetry, local search, India.

JEL classification: D82, L86, O33, L81, M13.

1. Introduction

India presents a puzzle. Its information technology and web services industry is world scale, with the domestic IT services market alone estimated at about USD 90 billion in 2025 and projected to more than double by the early 2030s (Grand View Research, 2026; Wisemonk, 2026). At the same time, the country's small businesses, which make up the overwhelming majority of its enterprises, have almost no functioning web presence. In one survey of forty thousand micro, small and medium enterprises, only 1.6 percent had a website listed at all, only about 1 percent had a website that actually worked, and of those, only one in ten met basic standards of usability and digital hygiene (India SME Forum, 2025). A world class industry and a near absent domestic long tail coexist.

The reconciliation is that these are two different markets. India's celebrated technology sector is largely built on software exports and enterprise services. The domestic market that serves a neighbourhood retailer, a clinic, a manufacturer or a new consumer brand is a separate, fragmented and largely commodity market of freelancers, small agencies and do it yourself builders. It is this domestic market, and the tens of millions of businesses it underserves, that this paper is concerned with.

We argue that the central problem of this market is misdiagnosed. It is usually framed as a problem of access, to be solved by making websites cheaper and more numerous. We argue instead that the binding constraint is performance. Most Indian small businesses do not lack a website so much as they lack a website that brings them customers, that they own, and that can be found. This paper diagnoses why the market produces this outcome, and it presents one studio's operating model as a candidate way to change it.

The contribution is twofold. First, we offer a diagnosis: a volume and price equilibrium sustained by quality uncertainty. Second, we offer a testable framework, the research led studio model, with explicit mechanisms

and falsifiable hypotheses. We make no empirical claims about outcomes achieved. AETHEX is an early stage studio, and the paper is deliberately conceptual. Its purpose is to frame the problem correctly and to specify how a value oriented alternative could be tested.

The remainder of the paper proceeds as follows. Section 2 describes the Indian web development landscape. Section 3 diagnoses the volume and price equilibrium and its three performance gaps. Section 4 presents the AETHEX model as an intervention. Section 5 sets out mechanisms and hypotheses. Section 6 discusses scalability, limitations and threats to validity. Section 7 concludes.

2. The Indian web development landscape

2.1 Scale

India's technology industry is large by any measure. The domestic IT services market was estimated at roughly USD 90 billion in 2025 and is projected to reach more than USD 230 billion by 2033 (Grand View Research, 2026). Domestic IT and business services reached about USD 69 billion in the 2026 financial year (IBEF, 2026), and custom software development within India is forecast to grow at close to 28 percent a year to the end of the decade (Market.us, 2025). Demand side conditions are equally striking. India has roughly 900 million internet users, and about 80 percent of its web traffic comes from mobile devices, one of the highest mobile shares in the world (StatCounter, 2026). Direct to consumer e commerce, the natural destination for a small brand's own store, is variously estimated between the tens and the low hundreds of billions of dollars depending on definition, and is widely forecast to grow at more than 20 percent a year through 2030 (Mordor Intelligence, 2025; McKinsey and Company, 2024).

2.2 The domestic long tail

Behind these aggregates sits an enormous base of small enterprises. More than 7.8 crore, or about 78 million, enterprises are now registered on the government's Udyam and Udyam Assist platforms (Ministry of MSME, 2026). This is the demand side of the domestic web market. Yet, as Section 3 shows, only a small fraction of these businesses have a working, effective website.

2.3 Supply and pricing

The domestic supply side is fragmented across freelancers, small agencies and self service website builders. Its most visible feature is price dispersion without corresponding quality signals. A functionally similar small business website can be quoted anywhere from about Rs 5,000 for a template with a logo added to more than Rs 200,000 from a full agency, with the difference often reflecting overheads rather than the quality of the delivered site. For a buyer with no easy way to judge quality in advance, this dispersion is not informative. It is noise.

