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CASE STUDY

FLIPKART: TURNING BRICK AND MORTAR MARKET INTO A CLICK MARKET

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“One does not discover new lands without consenting to lose sight of the shore for a very long time”- Andre Gide.

‘Take the plunge. The timing can never be better.’ was quoted by one of the successful and young entrepreneur ‘Binny Bansal’. Yes we are talking about the major E-commerce Giant, Flipkart. A 10,000 monthly allowance for a period of 18 months helped Sachin Bansal and Binny Bansal (founders of Flipkart) to start their E-commerce business with selling of books in 2007.

The company started with its two co-founders in a small room with Rs 2 lakh of investment from both founders each which was mostly spent in buying of computers and furniture.

The company did not receive any order for the first 10 days post which they got the first order of a book ‘ Leaving Microsoft to Change the World’ by John Wood from a customer based in Andhra Pradesh. The two cofounders were young bright technocrats both holding an engineering degrees from one of the most premier institutes of our country- IIT Delhi. Usually after getting such handsome packages and passing from such an institute, a person would be satisfied with the perks and benefits. Contrary to this approach, to make books selling convenient for the customers, Sachin and Binny Bansal started their business. For a layman it might be the weirdest idea to start with on a small platform but the founders used to stand outside book stores and colleges providing bookmarks to the student in order to create awareness about their business. What started as selling as bookmarks has now turned into a multi-billion dollar company. The company is currently being valued at 10,000 crore.

The company now sells everything from books, electronic items, apparels, bed sheets, jewellery footwear, accessories etc. When Motorola wanted to enter India, they contacted Flipkart for selling its products. Flipkart exclusively launched Moto- G before rest of the world. In just 5 seconds the whole stock of Xiaomi Mi3 got sold when the booking was opened the second time for around 20000 phones.

Flipkart today has every book vendor and publisher on its own list and has its own payment gateway by the name of Payzippy.

Milestones	
2007	Flipkart founded by Sachin Bansal and Binny Bansal, both Ex-IITians and former employees at Amazon.com
2008	Flipkart recovers initial investment of \$8,000 and breaks even
2009	Receives first tranche of \$1 million venture capital funding from Accel Partners
2010	Private equity player Tiger Global Management infuses \$10 million
2011	Reports 700% Year-on-Year CAGR
2012	Set to shore in \$100 million in revenue
2015	Plans to cross the \$1 billion mark in revenues

Source: The Hindu

Another feather in the cap is that in 2014 Flipkart launched its own set of tablet, mobile phone and Phablet. Also they have launched their own networking router under their own brand name Digiflip.

BUSINESS MODEL OF FLIPKART

Flipkart has started with an inventory based model in which investment is required in inventories, logistics and warehousing. Till 2013, Flipkart owned the products that it sold on its site. But according to Indian Laws, which prohibits FDI in online retail the company moved to a new market place model. In Market place model, third party sellers can sell their products through Flipkart's own site.

The market place model helped Flipkart to achieve economies of scale and inventory based costs are reduced in this model. Also the model helps company get access to overseas funds. Flipkart has been following the steps of Alibaba which is a major E-commerce giant in china. It is because according to the founders the purchasing power, likes, dislikes, patterns of spending of India and china are similar compared to US. So it is better to follow the strategies of China based online sellers to achieve maximum results.

Recently Flipkart has partnered with Mumbai Dabbawalas who have been in the profession of transporting lunchboxes for the last 10 years. As a part to E kart, dabbawalas would be collecting shipments of Flipkart from their delivery hubs and would be delivering it to the customers while picking their Dabbas. The initial partnership has been for the pre paid orders. Formal training has been provided by Flipkart and initially it would be paper based tracking system which would be replaced usage of apps and other technologies later.

Private Equity Investment in Flipkart

As a company grows it requires more funds in order to meet its future demand and needs. After making a good entry into market with success as a online book seller, Flipkart wanted to enter into new areas.

Many companies like Tiger Global, Accel India had been involved in first round of financing and with their involvement in the additional rounds prove that the company is going great as the investors are ready to increase their time of exit. Infusion of \$ 1 billion in 2014 in an Indian start up proves the presence of strong entrepreneurial talent in our country which is being noticed by the foreign investors.

