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REVIEW ARTICLE

BUSINESS MODEL OF FLIPKART INDIA – A CASE STUDY

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ABSTRACT

Research in the field of e-commerce have become a dynamic study area over the past few decades and is likely to become even more so as the importance of online trade is rapidly gaining momentum. Therefore understanding e-commerce will be viewed as increasingly important. India has been regarded as the youngest country in the world by the UN as it has the world's largest youth population where more than 365 billion people are between the age group 10 and 24 years. This clearly indicates that the fate of the country lies in the hands of its Youth. This case aims at examining the business model of Flipkart which has specially been designed keeping the youth in mind.

INTRODUCTION

Flipkart is an electronic commerce company headquartered in Bengaluru, India. It was founded in October 2007 by Sachin Bansal and Binny Bansal (no relation). Flipkart has launched its own product range under the name "DigiFlip" with products including tablets, USBs, and laptop bags. As of April 2017, the company was valued at \$11.6 billion. Flipkart is World's top 10 most visited E-commerce website in India with regards to traffic. Multiple Payment method is available for it's customers to make Payment easier. Fastest growing e-commerce website in India. It sells 30 product per min.

The Story Behind " FLIPKART.COM: There was the huge risk taken by both the Bansal's " Sachin Bansal & Binny Bansal ". (Started with selling of books). They both got a high profile job in the worlds biggest e-commerce website named Amazon. Leaving Amazon to start their own company with just Rs 4 Lakhs involved a huge risk as there was no guarantee that their idea would Succeed or not. It was a result of risk taking only that today Flipkart generates 1.5 cr a day.

Customer –Relation: The customer is informed at every step through email/text When the order has been confirmed order summary & shipment detail tracker information are provided. Straightforward Return and Exchange policies.

Flipkart allows its users to return the product if unsatisfied within 30 days period with the full refund of money or exchange for another product.

Flipkart Wallet Add Money: Enjoy a Hassle-Free Shopping experience. The Wallet is a Prepaid Instrument that enables you to shop on Flipkart multiple times by making one- time payment of a certain value. This will be added your wallet as prepaid balance. When you Select the Wallet as the mode of Payment for your the corresponding amount will be deducted from your wallet balance.

Why did they choose to be an Entrepreneur...?: They saw a good opportunity in the market around e-commerce. Also, regular job was not as challenging. The excitement and satisfaction that comes with building something of a long lasting value is addictive enough for them to continue this. They started flipkart.com because they themselves felt the need for a good online book store. E-commerce sector is one of the toughest to get into in India. They believe that they can make a difference here. They wanted to create something which has a long lasting value and which we can be proud of. According to Sach in (CEO of Flipkart.com) at this point in our life we can devote our entire time and energy to flipkart which is very important for any startup....

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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.

Exclusive product launches

Motorola Mobility: Motorola Mobility, previously owned by Google but then sold to Lenovo, successfully launched its budget smart phone Moto G in India on 5 February 2014 in an exclusive tie up with Flipkart. Flipkart started selling Motorola's Moto. X Android smartphone on 19 March 2014. Flipkart began selling the less expensive Moto E on 13 May 2014.

Xiaomi Tech: The sale of high-end smartphone Xiaomi Mi3 produced by Xiaomi Tech was successfully launched in India on an exclusive tie-up with Flipkart. Multiple subsequent launches were just as successful. On 2 September 2014 Flipkart held a flash sale of the Xiaomi Redmi 1S budget Android smartphone which was launched in India in July 2014, selling 40,000 units within seconds. Subsequent sales sold just as quickly. Xiaomi also sold its Redmi Note phone in India exclusively through Flipkart. 50,000 units sold in 6 seconds on 2 December 2014.

Micromax Yu Yunique: Flipkart launched an exclusive sale of Yu Yunique 2, which is a subsidiary mobile line of Micromax Informatics on July 27th, 2017 at a price point of Rs.5,999. 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.

Companies statistics: Today, as per Alexa traffic rankings, Flipkart is among the Indian Web sites and has been credited with being Indiaslargestonline bookseller with over titles on offer. Initially funded by the Bansals themselves with 400,000, Flipkart has raised funding from venture capital funds Accel India in 2009 and Tiger Global (US\$10 million in 2010 and US\$20 million in June 2011). Flipkart.com, on August 24, 2012 announced the completion of its 4th round of \$150 million funding from MIH (part of Naspers Group) and ICONIQ Capital. On average, Flipkart sells nearly

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.

Flipkart's Business Objectives: To increase Traffic and boost sales and revenue through integration of Mobile. Apps, Display, Pay Per Click and Search Engine Optimization. Successful Brand Campaigns

"Fair Tale"
 "No Kidding, No Worries"
 "Shopping ka Naya Address"
 "Shop Anytime, Anywhere"
 "Big Billion Day", "Singles Day"

TV Commercial Strategy

- The objective is to build the brand as a verb for Shopping.
- Target Biggest event of the year i.e IPL T20 2014
- Total 29 ads released Since 2011

- Portraying Kids as Adults in ads gives higher brand recall.
- Ads Targeted as Pan India Shoppers of all generation.
- Ads aimed to Popularise the brand as a verb.
- Testimonial based Creative Campaigns to demystify the fear of Online
- Shopping experience.
- Mobile App downloads TV ad to increase m-commerce Value.
- Launching Campaigns i.e ” The Big Billion Day “

Facebook Strategy

- Category Focused FB page i.e books, gaming, fashion etc, which is for building
- engagement with fans.
- Deals and Offers based FB Page which is for customer acquisition.
- Likes- 3.3 million
- Seasons to Festivals or Birthday based Cover Photos.
- Updates on new Products and Customer queries.
- Response on customer Complaint is average and Inconsistent.
- Running Contests / Gamification.
- Exclusive customer tab for support.
- Avg Response per Post 40-50
- 10.Focus is on Customer acquisition and engagement.

Twitter Strategy

- Follower -160 K
- Updates on new Product, Offers and Discounts using appealing Videos and
- Images.
- Tech @ Flipkart exclusive channel on tech updates.
- Running Product / Services based contest Like Flipkart Frist, AcerA1 on Flipkart.
- Avg 2-3 Products offers / launch based post per day basis.
- Flipkart Support Exclusive Channel on queries Solution.
- Flipkart Offers Special offers based channel.
- 24*7 Customer Service Channel.
- Real-time Connect.
- 10.Response to the query is in real time

Flipkart is known for knowledgeable products. Flipkart in India work on complex business challenges to innovate and create efficient solutions that enable various Flipkart businesses, including Flipkart websites across the world as well as support Payments, Transportation, and Digital products and services like the Kindle family of tablets, ereaders and the store. Reasons of its success are the finest talent and strong leaders with proven experience working to make Flipkart the Earth's most customer-centric company.

Apart from this Technological innovation drives the growth of Flipkart, offering customers more selection, convenient shopping, and low prices

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