



A STUDY ON FLIPKART: RESTRUCTURING SMARTPHONE SALES IN INDIA

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Abstract

The size of Indian e-commerce industry is expected to be \$32 billion by the year 2020. With a vision to be India's biggest e-commerce platform Flipkart entered Indian online retail market in October 2007 and at that time it was one of the first e-commerce sites in India. Flipkart started of as an online book store and has grown exponentially. The company sells more than 80 million products to over 100 million registered users with the help 33,000 employees as of November 2017. Online shopping is booming in India and Flipkart has changed the shopping habits of an average Indian consumer. One of the biggest reason for the immense success of this retail giant is smartphone sales. This is an attempt to explain the business and marketing strategies of the ecommerce giant of India namely Flipkart.

Keywords: *E-Commerce, Flipkart, Smartphones.*

Introduction

Flipkart accounted to 43% of total e-commerce sales generated in India in 2016. But it wasn't exactly like that when it started. The founders of the biggest e-commerce website of India started the multi crore company with 5 lakh rupees. The platform was founded in September 2007 and is worth 15,129 crores as of on October 2017. Both the founders are IIT Delhi alumni and ex-Amazon employees. This giant company has its headquarters in Bengaluru. Flipkart has a complex business structure and it was registered in Singapore in 2008 due to multiple reasons such as India's FDI policy and taxation.

Flipkart: Transforming Indian Market

Flipkart changed the way an average Indian consumer shops. Indian market is particularly tougher to crack because of the various factors effecting its buying decisions. More specifically the behaviour of an average Indian consumer is very sceptical one. What Flipkart did not only changed the way an average consumer thinks in India but also it opened the flood gates for other e-commerce giants to enter India like Amazon and Ebay.

Flipkart changed the paranoid nature of Indian buyers, Indians are afraid to make investment on a product with just a picture. Indians like to buy things only when they touch and feel the product and double check the product before they buy it. Nevertheless, Flipkart through it great product quality and consumer friendly service was able to change the mind-set of an average Indian buyer. It changed the buyers' perception towards online retail stores.

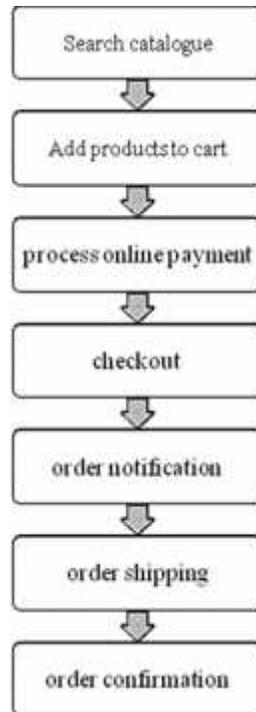


Figure 1 showing different phases in the online shopping process

Flipkart and Smartphones

The 'Like button' feature introduced by Facebook in was a revolution for the company. For Apple, it was the launch of the iPhone in 2007. For Flipkart, that moment came in February 2014 with the sale of Motorola's first generation moto smartphones.

One of the major reasons of Flipkart's success can be connoted to its partnership with major smartphone brands like Yu, Xiaomi, Motorola, Lenovo, Le Eco. This partnership has led the company to secure Flipkart exclusive deals, meaning that the smartphones offered by these brands will exclusively be sold on Flipkart.

Motorolas' Do Not Distribute, Just Sell Business Model – Flipkart

In 2013, online retail was just 5 percent of the total smartphone retail market in India and Flipkart accounted for 2 percent of that pie.

The Motorola management wasn't willing to put their bets for just two percent of the total addressable market because at that time, e-commerce in India was not mainstream. No major smartphone brand or brand of any sort had tried selling online on an exclusive basis, much less through just one e-commerce firm. It seemed Motorola would go for a traditional offline distributor led retail model, which would have meant a launch limited to just the top cities of the country.

What helped convince Motorola was that Sandeep Karwa, Flipkart head of smartphone business, and his colleagues had given the company a guarantee that Flipkart would sell as many as 1,25,000 units of Moto G phones in six months.

