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CHALLENGES FACED BY ECOMMERCE GIANT - FLIPKART



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ABSTRACT:

The buying and selling of products and services by businesses and consumers through an electronic medium is Ecommerce.

The first ecommerce website in India was established in 2002 and it was IRCTC. On similar lines "Flipkart" pioneered as India first online shopping portal. Though it has the first movers advantage, with a valuation @ \$ 15.4 Billion (May 2015), the competition is immensely intense due to the entry to many domestic players and foreign giant Amazon in Indian ecommerce world.

It is here that customers play an important role in sustainability and profitability of online sellers. Amidst this war it is essential to correctly position the brand image and ensure customer retention.

This study focuses on identifying SWOT of Flipkart, its competitor, challenges faced and suggestions for maintaining profit and customer loyalty in this competitive environment.

KEYWORDS : Flipkart, Ecommerce War, SWOT, Challenges, Suggestions.

Statement of problem:

For the success of any business customers play a vital role and so are applicable to ecommerce Giant- Flipkart. Inability to understand their customers' parameters for loyalty, providing incorrect mix of services might lead to hampering its brand image, profit, growth and market share. Flipkart's loss would undoubtedly be its competitors gain.

INTRODUCTION:

This paper will study the existing e-commerce scenario and challenges faced by Flipkart. The researcher also highlights the importance of enhancing customer loyalty for better sustainability.

Purpose of study:

Increase in use of internet by consumers in the new millennium and an increase in online retailers has led to intense war of e commerce. Flipkart being a pioneer in online shopping has had many advantages as well as challenges. This paper helps in understanding the importance of having the right mix of services to face the challenges of the ecommerce world.

Methodology:

This is a conceptual paper. The methodology this research will employ includes a review through personal experience and background reading. It also involves use of secondary sources to know about Flipkart, ecommerce scenario, SWOT and its challenges

Ecommerce scenario:

Ecommerce literally means trading through internet. It has been around the globe since mid-90s. However in recent years it's getting more and more importance from customers and entrepreneur. From a consumers point of view E commerce is important based on the fact that "Time is Essence", whereas for an entrepreneur it largely reduces the cost by eliminating middlemen.

But what brings together both the entrepreneur and consumer is the fact the online shopping is hassle free, gives better connectivity, convenient, helps in easy and quick comparison, 24*7 accessibility and global reach.

Flipkart and the ecommerce war:

Founded in 2007, by Sachin Bansal and Binny Bansal, the mission of this company is to provide a delightful customer experience. Flipkart has tied up with all the major distributors in the country and provides a large variety of products for its customers. The company was registered in Singapore but has got its headquarters in Bangalore.

Flipkart has been raising a lot of money through national and international investors. Flipkart has also been making its own products and selling it under the name of 'Digiflip'. The products generally consist of electronics and its accessories. Flipkart is also a parent company of Ekart that focuses on the logistics of the products ordered by consumers through Flipkart.

With a valuation of \$15.6 billion, Flipkart has been the market leader of the ecommerce oligopoly from the beginning. The main competitors of Flipkart are Snapdeal and Amazon. The statistics (2013) show that Flipkart has been the market leader. The market share and the revenue can be seen in chart below:

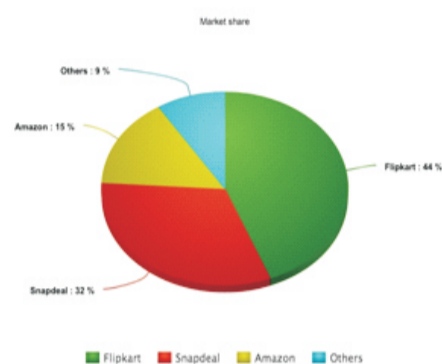


Figure1: Show the market share of companies in the ecommerce industry

However, Amazon is competing intensely with Flipkart and in a short span of time their sales revenues are comparable to Flipkart. Ventured into Indian markets in 2013, Amazon with its technology expertise, vast experience and large war chest, is seen as the biggest threat to Flipkart's market leadership in India.

Then, in October 2014, Snapdeal, India's second largest e-commerce firm, announced its entry into the big league by raising as much as \$627 million from Japan's SoftBank Group, which is also the largest investor in Chinese online giant Alibaba Group Holdings Ltd. What was seen as an eventual head-to-head fight between Flipkart and the deep-pocketed Amazon India turned into a three-cornered contest in a country where, according to UBS AG, online retail could increase to anywhere between \$48 billion and \$60 billion by 2020 from \$4.47 billion last year.

Since then, Flipkart, Snapdeal and Amazon have spent hundreds of millions of dollars to expand their product range, built massive warehouses, hired thousands of people and splurged lavishly on advertising and discounting to attract customers and win market share.

The February 2016 statistics reveal that there has been a devaluation in Flipkart's worth by 27% and now it stands at \$ 11.1 billion. It is evident that Flipkart is losing its market share, which has led the researcher to study its SWOT and challenges.