In 2014, Private Equity Investments bounced back in India by 47.3% to reach around \$10.9 billion across 436 deals which was the second highest figure post 2007. E commerce firms accounted for 37.6% of the investments that accounted for \$ 4.1 billion.

Flipkart via its Singapore based company raised \$1.91 billion across 3 rounds: raising \$210 million in May2014 jumping to \$ 1billion in July2014 and then getting\$700 million in December2014. It was among the top ten largest investments in 2014 and helped Flipkart reach a valuation of \$2.7 billion.

Investor	Year	Amount
Accel India	2009	\$ 1 million
Tiger global	2010	\$ 10 million
Tiger global	2011	\$ 20 million
MIH and ICONIQ Capital	2012	\$ 150 million
Tiger Global, Naspers, Iconiq Capital and Accel Partners	2013	\$200 million
Dragoneer Investment Group, Morgan Stanley Wealth Management, Sofiana SA and Vulcan Inc	2013	\$160 million
Yuri Milner's DST Global, Tiger Global, Naspers and iconiq Capital	2014	\$210 million
Tiger Global Management LLC, Accel Partners, Morgan Stanley Investment Management and GIC	2014	\$ 1 billion

Source: Author's Own Compilation

In contrast, 2013 had witnessed PE investors committing a total of \$7.4 billion (across 433 deals) with only Flipkart featuring among the top 10 investments. Including Flipkart's two rounds - of \$200 million and \$160 million - Online Services companies had raised \$786 million (across 86 deals) or less than 11% of the PE investment pie in 2013.

Future Plan of Flipkart

After entering into major all areas of Fashion, Lifestyle, Jewellery, Beauty Products, Home Décor etc, Flipkart is targeting new areas:

- Mobile: Flipkart has introduced its Flipkart App for shopping on the Mobile Phones. As customers downloads app of Flipkart, additional benefits are offered to increase its usage.
- Data: Analyzing the data to provide better and secure payment and shopping experiences to its customers.

- Platform: Working on a wider platform so that smooth working and better connection between seller and buyer can be provided.

ACQUISITIONS OF FLIPKART

Flipkart has made some acquisitions in order to increase its business.

- Flipkart is planning to acquire the mobile banking startup app DSYN Technologies Ltd as it wants to improve its technological capabilities and provide better shopping experience to its customers. Flipkart achieves more than 65% of its orders currently from the mobile app users.
- In March 2015, Flipkart acquired Bangalore based global mobile network Adlquity in order to increase its base in advertising and it would act as an external marketing platform for Flipkart.
- In 2014, Flipkart acquired Myntra the online fashion retailer for an amount of around 2000 crores in orders to increase its stake into the fashion industry.

DOWNSIDE OF THE STORY

When a company is progressing and performing it cannot be without path-breaks and criticisms.

Flipkart took an initiative of Big Billion Day on October 6, 2014 targeting of making 1 billion sales in a day. There were many deals which were offered to the customers at unbelievable prices and was on first come first serve basis. Many competitors filed a complaint against Flipkart that they sold the products much below the cost price of the product which was against the commerce policy of India. Many customers were unable to place the product as the servers were very busy and also for some of the products which were placed cancellation mail was send by the company. Post this event, the founders had sent a mail to all its customers apologizing and for taking care in the future regarding such events.

Flipkart also partnered with Airtel to provide 'Airtel zero' platform which would make Flipkart App usage free for all Airtel customers. This move on the subject of Net Neutrality was mass criticized post which on April14, 2015 the company pulled back its decision to partner with Airtel.

CONCLUSION

The company has shown an exponential growth moving from \$ 1 billion evaluation in 2012 to a \$ 12 billion which has been through the efforts made by the team and the strategies and proper understanding of the market by the founders. Those who started a firm just 8 years ago have now become employers for candidates in IIT's and big B- Schools. According to Binny Bansal, times have changed and now the biggest recruiters are not consultancy or financial firms but E- commerce companies. Flipkart is now planning to take the leading space in mobile and data. The driving force for success of Flipkart has been the hunger and ambition of its co founders and their need for customer satisfaction. What goes beyond the valuation in dollars is the experience and satisfaction it brings to the customers.

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