Motorola struck a deal to launch the Moto smartphones exclusively on the Flipkart. It was an experiment and highly volatile as e-commerce in India was not mainstream at the time. No major smartphone brand had tried selling their smartphone exclusively online, much less through just one e-commerce firm. This model would give it an edge over Samsung, LG, Sony Xperia which had invested millions of dollars in setting up their offline retail



channels that they wouldn't be able to reap the benefits of an online-exclusive model. There were no middlemen and retailers who got a share of margins, which would give Motorola a big pricing advantage.

On February 5, 2014, Motorola launched the Moto G in India exclusively on Flipkart. The smartphone went on sale at midnight on February 6 and was sold out in 25 minutes, during which Flipkart's site crashed a few times. For the first time Motorola has revealed that it had sold 40,000 units of Moto G during its first sale. By the end of the day, around 1,00,000 units of Moto G were sold in India by Flipkart, nearly as many as Flipkart had promised to sell in 6 months.

The Moto G extravaganza helped Flipkart reach the historic landmark of generating annualized sales of more than 6000 crore Rupees on February 2014, achieving its target one year ahead of plan. Flipkart became the first e-commerce firm to hit the \$1 billion (6000 crore Rupees) mark in gross merchandise value (GMV, or value of goods sold on the site).

Xiaomi and Flipkart - A Success Story

"A partnership is an arrangement between two or more parties who work collectively to share a common vision to grow and mutually benefit each other." Flipkart and Xiaomi share that mutual goal and vision of growing together by providing great products at affordable prices through a seamless customer experience. Flipkart has helped Xiaomi take a step closer to its mission, which is "innovation for everyone."

In July 2014, Flipkart's website again crashed when it held a flash sale of Xiaomi phones. Xiaomi was then a little-known Chinese start-up that was starting to make a name for itself by coming up with low-priced smartphones packed with powerful hardware running Google Inc.'s Android software. Despite spending little on marketing, Flipkart sold out its stock of Xiaomi smartphones in seconds.

The flash sale model, which the Xiaomi had popularized in China and eventually in India, became a landmark marketing tactic to gauge customer interest and understand how to even out the supply-demand disparity.

In the time period between the sale of the Moto G phones and the first Xiaomi sale in July 2014, give or take a few days, Flipkart had raised more than \$1.2 billion (77,63,10,00,000 Rupees), becoming one of the most valuable Internet start-ups in the world. Flipkart attracting investors, which was inconceivable before the Moto G sale, in turn helped kick-start the start-up funding boom of 2014 and 2015 that would make India one of the most prominent and promising Internet markets in the world. Those two sale events (Moto G in February 2014 and Xiaomi in July 2014) also gave Flipkart confidence to launch its annual sales event, Big Billion Days. Inspired by shopping festivals such as the Black Friday in the US and Singles Day in China, Flipkart launched the one-day event in October 2014, during the festive season in India.

On Big Billion day (6th October 2014) again Flipkart's site crashed even as it generated \$100 million (650,00,00,000 Rupees) in GMV in less than 10 hours which was nearly a month's worth of sales.

For Flipkart and its founders Sachin Bansal and Binny Bansal, while 2014 had proven to be a successful year beyond their dreams, it also showed them that they had consistently underestimated the potential of e-commerce in India. There were tens and possibly hundreds of millions of Indians who were itching to get their hands on quality products denied to them by the failure of organized retail to expand in the country. One of the most important data points for the e-commerce businesses was that smartphone sales were exploding. In 2014, around 80 million smartphones were sold in India, up from 44 million in 2013, according to International Data Corporation (IDC). Almost every person in India who had feature phone was shifting to smartphone, lured by the value-for-money products offered by the likes of Motorola, Xiaomi and others. And after the success of Moto and Xiaomi, it was clear that e-commerce firms, and Flipkart, in particular, were poised to be the biggest beneficiaries of that expansion. Online market share in smartphones jumped from less than 10% to more than 15% in the last quarter of 2014, such a leap typically requires decades.



Flipkart managed to get exclusive smartphone deals that would bring a majority of smartphone brands such as Lenovo, Honor, LeEco, Huawei and others to India. The company also helped local brands such as Micromax and Lava reach new audiences and offered an alternative channel for premium brands such as Samsung and Apple.

