On 6th Oct 2014 Sachin Bansal to Binny Bansal “It's a historic day for online shopping. We have set a lot of records in terms of sales, traffic and deals. We were targeting sales of about $100 million in 24 hours but did that within 10 hours. We had a billion hits on the website and on our mobile application, which means we exceeded Facebook in terms of website usage and WhatsApp in mobile app usage.”

Flipkart’s Business Progression

Both, Sachin Bansal and Binny Bansal being computer science graduates from IIT-Delhi from the 2005 batch worked at Amazon but felt the need for a good online book store, thus started flipkart.com in September’ 2007. It took them about a month and a half to start the basic working website with 50,000 titles which now have been grown to over 1 Lakh available titles. Both, Sachin Bansal and Binny Bansal manages a small team which manages the back-end operations. Adding fuel to their organic growth, Flipkart then acquired Myntra¹ (The online lifestyle e-retailer) and expanded in the clothing and fashion segment which was not Flipkart’s forte earlier. After acquiring fashion e-retailer Myntra for an estimated price of over $330 million, Flipkart then received funding worth $210 million from DST Global². The funding gave the organization money and power to negotiate with prominent manufacturers like Motorola to offer deals which Flipkart envisioned were suitable for their success in the Indian Market.

¹ Myntra (www.myntra.com): Online store for branded shoes, clothing and accessories for both men and women.

² DST Global: Russian billionaire Yuri Milner’s fund DST Global pumps $210 million into Flipkart. Milner is a savvy and prominent investor, in the tear 2009, he picked up a 1.96 percent stake in Facebook for $200 million, and his investment fund also has a stake in Groupon, Zynga, Spotify and Airbnb. Web reference extracted from: http://forbesindia.com/article/special/dst-global-pumps-$210-million-into-flipkart/37870/1
These endeavours of the company helped them to beat its competitors to become the largest player in the Indian e-commerce market. Flipkart currently has an employee base of 10,000, over 18 million registered users, and daily site traffic of around 3.5 million. According to the filing by the company with the Registrar of Companies, Flipkart India Pvt. Ltd, the wholesale business of Flipkart, reported a loss of Rs 281.7 crore in the year ended March 2013 compared with Rs 109.9 crore in the previous year.

During the same period revenue jumped fivefold to more than Rs 1,180 crore from Rs 204.8 crore in the previous year. Further, according to Binny Bansal, co-founder and COO, “Flipkart has changed the way people shop in India now. Today, we are the first choice in online shopping for millions of customers across the length and breadth of the country. We met our GMV\(^3\) run rate of $1 billion, a year before target, reinforcing our leadership position.” Certainly with so much happening on positive side “we can see that Flipkart ke Aache Din aa Gaye Hain”.

**Indian E-Commerce Industry**

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3 **GMV:** Gross merchandise volume is a term used in online retailing to indicate a total sales dollar value for merchandise sold through a particular marketplace over a certain time frame. This term is commonly used place of sales or revenue. Web reference extracted from [http://en.wikipedia.org/wiki/Gross_merchandise_volume](http://en.wikipedia.org/wiki/Gross_merchandise_volume)

The e-commerce industry, which started flourishing in India nearly ten years back with eBay acquiring Avnish Bajaj owned Baazee.com, an online auction portal, has come a long way indeed. At present, E-commerce is one of the fastest growing sectors of the Indian digital economy. As, Indian leading Venture Capital firm Accel Partners has released an in-depth study of Indian ecommerce space, according to which Indian ecommerce will quadruple from a $2 billion Industry in 2013 to nearly $8.5 Billion by 2016 at a CAGR of 63%. Further, Gartner predicts a 70% growth rate for the sector and expects $6 billion worth of business in 2015.

The e-commerce industry in the India which grew by 33% last year and saw goods and services worth $3.5 billion exchanging hands is poised for bigger growth and touch new highs; have been driven by the three biggest e-commerce players: Flipkart, Amazon and Snapdeal. The trio achieved sales worth $4 billion in 2014, where Flipkart alone accounting for almost half that amount.

**Present status of Asian-Pacific E-Commerce Industry**

India and China are the most rapidly expanding countries in the Asia-Pacific region, which accounted for nearly 35% of the total B2C online sales in 2014, as per figures released by eMarketer\(^4\). This was the

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4 **eMarketer:** eMarketer is the industry’s leading research firm, providing data, insights and
first time when Asia-Pacific surpassed US as the online buyers in the Asia Pacific will spend more on online sales than their counterparts in North America.

India, sitting at the top of the list along with China and Indonesia, augurs well for online sellers in India.

“Digital commerce is at a nascent stage in India, however India is one of the fastest-growing e-Commerce markets in Asia-Pacific”, said Praveen Sengar. “India represents a $3.5 billion market, growing at approximately 60-70 percent every year. It represents less than 4 percent of the total retail market. B2C e-Commerce leads the market in India, while B2B is limited to organizations that drive online channels to integrate with their partners and distributors.”

Flipkart co-founder and CEO Sachin Bansal hopes Indian e-commerce sales to be approximately $50-70 billion by 2020 with the support of a fast growing internet-connected population and improvement in related infrastructure like payment and delivery systems. Changing mindset of buyers, increased dependence on smart phones and rapid penetration of the internet, according to him, hold the key to the growth of this sector; and Flipkart, to be a $20 billion company by 2020. India is ranked at number three in the world going by the number of internet users, with only China and US ahead of us. As, more and more people get access to the internet, e-commerce sector’s comprehensiveness increases; and with a greater percentage of new e-commerce users from Tier II and Tier III cities in India.

