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## A case study of mobile commerce companies in India with special reference to Flipkart

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### Abstract

Over the last two decades, India has witnessed the emergence of many electronic and mobile commerce companies. Few of the prominent ones are Flipkart Pvt. Ltd, Snap Deal, Amazon India, Paytm, Big Basket and the like. The present paper discusses the cases of one prominent mobile commerce companies operating in India i.e. Flipkart Pvt Ltd. The purpose is to identify the strategies utilised by them to ensure quick adoption of their services by the consumers and further connect it to the results of this study, providing a practical support to the findings. The rationale behind the selection of Flipkart Pvt Ltd as the cases to be discussed is the fact that both the companies are of Indian origin capturing majority market share in their respective domain. Flipkart along with its subsidiaries Myntra and Jabong held a major market share of 39.5% in India as of March, 2018. Flipkart which has carved a niche for itself in terms of market share, goodwill and popularity in the online market to the extent that retailers are coming under threat because of its discounts and smooth operations. The ascent of Flipkart to capture the online market in India in just four years, the strategies implemented by it to create online business, its ability to stand out among numerous E-Retail sites. This case study aims to understand the marketing strategy, brand awareness, SWOT analysis, functioning of Flipkart. It aims to predict the future roadmap and also aims to find significant threats to Flipkart in the near future.

**Keywords:** Flipkart Pvt. Ltd, mobile commerce companies

### Introduction

Flipkart an e-Commerce company founded in the year 2007, by Mr. Sachin Bansal and Binny Bansal both alumni of the Indian Institute of Technology, Delhi. They had been working for Amazon.com previously. It operates exclusively in India, where it is headquartered in Bangalore, Karnataka. It is registered in Singapore, and owned by a Singapore based holding company. Started with an initial capital of four lakhs it now aims for annual turnover of around Rs.4500 crores. Flipkart has launched its own product range under the name "DigiFlip", Flipkart also recently launched its own range of personal healthcare and home appliances under the brand "Citron". During its initial years, Flipkart focused only on books, and soon as it expanded, it started offering other products like electronic goods, air conditioners, air coolers, stationery supplies and life style products and e-books.

### Objectives of the study

- The main objective is not just those who shop online. They want to highlight the convenience of e-commerce to traditional offline shoppers and thus help grow the market.
- Their main aim is diversity products portfolio into home appliances, electronics, etc.
- The main target is stronger supply chain and aggressive acquisitions.
- The main target in 2020 is entering global market.

### Review of Literature

"A Study on Customer Preferences and Satisfaction towards selected online websites with special reference to Coimbatore city" stated that online shopping has grown in popularity over the years mainly because people find it convenient from the comfort of their home or office. Most

of the customers are satisfied by online shopping, but the only hinder is that they are not fully secured. Government has to improve security laws related to online websites so that the online customers feel secured in case of debit card, credit card or online payments.

“An Online Shopping Change the Traditional Path of Consumer Purchasing” concluded in his research article that a successful web store is not the just a good looking website with the dynamic technical features but is also emphasis on building the relationship with customers with making money. The success of any e-tailer company in India is depending upon its popularity, its branding image, its unique & fair policies, and its customer relations etc.

Saravanan S and Brindha Devi K (2019) <sup>[8]</sup> “A Study on Online Buying behavior with special reference to Coimbatore city” focused on online shoppers’ preferences and problems on various online shopping marketers. Higher computer literacy makes internet shopping smarter. Their awareness about the internet also makes them better positioned to identify and take decision for products and services.

Francis Sudhakar K, Habeeb Syed (2016) <sup>[5]</sup> “A Comparative study between Flipkart and Amazon India”, conducted a study to critically examine various corporate and business level strategies of two bigetailers and those are Flipkart and Amazon. Comparison have been done considering e-commerce challenges, their business model, funding, revenue generation, growth, survival strategies, Shoppers’ online shopping experience, value added differentiation, and product offerings. Both these big players made their own mark in India. The survey ended with Amazon as the winner, which satisfied the customer in all the aspects.

### History of Flipkart Pvt. Ltd.

Flipkart Pvt. Ltd. Was launched as an online book retailing e-commerce company in October 2007 in India. The idea to sell books online was commenced by two Indian Institute of Technology (IIT), Delhi alumni, Binny Bansal and Sachin Bansal, who had worked with American e-commerce giant Amazon prior to that.

