

ASSESSING THE GROWTH OF E-COMMERCE IN INDIA: A STUDY OF FLIPKART'S PERFORMANCE, VIABILITY, AND FUTURE PROSPECTS

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ABSTRACT

This paper explores the dynamic e-commerce landscape in India, which is expected to reach a value of \$70 billion by 2020, based on Technopak Advisors' projections. The emergence of popular online shopping platforms such as Amazon, Flipkart, eBay, and Shopclues has revolutionized the way buyers and sellers interact, leveraging the power of the Internet and information technology (Technopark, 2020). Despite India's rapidly growing internet user base of over 300 million, digital commerce companies continue to expand their operations, with Flipkart being a leading player in the market. Customers frequently refer to their purchases as "Flipkart," which speaks to the platform's popularity and brand recognition. Despite facing fierce competition from Amazon and Shopclues, Flipkart has remained profitable, even as it offers widespread discounts to customers in a highly competitive e-commerce environment. This paper provides a detailed analysis of Flipkart's financial performance and offers intriguing insights and observations gleaned from the study.

Keywords: Flipkart, Online Marketing, Performance evaluation, E-Commerce, Information Technology

Introduction

E-commerce has become a household term in today's world, representing the online exchange of products and services. This form of online retail has brought about numerous benefits for tech-savvy customers, making information more accessible and the world more interconnected. Information and technology are the driving forces behind this transition, and the emergence of online marketing websites like Flipkart, Amazon, eBay, and Shopclues have facilitated this growth. With the rise of e-commerce, the gap between buyers and sellers has been reduced, allowing for a more globalised marketplace. These online retailers, also known as "etailers," have diversified from their early days of offering food, groceries, and electronics to industries such as engineering, pharmacy, and agriculture.

Flipkart is one of the leading online retailers in India, but despite its success, the company has faced challenges in terms of profitability and legal recognition. The company's low profitability and its registration in Singapore rather than India have raised concerns about its future. However, Flipkart has made efforts to expand its product offerings, introducing its own range of home and personal care products under the name "citron" and its own product line called "digiflip." The company also offers a range of payment options, including cash-on-delivery, credit or debit card purchases, net banking, e-gift cards, and card swipe on delivery.

In its early days, Flipkart focused solely on book sales but has since expanded into other product categories, covering around 150 cities and sending out 5 million shipments each month. The company has also made strategic acquisitions, buying the websites mime360.com and chakpak.com in 2011 and introducing its flyte digital music store in 2012. However, the flyte digital music store was taken offline in 2013 due to the emergence of free music streaming websites in India.

Despite its challenges, Flipkart remains one of India's biggest online retailers, and its ability to diversify its product offerings and payment options may help to increase customer satisfaction and loyalty. As e-commerce continues to grow globally, Flipkart and other online retailers will need to adapt to changing consumer demands and the evolving technological landscape to stay competitive in the market.

Literature review

Jain (2018) The advantages of online shopping, emphasizing the convenience it offers to customers. With online

shopping, customers have access to a vast range of products that may not be available in traditional stores. This allows them to make informed decisions and choose the best options from various alternatives. Additionally, online shopping saves time as customers can place orders from anywhere and at any time without having to deal with crowds. Online shopping also provides customers with detailed information about the size, brand, color, quantity, and quality of products, which helps them make informed buying decisions. Despite the potential drawbacks such as security and privacy concerns, online shopping remains a preferred option for customers due to its convenience and ability to meet their shopping needs.

Chaitanya (2017) customers are often attracted to the competitive prices and discounts that are offered by online stores. The affordability factor is a significant incentive for customers to shop online, and they tend to make more purchases from online sites than traditional brick-and-mortar shops.

Mandal (2017) pricing is a critical factor in online marketing, and offering fair prices along with appropriate discounts can attract customers. When products are priced lower than their MRP, customers tend to feel satisfied. Affordable pricing appeals to both middle and lower-level customers. However, the company must ensure that they are delivering quality products and satisfying customers to improve product ratings and reviews, which can impact the purchasing decisions of other customers.