Flipkart's strategy of signing up exclusives had changed the smartphone market. Launching phones exclusively has now become almost the default choice for many brands. In 2015, Flipkart solidified its lead in smartphones, which contributed more than 50% of the company's sales. The growing popularity of the online channel also helped define the popularity hierarchy among smartphones. Xiaomi, Motorola, Lenovo (which owns Motorola) and others that had wholly adopted the e-commerce channel and would consistently feature in the top selling smartphone brands in the country. For new smartphone brands entering into the country such as OnePlus, e-Commerce Became the Quickest, Cheapest and Most Convenient to Reach Millions of Customers.

Year 2016: Decline and Growth

While the smartphone market grew by more than 28% in 2015, the growth rate had been slower than 2014. Still most analysts expected the market to increase by 30-40% in 2016 in the belief that feature phone users would shift to low-cost smartphones.

Flipkart executives weren't that sure of the forecast. Much had changed at the company by the start of 2016. Its big strategic initiatives of 2015 had failed: the excessive focus on the app and replacing its old leadership with experienced professionals from companies such as Google. These moves that were inspired by the extraordinary success of 2014 backfired on Flipkart, hurting its sales and allowing Amazon, another international e-commerce giant to accelerate its growth in India.

Binny Bansal became the CEO of Flipkart in 2016 and made more changes, putting emphasis first on cutting costs and getting back Flipkart's customer service levels to its proper standards. That along with the priority of cutting costs led to a lack of focus on the smartphone business. Flipkart lost exclusive deals with key smartphone brands such as Lenovo, Motorola and Xiaomi; all of them had shifted to Amazon on an exclusive basis.

Winning back the smartphone category was Flipkart's top priority. Given the size of the category, it was the only quick way to claim back market share from Amazon. And the only way to do that was to strike exclusive deals with brands which had left Flipkart for Amazon.

First, Xiaomi returned to Flipkart, followed by Moto. Quickly, others such as Lenovo followed. Flipkart even managed to secure exclusive online access to the iPhone for the Diwali sale of 2016.

Flipkart had also changed its smartphone strategy. The number of new e-commerce users was stagnant, which meant that feature phone users had for some reason stopped shifting in huge numbers to smartphones. Basically, smartphone sales would be driven by people replacing their old smartphones.

Flipkart and Billion Brand

In 2017 about 28 million smartphones were shipped to India in 2nd Quarter and the smartphone industry registered 3.7 per cent quarter-on-quarter growth, according to International Data Corporation's (IDC) Quarterly Mobile Phone Tracker report. Samsung was followed by Xiaomi, which retained its number two position.

Flipkart expects the smartphone to capture 7-8% market share of online smartphone sales, which accounts for more than 50% of its sales, by third quarter of 2018.

To achieve this, Flipkart has launched its first "made in India" and "made by Flipkart" smartphone brand: Billion. Under this brand name it has launched its first smartphone Billion capture+.

Billion Capture+ has been designed and manufactured by Smatron and is available at two different versions priced at Rs.10,999 and Rs 12,999. The launch of Billion capture+ smartphone will grow the market further, and



not cannibalize existing brands on the platform like Xiaomi, Lenovo, and Motorola. It will also be serviced by F1 Info Solutions.

Flipkart claimed that Billion Capture+ smartphone was sold out on the day it was launched, on 15 November 2017. However, Flipkart did not specify the number of units that were up for sale. Billion capture+ phone that went on sale from 12 AM on November 15 2017. According to the Flipkart all the smartphones in stock were Brought By Customers. However In A Market Dominated By Smartphone Giants Such As Xiaomi And Samsung, Flipkart Aims To Capture About 10% Of Smartphone Sales In India.

Conclusion:

To summarize, Indian customer's go to destination for buying smartphones has become e-commerce platform. The credit for this change in the mind set of Indian consumer can be attributed to Flipkart and its user friendly logistics, fast shipments, discount's, attractive offers, amazing customer experience and innovative market strategy. To stay country's biggest online retailer Flipkart has to handle its challenges tactfully. In 2017 those challenges seem to be competing with the world's largest online retailer – Amazon and also to maintain exclusive selling rights of major smartphone brands. Also acquiring public interest has a complex formula, it commands for persuasive nature of the company, precise and timely decisions by the management and innovative methods, Flipkart has exhibited these trends from time to time. Flipkart has also launched its own smartphone brand in October 2017, and the recent future in terms of smartphone sales for Flipkart seems promising.

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