In a country of varied tastes and preferences such as India, where people have always preferred the idea of buying goods from physical shops where they can see, touch and feel the product, starting an online store for books was definitely a risky venture. Fortunately, for Flipkart the risk of entering an unknown territory of online retailing paid off well. Starting with a simple idea of selling books online and delivering them to the doorsteps of consumers, to striking a whopping \$16 billion deal with in just 11 years of commencement with the world’s largest retail giant Walmart, Flipkart has given India one of its biggest start-up success stories. An example to be quoted by aspiring entrepreneurs for many years to come.

In the initial years of its existence, like any other start-up, Flipkart resorted to venture capital funding for raising funds. In the following years, with the growth of the company, more funding came in and Flipkart did not disappoint its investors’ faith and ensured outstanding performances in each passing year. Flipkart had already earned sales revenue amounting to Rupees 40 million by the financial year 2008-09, and by the next year, this figure had reached 200 million

Indian rupees. It was one of the pioneering companies in the domain of online retail and thanks to it; online retail is among the top growing sectors of India today. However, the road to the success of this magnitude wasn’t easy for Flipkart. Being an online start-up company in a country like India with abysmally low internet penetration and population not familiar with the concept of buying online, Flipkart had to face many challenges.

### Flipkart: An Overview

Flipkart was established in India in October 2012 by Binny Bansal and Sachin Bansal. It first started selling books and slowly they expanded their market by selling other commodities like clothes, electronic devices and other utensils etc.



Fig 1: Founders of Flipkart Sachin Bansal and Binny Bansal

Founded in October 2007 by two IIT Delhi alumni and ex-employees of Amazon-US, Flipkart has altered the entire consumer retail industry. The co-founders of Flipkart, Binny Bansal and Sachin Bansal encountered each other at IIT Delhi in 2005. With the idea of selling books online, they launched an online book selling company Flipkart in 2007 with a capital of five lack Indian rupees brought in by them. Starting an online bookstore in Bangalore, India, from a two-bedroom apartment, Flipkart has grown to be among the largest online retail stores of India with the maximum market share in online and mobile shopping. Sachin Bansal and Binny Bansal have become household names gaining celebrity status within a time frame of just 11 years. They have become inspiration for the aspiring entrepreneurs of the country setting example of their great success in online retailing. As an online sales portal for books, the promise was to deliver anywhere in India on time, to the doorsteps of the buyers. With this vision, and facing all the difficulties in the path, Flipkart managed around 20 successful shipments in its very first year in the business. Slowly but firmly, Flipkart gained momentum and started receiving 100 orders per day by the next year. What played an important role in exploding flipkart business was the word-of-mouth publicity it received from its satisfied customers. To cater to the interest of its growing customer base, it launched a 24X7 customer service and by the end of 2008, it managed to deliver over 3,400 shipments successfully.

In 2009, with the experience of two years in the business and growing popularity, Flipkart attracted the attention of Accel Partners who went on to become the first Venture capitalist firm investing \$1 million in Flipkart. With this

huge funding at its disposal, Flipkart went on to expand its presence in India by setting up its Delhi and Mumbai offices. The same year, Flipkart hired Ambur Iyyappa as its first employee on full-time basis, who later became a millionaire himself, thanks to the enormous growth of the company and its ESOP. Within no time the company's employee head count grew to 150. Recognising the need of Indian consumers and in order to increase their trust on the Flipkart promise to deliver quality goods anywhere in India on timely basis, it pioneered its Cash-on-Delivery option for payments in 2010. In the same year, to handle the logistics requirement with the increasing demand and introduction of COD, Flipkart launched its logistics arm Ekart to ensure delivery on timely basis. It further came up with a return policy of 30-days and added a variety of services and products to its portfolio which included games, movies, music, electronics, and mobile phones. The year 2010, also saw a phase of acquisition wherein, Flipkart acquired Bangaluru-based weRead, a social book discovery service, from Lulu.com.

Few more acquisitions were made by Flipkart in late 2011, relating to digital distribution, including a music streaming digital content platform Mime360.com along with Chakpak, a Bollywood's digital content library. With the growing portfolio of products and services offered, Flipkart became one of the first online shopping sites to introduce its own digital wallet in 2011.