Rupila (2018) online customers are often drawn towards speedy delivery of products, round-the-clock availability of services, discounts and offers, a diverse range of products, cash on delivery option, and hassle-free return policies. A positive customer experience in terms of these factors can lead to increased customer loyalty, as customers are likely to recommend the site to others, resulting in repeat sales and increased global exposure for the company.

Dahiya, (2017) The internet has become an integral part of our daily routines, with almost all our tasks involving some form of online activity. In the past, traditional marketplaces were the go-to for buying and selling goods in India. However, the advent of e-commerce has revolutionized the way we conduct transactions, providing convenience and accessibility to consumers. E-commerce websites in India have made it possible to purchase and sell a wide range of products at reasonable prices, making it a popular form of commerce. The impact of e-commerce on different marketplaces and businesses is significant. In this article, we will explore the influence of e-commerce on various merchants and marketplaces.

Kumar (2014) the growing importance of ecommerce as a future retail and business venture in India, driven by the increasing population of internet users and favorable demographics. However, the article also highlights certain issues that need to be addressed in the Indian ecommerce industry. The authors provide an assessment of the current state of ecommerce in India, discuss the challenges faced by the industry, and explore the future growth potential of ecommerce in India.

Mitra (2013), The "E-commerce in India: A Review" article, published in the International Journal of Marketing, Financial Services, and Management Research, concludes that e-commerce is a revolutionary phenomenon that has surpassed geographical boundaries. The article predicts that India's e-commerce industry will experience significant growth in the next five years.

Gageshwar. (2013) An Indian Business Report published in the International Journal of Underground and Electronic Services, Science, and Technology, the future of e-commerce in India is bright, despite potential drawbacks such as security, privacy, and technology dependency. The report suggests that e-commerce has enormous potential for growth in India and can offer many benefits to businesses and consumers alike. While there are some challenges that need to be addressed, the study concludes that e-commerce is a viable option for Indian businesses and is likely to play a significant role in the country's economic growth.

Aggarwal, Singla, & Aggarwal (2012) the total retail sales were \$471 billion, out of which organized retail accounted for \$260 billion, with a penetration rate of 21%. They suggest that allowing foreign direct investment (FDI) could lead to the improvement of supply chain technology, benefiting local players, consumers, and suppliers. FDI could also result in the creation of a world-class supply chain architecture, reducing corporate information, production, and transaction costs and opening up new markets, which could ultimately benefit farmers and customers with lower prices. However, the federal government has a responsibility to regulate anticompetitive business practices, workforce, and environmental protection. The government needs to demonstrate its commitment to its policies.

Sharma, Mittal (2009) The growth of e-commerce in India is experiencing a surge due to a large middle-class

population of 288 million and rising real estate costs. E-commerce has become an integral part of our daily lives with a plethora of websites offering an extensive range of products and services including books, clothing, health and beauty products, electronics, and more. Flipkart, one of the leading e-commerce websites in India, has made strategic investments in companies like Letsbuy and Myntra to reduce competition, decrease marketing costs and increase profitability. Although some investments may not yield positive returns, Flipkart's deliberate wagering approach has proven successful in the industry.

Gupta, Senior Managing Director of Helion Venture Partners, and one of the initial angel investors in Flipkart, has expressed his confidence in the company's strategic investments.

Coelho, Easingwood, (2008) Despite being slow to change, the distribution mix is crucial to a company's competitive position, and thus, it is imperative for companies to continuously examine their channel mix to meet the evolving needs of their customers. To achieve this, it is vital to understand the factors that drive channel change. This study develops and tests a model of channel change using both quantitative and qualitative data from financial service organizations in the UK. The findings show that the degree of channel change is associated with customer needs volatility, target customer sophistication, product sophistication, environmental conflict, competitor strategy volatility, scope economies, and company size. Although the sample size is modest, the study presents significant results that have practical implications for both practitioners and academics. The research findings alert practitioners to the factors that influence channel change while demonstrating to academics that this complex subject can be researched. Additionally, the study highlights potential research issues for future studies. The originality of this article lies in testing a set of hypotheses on the drivers and inhibitors of change in distribution systems at the micro level, making it one of the pioneering works in this area.