3. The volume and price equilibrium

3.1 Presence without performance

The headline figures on Indian small business digitisation are contradictory only on the surface. Depending on how digital presence is defined, between 55 and 60 percent of registered MSMEs are said to have moved online in some form (Economic Survey of India, 2025), and industry indices place digital engagement among micro and small firms at around 57 percent (NASSCOM and Deloitte, 2025). Yet the same firms show almost no marketing sophistication. Over 90 percent accept digital payments, but only about 13 percent use any form of digital marketing, and only around 12 percent are judged to have reached full digital maturity (NASSCOM and Deloitte, 2025). And when presence is measured strictly, by whether a working, usable website exists, the numbers collapse to the low single digits (India SME Forum, 2025).

The picture is therefore one of presence without performance. Being online, for most Indian small businesses, means a payments code and perhaps a social media page. It rarely means a website that is

designed to turn a visitor into a customer.

3.2 *Why the market produces this outcome*

We interpret this as an equilibrium, not an accident. The underlying condition is quality uncertainty. A small business owner buying a website usually cannot evaluate, in advance, whether one supplier's work will convert visitors better than another's. Design quality, code quality, mobile performance and search readiness are all hard to assess before purchase and often hard to attribute afterwards. When quality cannot be verified cheaply, buyers rationally discount it and compete on the one dimension they can see, which is price. Suppliers, facing buyers who will not pay for unverifiable quality, rationally minimise cost, which means templates. This is the classic dynamic of a market with asymmetric information, in which good quality is driven out because it cannot be distinguished from bad at the point of sale (Akerlof, 1970). The result is a stable equilibrium that maximises the number of sites and minimises their price, and that is largely indifferent to whether those sites perform.

3.3 *Three performance gaps*

This equilibrium leaves three gaps, each a place where a website could create value but usually does not.

The conversion gap. Most small business sites are built to be looked at, not to be acted on. This matters because first impressions online are formed largely through design: research from Stanford's work on web credibility found that a large share of users judge an organisation's credibility primarily from the visual design of its site (Fogg et al., 2003). In a market where about 80 percent of visits come from mobile phones (StatCounter, 2026), a site that is slow, hard to use on a small screen, or unclear about what to do next simply loses the enquiry, silently and without record.

The ownership gap. When a business's site is built inside a proprietary builder or retained by an agency, the business rents rather than owns its most important digital asset. It does not control the code, and, more importantly, it does not own the customer data the site collects. Every future decision is then constrained by a platform the business does not control.

The discoverability gap. A large and growing share of commercial intent online is local. About 46 percent of Google searches have local intent, searches containing the phrase 'near me' have grown many times over in recent years, and a large majority of such searches lead to a visit or a call within a day (BrightLocal, 2026). Capturing this intent requires a properly set up and integrated local presence, in particular a Google Business Profile connected to the website. In practice this is rarely done for small Indian businesses, so the intent is left to competitors or to the marketplaces.

4. **The AETHEX model as an intervention**

AETHEX is a small, research led web studio operating in New Delhi and Mumbai. Its operating model can be read as a direct response to the equilibrium and the three gaps described above. We present it here not as a proven success but as a specified intervention.

4.1 Research before design. Each engagement begins by studying the client's business and its customers, rather than starting from a template. The aim is to design for the specific decision a visitor is being asked to make.

4.2 Built by hand. Sites are custom built rather than assembled from stock themes. Beyond quality, this is a deliberate signal in a market where templates are the default, and it is intended to break the pooling of good and bad work that sustains the price equilibrium.

4.3 Conversion first. Pages are organised around a single goal and a clear next action, and the site is instrumented so that enquiries and actions can be measured. This targets the conversion gap and, by making outcomes visible, begins to make quality verifiable after purchase.

4.4 Client ownership. Clients own their code and, critically, their customer data. This targets the ownership gap and turns the site into a compounding asset rather than a rental.

4.5 Integrated discoverability. Search readiness and a Google Business Profile, set up, optimised and linked to the site, or created where none exists, are included in every engagement. This targets the discoverability gap and connects online presence to offline footfall and calls.

4.6 Transparent pricing and human support. Pricing is fixed and stated in advance, and a named person supports each client after launch. Transparent pricing attacks the information problem directly by reducing the buyer's uncertainty at the point of sale.

Performance gap	Corresponding feature of the model
Conversion gap	Conversion first design, one goal per page, measured outcomes
Ownership gap	Client ownership of code and customer data
Discoverability gap	Integrated SEO and Google Business Profile, set up and linked
Quality uncertainty (root cause)	Hand built quality signal and transparent fixed pricing

Table 1. Mapping the three performance gaps, and their root cause, to features of the model.

