

FLIPKART: WINNING IN INDIA?

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INSTRUCTOR'S NOTES

CASE DESCRIPTION

In 2019, India's Internet users were expected to deliver double-digit growth, reaching 627 million, driven by rapid Internet expansion in rural areas.¹ This sharp rise is the result of increasing acceptance of online payment gateways, the critical mass of Internet users, the rising middle class with disposable income to spend, and most importantly, the widespread adoption of low-cost smartphones and data plans. India's e-commerce revenue is expected to jump to US \$120 billion in 2020, growing at an annual rate of 51 percent, the highest in the world.² As a result, the number of e-commerce businesses has grown rapidly in India. Flipkart and Amazon are the two main players in the Indian e-commerce industry, each with a 30 percent market share in 2018.³

This case centers on Flipkart, analyzing and exploring its business strategies, e-commerce challenges, value-added differentiation, and, most importantly, its interaction with primary rival, Amazon. Observing the intense competition between Flipkart and Amazon, there remain a few important questions: Will Flipkart be able to keep up with the pace of Indian e-commerce growth? Will Flipkart be able to compete with or beat a giant such as Amazon? Who will be the leader of the Indian e-commerce industry?

The case is rich enough for advanced and graduate students and has been developed to be used in a Business Strategy class, a Competitive Business Strategy class, a Globalization class, or an International Business class. The authors wrote the case in a style that overviews the situation, but intentionally avoids guiding students through specific application questions or any particular analytical framework. The case is designed to be taught in one to one and a half class hours and is expected to require one to two hours of outside preparation by students for reading and analysis.

CASE SYNOPSIS

Flipkart was the brainchild of Mr. Sachin Bansal and Mr. Binny Bansal (not related), both alumni of the Indian Institute of Technology, Delhi. The two Bansals worked for Amazon and eventually quit to start their new venture – Flipkart Online Services Pvt Ltd. – in 2007. The company is headquartered in Bangalore and operates exclusively in India. During its initial

years, Flipkart focused only on selling books, but soon started offering other products like electronic goods, air conditioners, stationery supplies, lifestyle products, and e-books.

Flipkart epitomizes the Indian e-commerce industry and has managed to maintain a top position among online shopping platforms in India. Being one of the most studied and researched companies, it is also known as one of the best startups in India. Although Flipkart has managed to retain a top position in the Indian e-commerce industry, the entry of the global giant Amazon has introduced tough competition to Flipkart.

Since Amazon's entry to India in 2013, the global giant has flourished. With its deep pockets and aggressive marketing campaigns, Amazon has almost matched Flipkart, becoming one of the few top e-commerce giants in India. In response, Flipkart has taken many steps to expand its market share and compete with Amazon: Flipkart completed mergers and acquisitions, changed its business model, and launched an innovative and secure payment system. But questions remain. How can Flipkart survive the increasingly tougher and well-capitalized competition? Can it keep up with Amazon's pace of innovation? Can it ever beat Amazon?

LEARNING OBJECTIVES

Case Objectives

This case should help readers understand the importance of recognizing opportunities to formulate business and competitive strategies in a dynamic and unusual marketplace. The case concentrates on the Asian market, particularly India. The Indian market is very unique, and business strategy in India is very different from the rest of the world. In terms of its length, writing style, and content, the case should be relatively easy for any undergraduate senior to read and comprehend.

The case highlights the importance of recognizing change and how businesses travel through not just narrow roads but through a broad market. Furthermore, the case demonstrates how businesses can take over an industry through strategic partnerships. After completing this case, students should be able to recognize an impetus for changing a business strategy—including why firms adapt to changes in the industry environment, and why firms should keep innovating. Most importantly, in the e-commerce industry, it is critical to understand the needs of the consumers and develop new market plans and services to get more business. The e-commerce industry is all about quality service, variety of products, and speedy delivery.

The case of Flipkart illustrates the need for a firm to adapt to change in the industry environment. This need for adaptation can lead to change in the entire business model of the company, and also shows how the business model keeps evolving from time to time. At the end of 2013, Flipkart changed its business model by shifting from an inventory based business model to a marketplace business model. This illustrates how companies should change and innovate with industry and technological developments, especially in an e-commerce setting. The case also focuses on how a business should cluster its relative business domains to gain competitive advantage over other players in an industry. Flipkart's ability to overcome the global e-tailing

giant, Amazon, by maintaining a competitive advantage will significantly impact the future success of Flipkart's presence in India.