In the following years, Flipkart continued to expand its digital presence through acquisitions. It acquired an online electronic retailer Letsbuy, a private label for electronics DigiFlip, and an online music service Flyte MP3, in 2012 and in the year 2014, it acquired one of the leading online fashion retailers, Myntra, which continues to operate as stand-alone fashion brand alongside Flipkart. Along with this, it also acquired a major stake in Jeeves, an after-sales service provider and Ngpay, a payment platform. With the aim of gaining on the social transition of e-commerce to m-commerce, it also went on to become one of the first online shopping sites to have its own mobile shopping app. Today, Flipkart has a major market share in the revenue generated through mobile shopping in India. To reduce the level of risk perceived by its consumers while making the payment online as well as to ease up the process of online payments, it received a PCI DSS Certification which allowed it to save card details in a secure manner. Further to ensure expansion of the service offerings, Flipkart decided to operate on a Market-place model, bringing in third parties to sell their products and services on the platform. With the market-place model and a newly launched payment solution PayZippy, Flipkart went on to record a single day sales of 100,000 books and at the end of 2014, its valuation stood at \$11 billion with the registered GMV (Gross Merchandise Value) of \$1.9 billion. Keeping up with its promise to deliver variety of services to its customers, Flipkart partnered with many smart-phone companies such as Motorola, Xiami, Redmi and Micromax, to host exclusive online sales for their handsets.

During 2015, Flipkart continued to expand its digital presence and portfolio through several new launches and acquisitions. It launched home and maternity product categories along with Flipkart Lite, a data-light mobile website. It acquired related companies like AdLiquity

(mobile marketing firm), FX Mart (payment service start-up) and Qikpod (delivery locker service start-up). By the end of 2015, to further improve its delivery logistics, it acquired a majority stake in MapmyIndia, a digital mapping provider. The year 2015, also witnessed the celebration of Flipkart becoming the first mobile application in India to cross a user base of 50 million and a registered customer base of 100 million.

In 2016, Flipkart went on to acquire Phonepe, first Unified Payments Interface (UPI) based mobile application of India, and Jabong.com, another online fashion retailer for US\$70 million, from Rocket Internet. In the same year, due to Demonetisation, Phonepe crossed 10 million downloads from Play Store on Google.

In the beginning of year 2017, US\$2 million were invested by Flipkart in Tinsteps, a parenting information start-up. Later in the same year, SoftBank's Vision Fund became the largest shareholder of Flipkart after investing \$ 1.5 billion in the company. By 2017, Flipkart had a majority share of 51% surpassing Amazon India (33%) in the all India smart-phone shipments. It was able to sell 1.3 million phones alone for its Big Billion Days promotions on 21st September 2017. In 2018, Flipkart had over 130,000 third-party sellers on board selling over 80 million products from its ever expanding product catalogue. Finally, it cracked the jaw-dropping deal of \$16 billion with the US-based retail giant Walmart in exchange of a 77% stake of Walmart in Flipkart. It can be said that the risky bet of e-commerce, has finally paid off well for Sachin Bansal and Binny Bansal. Flipkart Private Limited reported a loss of over 31 billion Indian rupees in financial year 2020 in India, compared to a loss of over 17 billion Indian rupees in the previous financial year. In 2018, American retail giant Wal-Mart acquired the home grown online retailer for 16 billion U.S. dollars became a 77 percent- stakeholder

**Table 1:** Profit/Loss of Flipkart Private Limited between financial year 2014 and 2020

Characteristics	Value in billion Indian Rupees
2014	-4
2015	-8.3
2016	-5.4
2017	-2.4
2018	-46.9
2019	-17.5
2020	-31.5

### Mobile shopping in India

With the launch of Flipkart, a new concept of e-tailing (retailing via electronic medium) was introduced to the Indian consumers. Bricks and mortar retailers however, were not threatened and many were of the opinion that e-tailing is a foreign concept which cannot be a success with the Indian buyers who still wants to touch and feel the product they are buying. Today, Indian e-commerce is already a \$30 billion industry in size and is estimated to touch \$200 billion by next five years. The growth of the e-commerce sector was in perfect sync with the rise of Flipkart contributing to its meteoric growth. Gradual development and rapid spread of mobile infrastructure along with the reduction in the prices of smartphones and mobile Internet services has resulted in mobile shopping becoming

a popular phenomenon amongst the consumers' globally. In the recent past mobile shopping has succeeded in penetrating deeply into the lives of modern consumers. The usage of mobile devices has extended to include a wide range of activities starting from the search for products and services, comparing their prices and features across different vendors, placing of orders and finally making online payments for various goods and services. Taking advantage of this popular trend, Flipkart which started as an e-commerce portal for selling books launched its own mobile shopping app in 2012. Other retailers such as Myntra, Snapdeal, Amazon India have also invested huge amount in this industry. Marketers across the globe are encouraging consumers to switch to mobile shopping. An increasing number of mobile applications are being developed to provide a safer shopping experience to the shoppers.