**Growth Drivers & Future Prospects of Indian E-Commerce Industry**

Subsequently, with a steep rise in the number of Indian smartphone users, as a result of which 5% transactions are carried out through mobiles and tablet devices. Increased use of plastic money both debit & credit cards; further cash on delivery will remain the most popular method for payment, however, it will come down from 60 percent in 2013 to 50 percent in 2016.

Getting the digital marketing strategy right, and investing in technology, people and process heighten involvement with the public and winning them over will determine the future of E-Commerce in India. Accel Partners expects 300 million users to have internet access by 2015, and none could be happier with the rapidly growing internet user base than the e-

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5 Praveen Sengar is the Research Director at Gartner.

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retailers. According to Accel Report, in 2012, the average physical goods ecommerce order value was Rs. 1080, which increased to Rs. 1860 in 2013. By 2016, it is expected to nearly double to Rs. 3,600. By 2016, half of all online shoppers will be from Generation Y\(^7\) category. The orders per buyer per month will grow from 1.55 in 2013 to 1.70 in 2016 and the number of orders per customer per year will grow from 3.2 percent in 2013 to 3.55 percent in 2016. Moreover, according to Nomura’s\(^8\) Internet India Report of July’2014 the India E-Commerce market is estimated to reach $45 billion in next five years. Most of the players in the industry are focused on more growth than profitability.

Thus, the big e-retailers who can and will be able to spend on digital marketing, personalization, web analytics and follow the buyer pulse will eventually rule the competition. They must adopt the right business strategy, intelligent use of technology, adequate inventory & logistics and most importantly exquisite customer service, all preceded by regulated e-commerce policies.

**Big Billion Day: Wise or Otherwise**

Flipkart’s founder in its statement expressed that “The Big Billion Day is an unprecedented day for us as this is the biggest sale ever in India. We are delighted by the overwhelming response from our customers. With a range of exciting offers on quality products at disruptive prices available throughout the sale period, we have created history in Indian e-commerce”.

Further, Sachin Bansal also expressed that “It's a historic day for online shopping.

We have set a lot of records in terms of sales, traffic and deals. We were targeting sales of about $100 million in 24 hours but did that within 10 hours. We had a billion hits on the website and on our mobile application, which means we exceeded Facebook in terms of website usage and WhatsApp in mobile app usage.”

Flipkart would have spent huge amount on advertising for the epic flash day and to execute their mega epic flash perfectly, Flipkart took the services of a Managed IT hosting services partner with provided features such as dedicated servers with firewall & switches, VPAT services, high available infra with 99.99% uptime, scalable IT infrastructure and 24x7x365 NMS & support

As, the mega sale started at 8 am and within minutes most of the attractive deals where out of stock. The e-commerce giant offered products in almost every categories at throwaway prices like a hand blender at Re 1 or a 2 TB portable hard drive at just Rs. 600. To make the sale even more irresistible, customer could even avail an extra 10 per cent discount by using a Citi bank or Standard Chartered credit card to shop.
Customers who logged in after 10 am was desperately trying to figure out what exactly Flipkart was offering on its Big Billion Day as most products were sold out. Around noon, Flipkart’s servers gave away to the huge demand and services were disrupted for a short while because of unexpected condition that prevented it from fulfilling the request by the client.

Almost 1.5 million shoppers bought goods such as phones, clothes and accessories worth over $100 million from Flipkart on the Big Billion Day sale on 6th October’ 2014. Thus, Flipkart paved its way to the bank with Rs. 600 crore worth of sales, but customer rage was also high enough to prompt Flipkart to issue an apology mail.

Further, Flipkart’s epic flash lead to a whooping 15x growth for Snapdeal in the traffic during the same day, where they have sold a smartphone every 6 seconds, a laptop every 20 seconds and a tablet every 30 seconds”. Same is the story for others e-retailers, as Flipkart end-up driving dissatisfied shoppers to rivals Amazon, Snapdeal and eBay. Further, many visitors to Flipkart for that day complained about prices being marked up before sale as several products were available at lesser prices on rival websites like Snapdeal and Amazon without any offer. It has been also reported in the news that some offline retailers who wrote to Commerce Minister Nirmala Sitharaman9 demanding e-commerce be regulated. Recently Karnataka Tax department issued a notice to Amazon and Flipkart for breaching e-retail policies.

Sachin Bansal & Binny Bansal must by now have deliberated on these pertinent questions “Whether their epic flash was a wise decision? Whether Flipkart strategically planned for their epic sale? Whether this ambush marketing trick worked for Flipkart? Whether Flipkart gained customer confidence or eventually earned negative hype? Can Flipkart use loyalty programs to end-up the hopping spree of dis-satisfied shoppers to rivals? Whether Flipkart will be able to make this epic flash their yearly feature? If yes, then what capabilities are required to enable them to become more strategically competitive?

Electronic References:


[2] https://www.linkedin.com/pulse/20141008085743-5582944-was-flipkart-s-big-billion-day-sale-a-success-or-failure as retrieved on 14th February’ 2015


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9 Nirmala Sitharaman is a Minister of State (Independent Charge) for Ministry of Commerce & Industry, as well as a Minister of State for Finance and Corporate Affairs which fall under the Ministry of Finance headed by Arun Jaitley.
amazon-flipkart-s-big-billion as retrieved on 14th February’ 2015


[9] Business Standard (Electronic Newspaper) of 14th February’ 2015 (Saturday)


Annexure – I

Table 1: Indian Online Shoppers

<table>
<thead>
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<td>2016P</td>
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Fig. 1: Online shopping of physical goods in India
Annexure-II

![Indian Payment Landscape - Rise of EMIs and Wallets](image)

Fig. 2: Indian payment landscape – rise of EMIs and Wallets