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CASE STUDY ON FIRMS FACING STRONG COMPETITION

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Abstract

Innovation carries with itself a new set of challenges. The E-Retailing form of market was equallyapproximately unheard of to the Indian consumer in 2007. Flipkart which has impressed a place for itself in terms of market share, goodwill and reputation in the online market to the extent that vendors are coming under threat because of its discounts and smooth operations. The strategies applied by it to generate online business, itscapability to stand out among numerous E-Retail sites.An attempt has been made to critically inspectseveralcommercial and business level strategies of two big e-tailor's that is Flipkart and Snapdeal considering their e-commerce challenges, business model, funding and revenue generation, growth and survival strategies, Shoppers' online shopping experience, value added differentiation, and product offering made by them along with evaluation of the challenge which both of them had faced in October 2014.A big question arises, who will win this game at the end in India? Who will be the real winner? The unpretentious and obvious answer should be of course, Indian Customer.

Key Words: Flipkart, Snapdeal, E-Commerce, Customer, Funding

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Introduction

Once there were two companies in same Industry. The president of these companies decided to go on a camping trip to discuss a possible merger. They hiked deep into the woods. Suddenly, they came upon a grizzly bear that rose up on its hind legs and snarled. Instantly, the first president took off his knapsack and got out a pair of jogging shoes. The second president said, "Hey, you cannot outrun that bear. The first president responded,"May be I can't outrun that bear but I surely can outrun you!" (Fred R. David)

Indian E-Commerce

The size of Indian e- retail industry is poised to be $ 32 billion by 2020. With a vision of "Amazon of India" Flipkart enter market in October 2007, which is one of the first ecommerce sites in India. Initially, started as an online book selling venture, changed to marketplace model in 2012, the company now sell more than 20 million products to over 26 million registered users with the help 20,000 employee and 13 warehouses. Online shopping is booming in India and Flipkart have changed the shopping habits of a common man. This is a modest attempt bring out the philosophy behind e commerce giant of India, what are the bricks behind these clicks and how it manage to adapt timely to create favourable environment for its success.

Flipkart E-Commerce Company

Flipkart, an ecommerce company started in 2007 by Sachin Bansal and Binny Bansal with an initial investment of 4 LAC INR, during that period market structure of Flipkart was Oligopoly, as there were no large players in the market. Flipkart sells goods in India through a company called WS Retail. Other third-party sellers or companies can also sell goods through the Flipkart platform. Flipkart now employs more than 15000 people. Flipkart accepts payment methods such as cash on delivery, credit or debit card transactions, net banking, e-gift voucher and card swipe on delivery.

Flipkart is currently one of the largest online retailers in India, present across more than 14 product categories & with a reach in around 150 cities. Flipkart is currently a 10,000 member strong team, with 3000 sellers on its platform and delivering 5 million shipments per month. Flip kart's 'Big Billion Day' sale helped the company to achieve record single day sales of Rs. 600

Crores on Monday It made its presence felt in online retailing by offering path breaking services like Cash on Delivery (COD), 30 Day replacement Guarantee, EMI options, Flipkart mobile app , etc.

Flipkart got several rounds of funding from Accel India Tiger Global, Softbank, Naspers, Stead View, DST Global, GIC Singapore,Greenoaks, SteadView Capital, sovereign wealth fund Qatar Investment Authority, mutual fund T Rowe Price, Axis Bank and eBay. All in all it attracted investors from the globe and became a lucrative investment opportunity.

Funding Received by Flipkart

Flipkart is a venture capitalist funded start up with rising internet users in India and the growing market of online shopping proved to be a successful business model for Flipkart, below is the table indicating the aggressive funding received by Flipkart year on year. Flipkart got a record funding of 1 billion in 2014.