### **Evaluation of success factors**

Flipkart's success story is an inspiration to a whole generation of aspiring entrepreneurs of the country. What started as an online bookstore, today offers a product catalogue of over 80 million products and services. Currently Flipkart, with its subsidiaries Myntra and Jabong, holds the major share of online sales with \$7.5 billion annual GMV and a total market share of 31.9% in 2018. With the recent \$16 billion investment from Walmart, these figures are only expected to grow in the coming year. The success of this magnitude can be attributed to many factors. Few of the important factors identified from the case are as follows.

### **Usefulness and convenience**

Flipkart from its very beginning offered customers the convenience of buying books without actually going out to a physical shop. Through online retailing and its well established supply-chain, Flipkart managed to deliver its products and services anywhere across India to the doorsteps of the consumers without any delays. Flipkart started with a delivery service of their own, something that no other e-commerce player in India had done before. This provided their customers who were mainly corporate employees working and staying in large metropolitan cities, the comfort of shopping without losing on their leisure time on weekends and without having to face the traffic hassle on the way to the physical shops or market, making their daily tasks much easier. Customers from the remote and smaller towns got the convenience of shopping a variety of products and services through a single portal.

### **Ease of using**

Flipkart was able to identify the aspects of online shopping that dissuades users in India and allowed them to make purchases through Facebook and Twitter sign-in without even registering. In order to make the online purchase and payment experience hassle free, Flipkart was one of the first online shopping sites to launch its own digital wallet. It received a PCI DSS Certification which allowed it to save card details in a secure manner, making the process of online payments even simpler. It went on to launch its own payment solution PayZippy and consequently by the end of 2014, its total valuation stood at \$11 billion.

### **Variety of products and services offered**

Started as an e-commerce portal dealing only in online sale of books, Flipkart continued to expand its product and services portfolio. By the year 2010, it already had added a variety of services and products to its portfolio including music, movies, games, electronics and mobiles. Further to ensure expansion of the service offerings, Flipkart decided to operate on a Market-place model, bringing in third parties to offer their products and services on the platform for sale. It also provided the service of digital wallet and launched PayZippy to provide improved payment solutions to its customers.

### **Customers' Trust**

To cater to the interest of its growing customer base, it launched a 24X7 customer service. Flipkart was a pioneer in introducing an option for Cash-on-Delivery payment that enabled its consumers to pay in cash on the receipt of their ordered goods at their doorstep. Further, to handle the logistics requirement, it launched its logistics arm Ekart to ensure delivery on timely basis. A 30-day return-policy was introduced in 2010. All these measures taken to improve the level of trust amongst its buyers with regards to the quality of product and services delivered by Flipkart proved to be an important factor in gaining momentum for Flipkart. The end of 2011 witnessed expansion of Flipkart's network to deliver across 600 cities of India.

### **Reduced risk of financial loss**

By receiving a PCI DSS Certification which allowed it to save card details in a secure manner, Flipkart managed to reduce the level of risk perceived by its consumers while making the payment online as well as to ease up the process of online payments.

### **Social Influence**

One of the most effective factors that worked in the favour of Flipkart helping it gain popularity was the word-of-mouth publicity and the social media mentions it received from its satisfied customers. Customers started telling their friends about the timely delivery of the books they loved to their doorsteps. As a result, in its second year of operations itself, it started receiving 100 orders per day.

### **Promotional Benefits offered**

In the initial years of its operations, Flipkart offered 20-25% discounts on every book purchased. With high volumes of aggregated sales from across the nation and books being a product with high profit margin, Flipkart was able to offer discounts without losing on its profit volumes much. Moreover, it offered free-shipment for every order. Such added benefits offered by Flipkart proved to be effective in drawing the attention of buyers and in increasing its sales revenue. It made more sense to buy a book from Flipkart at a discount delivered at doorstep instead of buying it from a local vendor who might not be able to offer the same discounts due to lower volumes.

### **Challenges faced**

At the time when Flipkart started its operations, e-commerce companies had a 20% to 25% failure rate. The success of

Flipkart was not free from challenges either. Few of the major challenges which Flipkart overcame to become India's first successful online retail company were:

**Financial Risk**

Customers were fearful of losing financial details while completing payments online. Flipkart dealt with this issue by coming up with Cash-on-Delivery option for payment and accepting Debit/Credit cards at the delivery time. It also received PCI DSS Certification, to store customers' card details in a secure manner.