Miyazaki, Fernandez (2001) The study's findings highlight the importance of understanding customer needs and ensuring product affordability to create a successful and profitable online store. The technological acceptance model was found to be an inadequate foundation for e-commerce research.

Objectives

The following objectives are the subject of the current study:

- To comprehend the development and evaluation of the growth of e-commerce in India.
- To evaluate Flipkart's financial health and the unleashed factors that contributed to its underperformance in the face of fierce competition in the e-commerce industry.
- To evaluate its performance and long-term viability.

Methodology of research

The study utilized both primary and secondary research methods to gather data. While secondary sources such as websites, newspapers, periodicals, books, and journals were the primary source of information, customer feedback was also gathered to supplement the research findings.

E-Commerce in India: A Significant Path to Growth

The growth of e-commerce in India has been a major pathway for economic growth and development. With the increasing number of internet users, there is a significant potential for e-commerce to expand and reach new markets. India is already one of the fastest-growing e-commerce markets globally, and this growth is expected to continue in the coming years.

The rise of e-commerce has enabled businesses to expand their customer base and increase their sales through the use of digital channels. Consumers are now able to shop online, compare prices and make purchases from the comfort of their homes. The convenience and accessibility of e-commerce have made it a preferred choice for many consumers.

Furthermore, e-commerce has also created opportunities for small and medium-sized businesses to enter the market and compete with larger players. With the right digital tools and strategies, businesses can build their online presence and reach customers that were previously inaccessible through traditional channels.

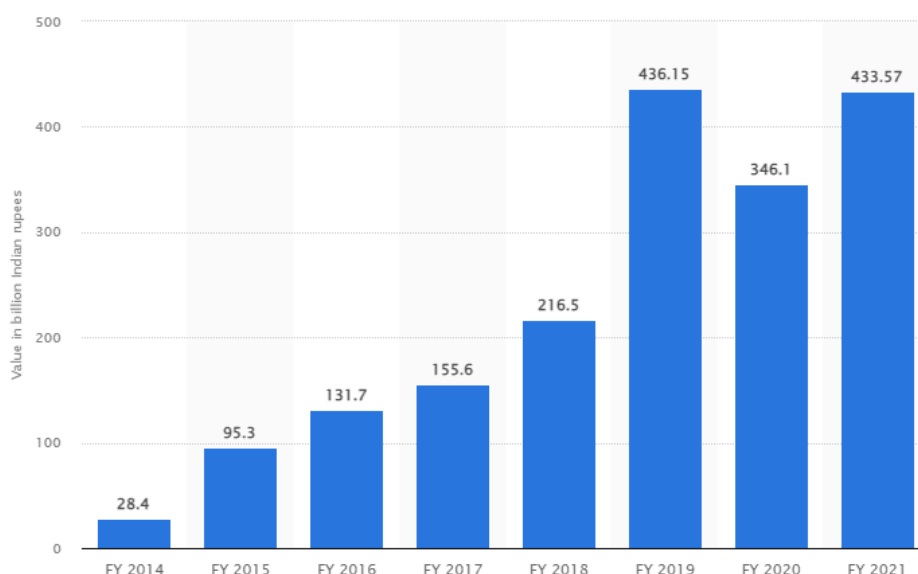
Overall, the growth of e-commerce in India presents a significant opportunity for businesses to expand their reach and increase their profits. With the right investments in digital infrastructure and technology, businesses can take advantage of this growing market and establish a competitive edge in the digital economy.

Flipkart's financial performance

Flipkart Ltd. has seen impressive growth in both revenue and operating margins over the years. Between FY2014 and FY2021, the company's revenue nearly tripled, and its operating margins showed significant improvement. In FY2019, the company experienced a remarkable growth in revenue, with a 436.15% increase. Despite facing competition from Amazon, Flipkart has managed to maintain its position in the Indian market. It is worth noting that the information provided is based on open sources and may not provide a complete representation of the company's current state. Furthermore, the earnings for Flipkart's fiscal year 2021 have not yet been made public (Minhas, 2022).

