

# **Flipkart.com- From a Start-up to a Brand**

## **A Case Study**

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### **1. Evolution of Flipkart**

#### **1.1 History and the Founders**

Flipkart, currently the giant, stepped into the e-commerce industry as a player when the industry was in its nascent stage. Flipkart has truly been an iconic contributor in making the e-commerce industry the fastest growing industry in the country. Sachin Bansal and Binny Bansal, the founders, are alumni of IIT Delhi and ex-employees of Amazon.com. In 2007, they risked their career by quitting their jobs at Amazon to launch Flipkart.

Indians are known for their instinctive buying behaviour, and this is what gave way for e-commerce in India. The very notion that saving time is more important to people than saving money motivated the co-founders to start Flipkart. There were people who thought this idea was insane, but in the dynamic and fast-growing retail industry in India, it was probably required that ideas be a little crazy. With a mere investment of Rupees four lakhs, Flipkart started as an online book store. With wide acceptance from the people in the country, the company grew bigger and diversified into products like electronic goods, apparels, e-books and other home and life style products. Flipkart also stood out because it was innovative from the very start. It was Flipkart which came up with the idea of Cash On Delivery (COD) when people were reluctant to make online payments through payment gateways. This has now been implemented by all other e-commerce sites in India. Timely delivery of the product was also considered an important aspect for the success of any e-commerce site. Flipkart ensured this by coming up with its own supply chain management system.

So what has made Flipkart so successful today? To put it all in a sentence, the quality of service provided, the wide range of products, and the pre and post sales experience provided, is what sets Flipkart apart from all of its competitors. Building the company to where it stands today

was indeed a difficult task for both founders. It was extremely essential to build good relationships with customers and suppliers. In fact, all their efforts and thinking-outside-the-box has paid off well because the current Gross Merchandise Value (GMV) of Flipkart is \$4 billion. A huge target of \$8 billion GMV and an additional 100,000 sellers in the list has been set as a target by the company for the coming year. (Success Story, n.d.)

## **1.2 Funding for the Organization**

Just like all other start-ups, there were plenty of challenges the company had to face. Providing delivery to all terrains including towns and villages, and ensuring user-friendly payment gateways for the customers were two major problems for the company. To overcome these, and to convert every challenge into an opportunity, Flipkart has planned to raise funding of a minimum of USD 5 billion by mid-2016 with the help of an Initial Public Offering, listed on the New York Stock Exchange.(Your story, n.d.)

## **1.3 People Practices**

At Flipkart, it was also strongly believed that to satisfy customers, it is very important that the employees are happy and delighted. Being an e-commerce site, Flipkart's main focus is always the customers and the sellers. But of course, without satisfied employees, it would be difficult to retain customers since employees become the face of the company. In order to understand the employees' needs and how they can be retained, Flipkart came up with a wellness program which helped employees become more productive and work to their fullest potential. It also came up with a framework called as Benefits Design Principles, which ensured that the design of all such programs are consistent and they are as per the culture of Flipkart. Flipkart also faced the issues of effective communication among the employees, to tackle which, they used a variety of modes of communication, both offline and online. They also provided employees with the ease of translating messages into their local languages, which further ensured successful implementation of the program.

Monitoring adoption rates has helped Flipkart realize their efforts in keeping their employees happy. They have also formulated a Happiness index, being measured at equal intervals, which verifies the experience of the employees during different phases of the benefits program. This has been a huge learning opportunity, as such programs allow employees to talk more about the company, which in turn adds value to the company. (Digital Vidya, n.d.)

## **2. On a High Growth Path**

### **2.1 Business Model**

Flipkart started as a book selling website, but later went on to operate as a complete online retail site. The company started with an inventory based model, but it was in 2013 that it moved to a market place model, which is how even Amazon.com operates. Flipkart charges a commission of 5-10% on every sale through its site. The commission charged through luxury items such as electronics is higher than that of generic items. Flipkart has constantly been trying to reduce the percentage of commission that it charges to its suppliers, so as to have more number of suppliers. It has also partnered with brands like Xiaomi who spend on such sites as a strategy to promote their products. Flipkart also charges third party sellers, where, when a customer searches for some kind of product, the product relevant to that category or that particular brand will be amongst the first searches to be shown. This is another way companies promote their products. A listing fee for the sellers is additional revenue for the company, along with the convenience fee that is usually to be paid by the customers, which includes the wrapping up of the product as a gift or even the fee for faster delivery.

Payment gateways is another way Flipkart earns its revenue. It is usually the transaction processing charges which will differ based on the way payment is done. For example, if a payment is made through debit card and net banking, the charges are found to be lowest (around 0.75%-1.00% of the transaction amount). Similarly there is percentage charge levied on even credit cards and American Express cards too. Thus, depending upon which mode the customer selects to make the payment, the company gets its transaction revenue, making it another way to earn penny for the company. (unicornomy, n.d.)

### **2.2 Product Portfolio**

Flipkart has a wide product portfolio with strategy of expanding it more. In 2015, Flipkart tied up with three of the country's largest home retail brands namely- Home Town belong to the Future Group, HomeStop by Shoppers Stop and @home. With these tie-ups, Flipkart plans to introduce a new range of products on its website, thus expanding its product portfolio. Till 2015, Flipkart had about 1000 brands in its portfolio, which included seven lakh home products. These tie-ups, not only gave a push to Flipkart's growth, but also made it easier for customers to choose from more variety, and provided them an opportunity to try some of the leading brands in India. Flipkart has also been planning to partner with a number of retailers

across various categories, making the website a one-stop destination for all kinds of consumers. The company also believes that aside from the product portfolio, a combination of the distribution of the products and the latest technology can help enhance the company's customer base further.