**Difficulty in using online payment gateways**

The issue with the gateways used for online payment was that people did not prefer making payment online because of the risk associated with sharing their card detail with the third party providing payment gateway. Moreover, setting-up of a payment gateway was not an easy task. Flipkart addressed this issue by offering cash on delivery option and

by accepting payment by cards on delivery.

**Trust issue regarding on-time delivery**

One of the major challenges faced by any e-commerce company is the on-time delivery of goods. Customers often worry about the timely delivery of goods while making a purchase online. Flipkart understood that delivering the goods on time is a factor most critical to the success of any ecommerce company. To ensure on time delivery of orders, Flipkart came up with its own supply chain management system.

**Findings of the case and results of the study**

The purpose of analysing the case of Flipkart Pvt. Ltd. was to provide practical support to the findings of the primary data analysis and to stress the implications of the results in the actual market. Table-2 compares the findings observed from the analysis of primary data with the findings of the case discussed above.

**Table 2:** Results of Data Analysis & Findings of Case Analysis

H1: PU = BI	Supported	Flipkart has gained customer base due to the convenience and usefulness of its services to its customers (Reddy, May 6, 2013)
H2: PEOU = BI	Supported	Easy access through facebook without registering has improved the ease of using Flipkart which has further improved its customer base (What Makes Flipkart a Success?, May 14, 2012).
H3: PE = BI	Not Supported	There was no literature support found to prove that Flipkart has undertaken any major steps to improve the entertainment factor of its web-site or mobile app.
H4: VOS = BI	Supported	By increasing its portfolio of services and products, Flipkart has gained on this factor and succeeded in increasing its customer base (Chaudhary, Apr 07, 2012; Sharma, May 9, 2018)
H5: PCM = BI	Supported	With the increasing number of users and their positive "word-of-mouth", Flipkart became even more popular and desirable among the users (Chaudhary, Apr 07, 2012).
H6: PV = BI	Not Supported	Providing discounts and competitive pricing for its products and services has increased Flipkart's user base (Chaudhary, Apr 07, 2012; Reddy, May 6, 2013; Sharma, May 9, 2018).
H7: PR = BI	Supported	Flipkart has managed this factor effectively by receiving a PCI DSS Certification which allowed it to save card details in a secure manner. .
H8: PT = BI	Supported	By ensuring on time delivery and introducing cash on delivery and prompt customer service, Flipkart has tackled this issue effectively (Chaudhary, Apr 07, 2012; What Makes Flipkart a Success?, May 14, 2012).
H9: FC = BI	Supported	By developing web app that is lightweight and quick to load, Flipkart has managed this hindrance and gained on its user base (The Flipkart Stories, Dec 14, 2017).
H10: PRS = BI	Supported	By receiving a PCI DSS Certification for saving card details in a secure manner has given a perception of some level of regulatory support to its users (Sharma, May 9, 2018).
H11: PB = BI	Supported	By offering discounts and free shipping in its initial years, Flipkart was able to attract good amount of customers (Reddy, May 6, 2013; Sharma, May 9, 2018).
H12: PI = BI	Supported	Flipkart started with targeting youngsters who want everything on internet (Soni, Aug 05, 2014). By making the interface more user-friendly and less technical, Flipkart has succeeded in attracting users having lower degrees of Personal Innovativeness as well.

**Conclusion**

The business has opened up new markets through the mobile Internet. The telecommunications industry and the business community see MC as the priority for the future. There is a big difference between today's technology and what the consumer should do. The rapid growth of m-commerce in India was partly attributable to the introduction of enhanced mobile broadband technologies such as 4G 3G and better security measures such as firewalls, SSL and encrypted communications. In order to improve user experience and provide new pricing structures, M-commerce companies need move quickly. And if too many errors have occurred in the past, smart phone applications play an essential part in our lives. Mobile trade is the next big thing for Indian Online Commerce. Every time they require to update their Internal Structure Systems and Innovative Management System with sound database to

provide end-to-end connectivity across all the different processes to reach out its suppliers, partners and customers effectively. Online retail industry in India pegged to reach \$2.21 billion 2020 so suggest that e-commerce is just hotting up in India. We may soon see many more internet companies achieving similar success.

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