5. Mechanisms and hypotheses

If the diagnosis in Section 3 is correct, the model in Section 4 could move the market through five mechanisms. We state each as a falsifiable hypothesis so that the framework can be tested rather than merely asserted.

Mechanism 1: breaking the pooling equilibrium locally. A visible, verifiably higher quality offer gives buyers a way to distinguish quality, which the pooled template market denies them.

H1. For comparable small businesses, research led, conversion first sites produce higher enquiry or conversion rates than template baselines.

Mechanism 2: from cost to return. Once conversion is measured, a website can be evaluated as an investment with a return rather than a cost, shifting willingness to pay towards value.

H2. Making conversion measurable increases clients' willingness to pay for quality, and their retention, relative to unmeasured engagements.

Mechanism 3: compounding ownership. Owning code and customer data lets a business remarket to existing customers at low cost, raising customer lifetime value.

H3. Client ownership of customer data is associated with higher repeat purchase and lower repeat acquisition cost over time.

Mechanism 4: bridging online and offline. Integrated local search and a Google Business Profile convert local intent into calls, direction requests and visits.

H4. Integrating a Google Business Profile with the website increases measured local actions, such as calls and direction requests, relative to sites without such integration.

Mechanism 5: the demonstration effect. A credible value oriented studio in a local market raises buyers' quality expectations and pressures competitors to improve.

H5. The sustained presence of a research led studio in a local market is associated, over time, with a rising quality floor among competing offers.

Each hypothesis is testable with standard methods: matched comparisons between research led and template sites, controlled experiments where traffic allows, the analytics and Google Business Profile metrics that the

model already captures, and cohort tracking of clients over time. We do not test them here; we specify them so that they can be tested.

6. Discussion

6.1 *The scalability tension*

The most obvious objection to a hand built, research led model is that it does not scale the way templates do. Craft is labour intensive, and a studio that grows carelessly risks becoming the very template shop it set out to replace. The resolution is not to abandon craft but to industrialise its support: standard operating procedures, shared components and tooling that preserve quality while reducing marginal effort, and a support structure in which one assistant serves a defined number of clients. Whether quality can be held constant as volume rises is itself an empirical question, and arguably the central one for the model.

6.2 *Limitations*

This paper is conceptual. AETHEX is early stage, and no outcome data is presented. The hypotheses are plausible but untested, and any future test will face selection effects, since the businesses that choose a research led studio may differ systematically from those that choose a template. The market data we rely on is drawn from public sources of varying methodology; the wide range in published estimates for direct to consumer e commerce, for example, reflects genuine definitional disagreement and should be read as indicative rather than precise.

6.3 *Threats to validity*

The most significant external threat is the rapid improvement of artificial intelligence tools that generate websites. In the near term these tools deepen the commodity equilibrium by making template quality output nearly free. Paradoxically, this may strengthen the case for the model rather than weaken it: as generic output becomes abundant and hard to tell apart, the scarce and valuable inputs become judgement, research and accountability for outcomes, which are precisely what a research led studio sells. The model's viability depends on that argument holding.

7. Conclusion

India's domestic web development market is usually described as an access problem and treated with cheaper, more numerous websites. We have argued that this is the wrong diagnosis. The market already produces websites in volume; what it does not produce, for most small businesses, is websites that convert, that the business owns, and that can be found. That outcome is not an accident but an equilibrium, sustained by the difficulty of verifying quality before purchase. A studio model built around conversion, ownership, discoverability and transparent pricing is one plausible way to move a segment of the market from volume towards value. This paper has specified that model and the mechanisms by which it might work, and has stated the hypotheses by which it should be judged. The claims are offered not as conclusions but as an invitation to test them.

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Author note. This working paper is published by AETHEX, a research led web studio in New Delhi and Mumbai. It states a diagnosis of India's domestic web development market and a testable framework, using AETHEX's own operating model as its case, and deliberately avoids claims of outcomes not yet demonstrated. Figures are drawn from the cited public sources; where estimates vary by methodology this is noted in the text. Correspondence: info@aethexweb.com.