Below is the SWOT analysis of the company:

Strengths:

1. Flipkart is the pioneer and the largest e-commerce website in the country. An advantage over the competitors because Flipkart is always opened first during online shopping.
2. The core team of Flipkart consists of experienced staffs that helps reduce the failure risks of the company.
3. Flipkart offers a wide range of products for the customer to choose from.
4. Multiple payment facilities: using credit cards for online transaction is not very common in India. Hence, Flipkart offers cash on delivery that gives them a bigger target audience.
5. Online retailers such as Flipkart give more discounts than an ordinary retailer which attracts consumers; increasing Flipkart's sales
6. Well known marketing strategy: 'The Big Billion Day' is the famous sale day by Flipkart where the sales of the company are at peak. On this day, the company offers the most amount of discount that attracts a lot of consumers and improves the brand image.
7. The company offers a 24x7 customer service for consumer satisfaction
8. Large supplier market

Weaknesses:

1. Limited scale of production: Flipkart services are not available in the whole country, thereby losing out on a lot of potential customers.
2. Many people in the country are still not familiar with laptops and Internet that means that Flipkart is losing out on a lot of potential customers.
3. In India, people like to touch/feel the product for satisfaction before buying it. Being an online company, the penetration cost is too high. Hence, reducing profits.
4. Once a product is sold, Flipkart has got a weak after sales customer service that impacts the company's brand image.
5. The company has a lot of sellers selling unauthentic products; thereby spoiling brand image.
6. Sometimes the product delivery takes a lot of time due to which the consumer might get angry and prefer to choose another.
7. Sometimes, certain products are out of stock that makes consumers unhappy.

Opportunities:

1. Further expansions into different remote parts of the country that increases job opportunity and sales of the company. If there are new jobs created, the government can help the company by giving some grants or subsidies that would reduce the company costs, therefore maximizing profits.
2. The company has been registered in Singapore. They can take this advantage by expanding into that country and become a MNC.

Threats:

1. Intense competition: Amazon is gaining popularity by injecting high capital, providing better services to the customers and increasing their product portfolio.
2. Government regulations.
3. Recently it can be noticed that Flipkart has lowered its discounts/offers that has started to make people check out other online retailers. This way, Flipkart uses a lot of customers.
4. Pressure by local retailers.

Challenges:

Logistics Management: Big players are facing issues in delivery, personalisation, cyber security and payment issues which has made their chain of command weak and fragile. It is seen that the plethora of e-commerce value chain is posing as counterproductive for free-flow of e-commerce delivery. The delivery boys are pricey and there are reliability issues during COD which undermines the profit. Also, many companies in online marketplaces rely on fees from sellers and not own sales. They do not hold inventory and rely on the distributors for it and which leads to fall in standards.

Literacy and Consumer Connect: With Narendra Modi's digital India campaign, e-commerce market is showing signs of boom but when we compare it with the digital literacy of the consumers it fails to show the same sign.

There is a major chunk of population i.e. 147 million who are still using feature phones. The stalwarts of online marketplace should try and tap this sector by bringing out easy access to websites and helping in digital literacy.

Also try to fix the loopholes like fast customer service, return policies, payment security and to lure more customers for the website.

No profits in sight: Flipkart, Snapdeal and others have infused immense capital from investors and are burning them with customer acquisition and heavy discounts. As projected in the picture the amount of loss incurred by top players and the gap between the valuation and the funds raised in the market. So the profits which are not in sight will pose threat to the overall business model if the break-even is not met.

Flipkart's loss is competitors gain: Crores of investment is being made by Flipkart for their "Big days and Sales". After which when the customer's come across inflated prices and out of stock products they move to other online retailers, at such times Snapdeal and Amazon, Flipkart's major competitors turn out to be silent killers by filling the gap with better discounts, offers and services.

Suggestions and Conclusion:

Taking into consideration the cut throat competition, the essence of customer attention lies in providing them the right mix of services. Following are the suggestions that could help Flipkart in better customer satisfaction and keeping up with its brand image and loyalty:

Flipkart needs to make sure of its *just in time* avail ability of its products. Sometimes, especially in the garment industry, few sizes are out of stock because of which consumers have to check other ecommerce websites. To avoid this issue, the company needs to have more accurate sales forecast, which can be done by carrying out random market research.

Indian customers are known to purchase their products only after the satisfaction of touching the product. As a promotional strategy that can tackle this issue, Flipkart can make a *virtual product* experience where people can see the products themselves. Software can be created for the fashion department and also where the women can see the impact of different make up on their faces. This will help Flipkart move their cosmetics department which is currently showing up as a "dog" as per BCG metrics.

Flipkart is not currently operating through out the country because people still do not know how to use laptops or mobile phones but everybody does know how to make phone calls. Flipkart can enter this untapped market using *tele-ordering*.

Flipkart should enhance product portfolio by venturing into food segment as it is a recession proof product. Once the business is established, Flipkart can expand by offering more products.

Flipkart should also ensure *transparent product pricing*. Avoid over pricing before days like Big Billion Day or Big Shopping Day and then reduce the price thereby showing "false discounts". As most of the customers are sensitive to price it might result in losing market share

Flipkart should ensure quality check and seller verification before products are delivered to the end customer as elimination of middle man is not possible. Flipkart should also ensure refunds, cancellations and replacements at the earliest to enhance customer's retention and reinforce their confidence and trust in the brand.

Access to internet is the key to success of ecommerce; to reach to the untapped market it is necessary that Flipkart and Government join hands for working on increasing the penetration of internet across India

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