TEACHING PLANS

The Flipkart case offers insights on how the Indian e-commerce industry has evolved, challenges that the Indian e-commerce industry faces, and an understanding of Indian consumer behavior relative to e-tailing businesses. The case covers business strategies, technological innovations, and utilization of technology that is needed to gain competitive edge over business rivals in a dynamic and unique marketplace. The case also sheds light on Flipkart's business model that evolved over time in response to the needs and wants of consumers, as well as to technological development in India.

Michael Porter (1990) states, "Competitive advantage is created and sustained through a highly localized process. Companies achieve competitive advantage through acts of innovation. They approach innovation in its broadest sense, including both new technologies and new ways of doing things." This statement applies to Flipkart and Amazon. As mentioned in the case objective, the Indian market is very unique and western business rules may need to change when playing in India. Companies need to adopt and understand the local mindset and culture. It is uniquely difficult for international and modern businesses to win in India. Indian consumers are very different from rest of the world. In India, Flipkart and Amazon, both the key players, are in the top positions through their continuous act of innovation and doing business in new ways.

This case can be used in many dimensions as it covers aspects of business such as marketing, logistics and supply chain management, technological advancement, and globalization. However, the case primarily covers the topics from a Business Strategy point of view. Flipkart's case can also be used to demonstrate how a new start-up business with big thoughts and ideas can be a leader in its industry. By learning from its mistakes, a business can experiment with new forms and ways of doing business.

ASSIGNMENT QUESTIONS

As noted in the "Teaching Objectives" section, the opportunity exists in the case to engage in speculation. The authors of this case believe that students will respond to this uncertainty and see an opportunity to exercise their ability to reason logically in the face of uncertainty. The questions presented below cannot be fully answered without some degree of speculation. In the answers provided for each question, the author provides just one interpretation; each instructor using this case is encouraged to do the analysis as well.

Summary of Questions

Question 1: The Indian Government has been pushing and creating new ways for transforming the Indian market into Digital India. How will this change the game for Flipkart, Amazon, and other players in the e-retail business?

Question 2: *Flipkart uses its own Logistics & SCM, but Amazon still depends on 3rd Party Logistics (3PL). Does Flipkart have a competitive edge over other players by having its own Logistics & SCM?*

Question 3: *What kind of new innovations or business ideas can Flipkart add to its cart to increase its market share and retain its leading industry position?*

Question 4: *How did Amazon come close to Flipkart in the race and manage to close the 6-year gap?*

Question 1: **The Indian Government has been pushing and creating new ways for transforming the Indian market into Digital India. How will this change the game for Flipkart, Amazon, and other players in the e-retail business?**

The Indian government is pushing the Indian population to go digital by offering many services and discounts for consumers as well as firms and industries that decide to shift towards digitalization. The future of e-commerce in India will be driven by new technologies and digitalization of the economy. Flipkart gained a competitive edge in the industry with its COD method of payments as the economy was not digitized as much as it might be in the future. When digitalization is being promoted by the government, Flipkart has launched a secure payment platform to make purchases through its website, and consumers can use it everywhere. Amazon has also launched its own wallet, but the PhonePe app in alliance with a government backed by UPI platform has gained the trust of the Indian consumers. This is a collaborative business strategy by Flipkart to utilize the government backed platform as this instilled trust in using PhonePe over alternate offerings. Considering the future of the growth of digitalization in the Indian economy, there are many untapped potential markets within India. Being successful in those untapped markets by formulating effective strategies will take Flipkart a long way. Another important factor to determine the success of the product or service is trust a company gains from Indian consumers. Due to lack of exposure to technology and digital modes of payments and shopping, Indian consumers are skeptical about safety factors, trusted brands, and ease of use. Flipkart still may be able to beat Amazon in the race if Flipkart continues to gain the trust of consumers.

Question 2: **Flipkart uses its own Logistics & SCM, but Amazon still depends on 3rd Party Logistics (3PL). Does Flipkart have a competitive edge over other players by having its own Logistics & SCM?**

This argument can be analyzed in two dimensions; one is the cost factor and the other is the competitive advantage in having a specialized division for fulfillment process. Flipkart has its own logistics division, which only delivered orders placed through the Flipkart website. Having a specialized division can increase the cost, however, one of the core values of the company is offering quality service to its clients. Even though the total operational cost will be higher than Amazon's, Flipkart gains a competitive edge as it has a dedicated service that only oversees its own products and services rather than having a 3PL like Amazon has. Having its own logistics and SCM gives a flexibility in the fulfillment process in a controlled environment. Logistics and SCM are always a much debated operational strategy. It is important to efficiently develop a

product, but it is more important to transport a product to the required location at the right time to meet or beat the customer's expectation. It is a very important factor in order to gain a competitive edge. Logistics and SCM are a major concern for many international players. Flipkart has developed a strategy during its initial stages of transformation by looking to the future growth of the development of the industry. Therefore, having its own Logistics and SCM, Flipkart can enjoy a competitive edge in the industry to remain the market leader.