Revenue of Flipkart Private Limited between financial year 2014 and 2021 (in billion Indian rupees)

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Graph 1: Revenue of Flipkart Private Limited between financial year 2014 and 2021 (in billion Indian rupees) (Source: (Minhas, 2022) (www.statista.com))

Data Analysis

E-commerce has become increasingly popular among people of all genders due to the convenience and accessibility it offers. However, recent data shows that female respondents have a higher inclination towards online shopping than male respondents. This could be attributed to their preference for a wider range of products and services, including international products that were previously not available online. Overall, e-commerce has revolutionized the way people shop by providing a seamless and hassle-free shopping experience that caters to the diverse needs of customers.

Sr.No.	Respondents	Frequency	Percent
1	Once in month	21	30.0
2	Once in two month	11	15.7
3	More frequently	17	24.3
4	Very rare	21	30.0
	Total	70	100

Table 1: How Often Respondent Shop Online

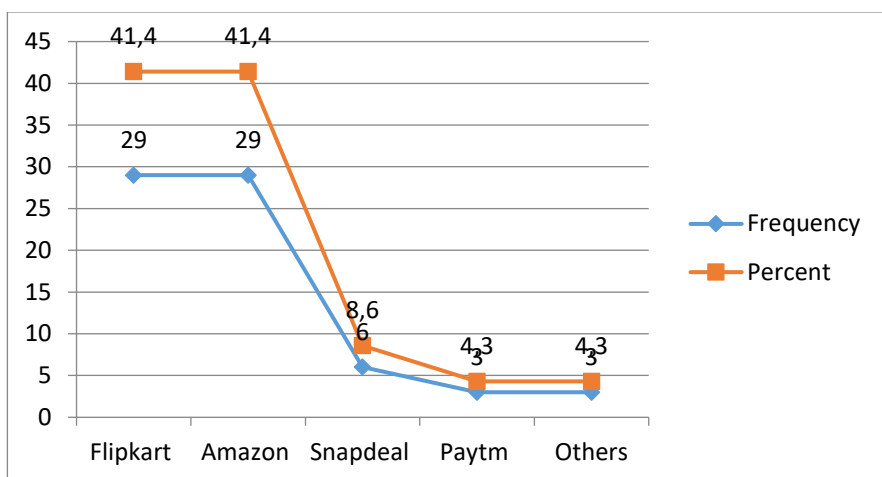
Interpretation: The above table provides valuable insights into the shopping behavior of respondents and highlights a growing preference for online shopping over physical stores. The data reveals that 30% of respondents shop online at least once a month, indicating a significant shift towards e-commerce in recent years. This trend presents a lucrative opportunity for e-commerce entrepreneurs to tap into a rapidly expanding market

and increase their chances of success. By leveraging the convenience and accessibility of online shopping, entrepreneurs can cater to the changing needs and preferences of consumers and establish a strong foothold in the e-commerce industry.

Sr.No.	Respondents	Frequency	Percent
1	Flipkart	29	41.4
2	Amazon	29	41.4
3	Snapdeal	6	8.6
4	Paytm	3	4.3
5	Others	3	4.3
	Total	70	100

Table 2: Preferred Online Site By Respondent

Interpretation: The data presented in the table above suggests that Flipkart is the preferred e-commerce platform for a significant percentage of respondents, with 41.4% choosing it over Amazon. However, other players in the e-commerce market, including Snapdeal (8.6%) and Paytm (4.3%), are struggling to gain a foothold and compete with the dominant market share of Amazon and Flipkart. Despite Paytm's efforts to offer competitive pricing and attractive discounts, it has not been able to achieve the same level of success as its major rivals. However, the e-commerce industry is highly dynamic, and newer players may have the potential to disrupt the market and challenge the dominance of established players in the future.