Flipkart has provided platforms to several brands in all categories to compete with each other. Through this, it has attempted to attract more customers. Flipkart has also tied up with many brands wherein the company promotes the products of such brands exclusively. Motorola is one such brand where Flipkart had provided a platform for the launch of Moto-G and Moto-E. Flipkart also came up with its own personal product range called as DigiFlip, where it offers products such as gadgets, pen drives, headphones etc.

Flipkart has targeted itself to be number one in online retailer of furniture. The addition of home furnishing and automobiles in its product portfolio were some changes that it has made. By the end of 2016, Flipkart has planned to achieve sales of around Rupees 2600 crore in the furniture segment alone. Such a decision can be a milestone strategy for the company, as going into the furniture segment at this point of time has been predicted to be a boom, reaping huge revenues for e-commerce companies. (First post, n.d.)

### **2.3 Web based to App based**

Going from a web based model to an app based model can be decision taken after plenty of brainstorming in any organization. Every coin has 2 sides. Proceeding with a completely app based model had both advantages and limitations. Myntra, which was acquired by Flipkart, had changed its operating model to being app based alone. It helped Myntra save on marketing costs, as it required no cost in sending notifications over applications. It has also been proved that the app-customers have been more loyal and profitable towards the company. An app based model also provided personalization, better user interface, superior customer experience, the ability to easily connect anytime and anywhere, rich customer data and so on. After the acquisition, Flipkart decided on proceeding with web and app based model. In March 2016, Flipkart launched a mobile web application which is very light and provides complete app-like experience to all its customers. Flipkart named the app Flipkart Lite. This app was built to lighter than most phone applications, and did not require a dedicated storage for the application for customers who did not want to install it on their phones.

As per a market survey conducted on consumer preference over e-commerce sites, it was found that 80% of the customers wanted a website for an e-commerce site, though only 20% of them

might use it. This was when Flipkart realized that only for an app based model was a very consumer-friendly decision. Further, only app-based would take away the options that is available to its customers to have a complete visual experience of buying things online.

Flipkart has also set up “Pick up Stores” in various cities which provide convenience to the consumers to pick up their orders as per their convenience. Flipkart has planned to increase the number of stores all over the country and to also make them fully outfitted experience zones, where customers can gather the experience of the product by trying the product, seek alterations, and enjoy the product demonstrations. (Huffington post, n.d.) (First post, n.d.)

## **2.4 Acquisitions**

Flipkart, being a giant, was never too hesitant in acquiring a number of smaller companies so as to maintain its market share. The first of the few bigger companies that it acquired was Myntra.com and Letsbuy.com. Such a step was a necessity with the entry of Amazon in the country. Flipkart also managed to break the old norm of buying things from retail stores, and by providing everything online, brought utmost convenience to the people. Flipkart further grew with few more acquisitions like WeRead in 2010, which is social book discovery tool. Similarly, Mime360, which is a digital content platform company, and Chakpak.com, a Bollywood news site, were both acquired in 2011. (Crunch base, n.d.)

## **2.5 Promotion**

Flipkart has changed the way a company promotes itself. It largely depends on word-of-mouth promotion, where the satisfied customers provide feedback and enable other customer purchases.

Flipkart is also on Google Ad-words and SEO, to have a firmer grip in the online space. Flipkart also connects with its customers on social media sites such as Twitter wherein they answer all issues raised by the customers, and also evaluate all the suggestions given by the customers and implement them

With its first TV advertisement which focused on how books can be delivered to door steps in just one click, helped raise awareness about the company to a greater extent. Flipkart has come up with varieties of themes for advertising their products. Their tag line “No kidding No worries” signifies the comfort and the convenience that the company aims to provide to its customers. Another eye catching tagline “Shopping ka naya address” helped the company promote itself as a better alternative shopping experience to its target customers. A number of

TVC strategies used by the companies are targeting big events such as IPL in 2014, kids acting as adults making it easy for customers to recall, and testimonial based creative campaigns to demystify the fear of the online shopping experience.

The exclusive phone application by Flipkart has also been a tool in promoting itself, by giving latest alerts about the discounts, recent product launches, current offers, and various coupons and vouchers. (Marketing91, n.d.)

### **2.8 Flipkart Assured- Taking on Amazon**

With Amazon's Prime, which assures faster delivery of products and a valid yearly charge, Flipkart introduced Flipkart Assured, which also guarantees free delivery in few days. This aside, Flipkart Assured also promises quality products by conducting quality checks at least 6 times. The supply chain efficiency and the expertise in technology have made Flipkart Assured a successful initiative by the company. Being an inclusive offer, anyone on Flipkart can avail this feature, with no extra memberships or subscriptions. The feature has been applied on all the popular categories chosen by the customers, such as mobiles, electronics, fashion etc. (economictimes, n.d.)

### **3. Challenges**

Despite all the challenges and difficulties that Flipkart faced as a start-up company in the early 20s, it was the unflinching belief and confidence that the company and its founder had, which made it possible for the company to reach the status of a ten billion dollar company. There's a famous quote which states- "The first step to achieving something is to believe that you can achieve it." This, I believe, is how things Flipkart went about ensuring its success along a rocky, challenging journey. The company's logistics abilities is probably the primary key or the game changer which has helped it evolve over time. Starting business as an online book store was a smart move, as it was a low investment plan and also had a quicker turnaround time. And of course, the rest is history. Flipkart is an inspiration to all the start-ups who are struggling to achieve their milestones. The Flipkart story truly and completely proves the saying:

**"If you have a great idea, and you are a doer and not a thinker, success is not far off."**

#### **Questions:**

1. In spite of having such a successful journey for Flipkart, what is it that is still hindering to the company that it is not able to win over its rival Amazon?
2. What will happen to Flipkart in the coming future?