Question 3: What kind of new innovations or business ideas can Flipkart add to its cart to increase its market share and retain its leading industry position?

Flipkart is not just an e-commerce industry player anymore. As mentioned in the article, it has recently launched the PhonePe app as it is looking to the future of the business and the factors that influence the business. Flipkart is transforming into a complete business solution center in the B2C sector. Also, the case gives a hint that Flipkart will also be entering the B2B business category by offering logistics services to corporate clients such as Samsung, which can be a new business model. Flipkart has already settled its logistics roots deep into the Indian region, not only in the main cities, but also in remote villages. Today even the global and domestic courier services use third party businesses for delivery services. Flipkart can add Logistic B2B services that can be very effective and can also bring a competitive edge. Most importantly, with new players entering the e-commerce business in India, Flipkart may need to capitalize on its home-grown advantage. Flipkart can utilize government protections to help it expand into untapped markets within India. The most important advantage for Flipkart to be successful in the rest of the country is to make use of its payment system that is widely accepted and trusted by Indian consumers. Although Amazon is likely to give tough competition to Flipkart, exploiting on a greater level the fundamental advantages that contributed to Flipkart's initial success can take the company a long way. It is very important for Flipkart to keep innovating as well, considering the dedication of such a huge international competitor as Amazon.

Question 4: How did Amazon come close to Flipkart in the race and manage to close the 6-year gap?

Many argue that Flipkart is an Indian replica of Amazon as the Bansal brothers initially worked with Amazon before starting Flipkart. However, the game play in India is completely different as compared to other countries. Flipkart didn't only start up the e-commerce industry in India, but also contributed to development of the industry. Flipkart transformed the e-commerce industry in India to a highly potential market, and when the market was established other players jumped in. Amazon is also one of such players who had been waiting for the industry to grow. When the Indian online shopping marketplace grew, Amazon set its foot in the Indian e-commerce industry. By that time, it was relatively easier for Amazon to experience success in the Indian market as the Indian consumer was ready and willing to shop online. The relatively mature market was a hot pick for Amazon. As mentioned before, many people argued that Flipkart followed Amazon. However, when Amazon launched in India, it followed the same business model as Flipkart. Amazon even shifted from its core operational strategy by offering

cash on delivery, which Amazon does not offer anywhere else in the world. Hence, accompanied by huge investment, Amazon followed Flipkart's path and emerged successful. Today, it is competing with Flipkart to gain the leading position as an ecommerce giant in India. Amazon might have failed if it had not followed Flipkart's business strategy. Nonetheless, not all who tried to follow Flipkart's strategy succeeded. Amazon, with its huge international experience and deep pockets, stood apart from other competitors as raising money was one of the main challenges to compete in the industry.

EPILOGUE

The case provides information about a leading e-commerce company in India and examines that company's strategies with respect to e-commerce and marketing. The overall brand value of Flipkart is good, but it is facing some tough competition from its global competitors such as Amazon. According to the analysis conducted in this case, in terms of domestic market, i.e. India, Flipkart is the most superior e-business portal, which is aggressively expanding and planting its roots deep into the Indian market. Flipkart is enjoying success as a business and at the same time shifting the mindset of the people in India from shopping in physical stores to online stores, changing the Indian consumers' pay model, and, most importantly, achieving the reputation as the most trusted brand in the ecommerce industry, which is magnificent for a homegrown business.

ENDNOTES

¹ IBEF. 2019. E-commerce industry in India. India Brand Equity Foundation. March, <https://www.ibef.org/industry/ecommerce.aspx>.

² Ibid.

³ Koetsier, J. 2018. Report: Amazon India worth \$16B with 30% market share, will hit \$70B GMV in 2027. *Forbes*, May 18, <https://www.forbes.com/sites/johnkoetsier/2018/05/18/report-amazon-india-worth-16b-with-30-market-share-will-hit-70b-gmv-in-2027/#22f869b56b95>.