Table 1. Funding received by Flipkart

Year	Amount(Million USD)
01/06/09	1
02/06/10	10
03/06/10	20
04/06/12	150
10/07/13	200
26/05/14	210
29/07/14	1000
21/12/14	700
28/07/15	700
10/04/17	1400
26/06/17	71

10/08/17	1500
10/08/17	1000
18/09/17	10000
Total	16962

Acquisitions made by Flipkart

While growing aggressively Flipkart made 11 acquisitions increasing its customer base and diversifying the business in other sectors. Acquiring myntra in 2014 was a very strong business strategy as myntra had a good presence in fashion domain with good customer base. During 2014 Amazon was not yet settled in Indian market and Snapdeal was also struggling to get the same by acquiring myntra Flipkart not only made a strong presence in the fastest growing fashion industry but also increased its seller count. Myntra, continued to work as an independent entity.

On the other hand Jabong was struggling to survive and was running out of cash due to very high competition in the ecommerce space the acquisition of Jabong lead to the strong uphold of Flipkart and emerging as a leading market player in e-commerce domain as the amazon was still busy in pumping funds in amazon India and increasing the customer base and developing the confidence in sellers.

Table 2. Acquisition's made by Flipkart

Acquisition	**year**	**Amount(million/USD)**
weRead.com	2010	Undisclosed
MME360	2011	Undisclosed
Chakpak.com	2011	Undisclosed
LetsBuy.com	2012	Undisclosed
Myntra	2014	Undisclosed
AdIQuity	2015	25
Appiterate	2015	370
FX Mart	2015	6

PhonePe	2016	Undisclosed
Jabong	2016	70
eBay.in	2017	Undisclosed

Table 3. Year on Year Valuation of Flipkart

Year	**Valuation(Million USD)**
2009	50
2010-11	1000
2012	1000
2013	1600
2014	2600
2014	7000
2014	11000
2015	15500
2016	11000
2016	11500
2016	5600

After a number of acquisitions the valuation of Flipkart keep on booming exponentially. Following the acquisition of Myntra, Flipkart raised $210 million with increased valuation of $2.6 Billion. During the same year Flipkart witnessed a $1 billion funding round, even the valuation shot up to $7 Billion, 1.5 times within a quarter of a year.

Snapdeal E-Commerce Company

Snapdeal.com was launched in February 2010. The company was founded by Kunal Bahl.Initially, the core business idea of Snapdeal was the daily deals platform. In December

2011, the company announced its plans that it would be changing its business dynamics and transitioning to a full-fledged e-commerce company.

Got several rounds of funding from Nexus partners, Indo-US venture partners, Bassemer Venture Partners, ebay, SoftBank, BlackRock, Ratan Tata,Foxconn Technology, AliBaba Group, Ontario Teachers' pension plan, Clouse SA

Funding Received by Snapdeal:

With the booming e-commerce market in India company initially made a very good entry in the market and was able to convince the venture capitalist for funding, it received the funding from all around the world below table provide the details of funding received by Snapdeal

Table 4. Funding Received by Snapdeal

Year	**Amount (Million USD)**
01/01/11	12
01/07/11	45
01/04/13	50
13/08/13	75
26/02/14	133.7
20/05/14	100
27/08/14	Undisclosed amount
27/10/14	627
18/08/15	500
14/02/16	200
26/08/16	21
29/05/17	1100
Total	2863.7

Acquisitions Made by Snapdeal

Table. 5 Acquisitions Made by Snapdeal

Acquisition	Year	Amount(million/USD)
Grabbon.com	2010	Undisclosed
esportsbuy.com	2012	Undisclosed
Shopo.in	2013	Undisclosed
Doozton.com	2014	Undisclosed
Wishpicker.com,	2014	Undisclosed
Smartprix.com	2015	Undisclosed
Exclusively.in	2015	Undisclosed
Gojavas.com	2015	20 prcent stake
Unicommerce.com	2015	Undisclosed
RupeePower	2015	Undisclosed
FreeCharge.com	2015	400
Reduce Data	2015	Undisclosed

Table 6. Year on Year Valuation of Snapdeal

Year	Valuation(Million USD)
2011	22
2011	208
2013	216
2014	682
2014	1000
2014	1779
2015	5000

In year 2016 Snapdeal was considering the possibilities for merger with its bigger rivals Flipkart and amazon, from the peak of its valuation in 2015 Snapdeal acquired freecharge for $400 million USD. Free charge on its own was facing strong competition with Paytm and at the time of acquisition the free charge was on its peak of valuation. Later, free charge was sold by Snapdeal to Axis Bank for $60 million.

Conclusion

The acquisitions made by Snapdeal can be concluded as failed shopping it acquired 12 companies in 6 years of tenure and failed to leverage any of the opportunities. The biggest blunder was the acquisition of Freecharge which was its biggest acquisition it failed to reap the benefits of digital payments as Paytm was the market leader in the section and it continued to be. All the firms acquired by the Snapdeal was on their peak when the acquisition was made whereas in case of Flipkart the acquisitions were made when the companies were really struggling to survive and during 2015 it was getting hard for e-commerce companies to raise more capital and so it was getting difficult for Snapdeal to provide heavy discounts to its users on the newly acquired freecharge.

According to my view's Snapdeal had always a mentality to be on number 3 the thought process of being at number 3 was that the Flipkart and amazon the two big players both will try to finish each other and in between that Snapdeal can always stay at number 3 as the Indian e-commerce market is big enough for the survival of 3-4 e-commerce companies.

Finally in the race to escape from the grizzly bear Flipkart won by a margin and the Snapdeal is on the verge of breakdown, as a result it was acquired by another big player Walmart for a whopping $20 billion.

List of Failed Indian E-Commerce Companies:

The e-commerce companies which didn't got acquired failed to raise series B or C rounds of funding have to close their operations and have to shut down, this is what happens when the competition grows and there are big players in the market.

- Muziboo, an online community for music creators has shut down its website. Muziboo landed in copyright infringement issues.
- IRCTC shuts down its e-commerce portal shop.irctc.co.in, which was setup in partnership with Yebhi.com
- Oravel, a destination for short and midterm rentals for bed and breakfast joints, private rooms and serviced apartments has shut down. The start-up had received a funding of USD 100,000. The company has now launched (re branded as) OYO Hotels.
- Allschoolstuff.com after selling over a million school & learning products has closed down its operations. The site was active for 3 years and raised $1 million. Failure to raise another round of funding was the cause for the closure
- Dhingana closes down primarily due to failure to renew license with T-series.
- Indiaplaza.com, India's pioneer in online shopping space primarily offered electronics domain has stopped operations. The site was unable to raise fresh funding and reportedly closed down operations sometime after Diwali.
- Personal care products site Goodlife.com, started by First cry shut down.
- E-commerce logistics start up chhotu.in shuts down operations and core team
- Hush babies, run by Lapis Marketing Put. Ltd., which acquired Mangostreet.com in August 2012 has finally closed down. The company was a victim of capital crunch and poor sales
- Mira store, Bangalore based online retailer, backed by an angel investor and having raised $ 1 million has shut down the website to focus on a private label, Felicia.
- Koolkart, an ecommerce website with price comparison and social combined shows out of stock for all products and finally closed down.
- Aprov.com, a Bangalore based marketplace for Indian handicrafts has closed the site for new orders. All products are out of stock and the founder has moved on.

- Istream.com, an online video streaming company, having securing $5 million in funding, shut down with huge disappointment as per a note on the home page of the website. The reason for the shutdown was failure to raise another round of investment.
- Timtara.com shut down its operations. The shutdown followed the arrests of Timtata CEO on allegations of fraud.
- 21diamonds.in, a rocket internet owned online jewellery and fashion accessories website has closed operations in India. The site no longer is available
- Rock.in, a fashion retailer started in May, 2012 has completely shut down with the website and customer support numbers being not operational. Rock.in was backed by Partech International and reportedly was looking to raise a series B funding of $5 million, which apparently didn't come through.
- Zovi.com shut down its business, the company acquired Mumbai based Inkfruit.com (a community based customized fashion and accessories retailer) in 2013 they are now selling products in Flipkart and amazon.
- Tiny Owl a very fell funded start-up had to go through distress, when the food ordering firm was acquired by Roadrunnr, the hyper-local delivery start-up. Despite raising $23 million funding from Sequoia Capital, Matrix Partners and Nexus Venture Partners in 2014, it fired 300 employees the next year. In 2016, it shut down its country-wide operations.

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