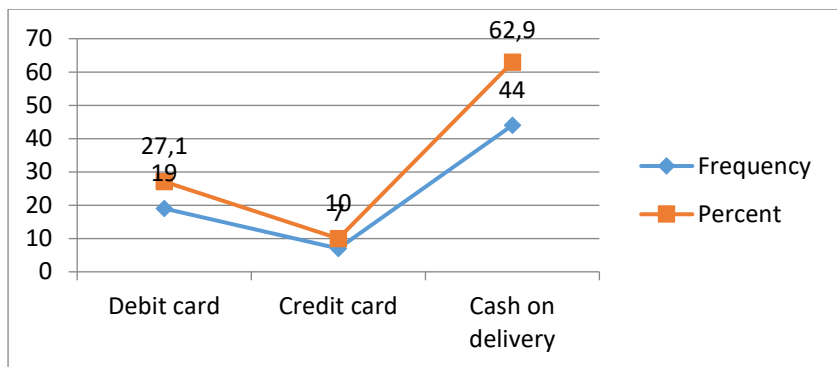


Graph 2: Preferred Online Site By Respondent

Sr.No..	Respondents	Frequency	Percent
1	Debit card	19	27.1
2	Credit card	7	10.0
3	Cash on delivery	44	62.9
	Total	70	100

Table 3: Respondent Payment Method

Interpretation: The e-commerce industry needs to prioritize customer privacy and regain their trust. The data suggests that when given a choice of payment methods, a significant percentage of respondents, 62.9%, prefer cash on delivery, indicating a lack of confidence in online payment methods. This preference for cash on delivery suggests that customers find this option more convenient and straightforward. Moreover, with the availability of scanners for delivery personnel, the cash-on-delivery option has become even more convenient for customers. E-commerce businesses must prioritize customer preferences and provide a hassle-free shopping experience to gain their trust and foster long-term relationships.

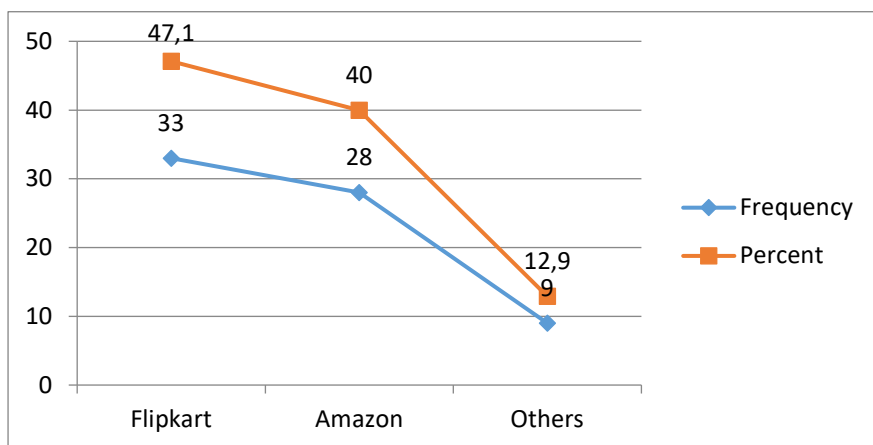


Graph 3: Respondent Payment Method

Sr.No.	Respondents	Frequency	Percent
1	Flipkart	33	47.1
2	Amazon	28	40.0
3	Others	9	12.9
	Total	70	100

Table 4: Respondent Is Most Impressed With Which E-Commerce Site

Interpretation: The data highlights that Amazon is the most valued e-commerce platform among customers, with a lead of 40% over its closest competitor, Flipkart, which garnered the interest of 47.1% of respondents. The remaining e-commerce sites have not been able to compete with the dominance of Amazon and Flipkart, indicating that these two platforms dominate the Indian e-commerce market. The results are a testament to the trust and confidence customers place in Amazon's brand and its ability to provide a seamless shopping experience. Nonetheless, the e-commerce industry is highly dynamic, and new players may emerge in the future, providing customers with more options and promoting healthy competition in the market.

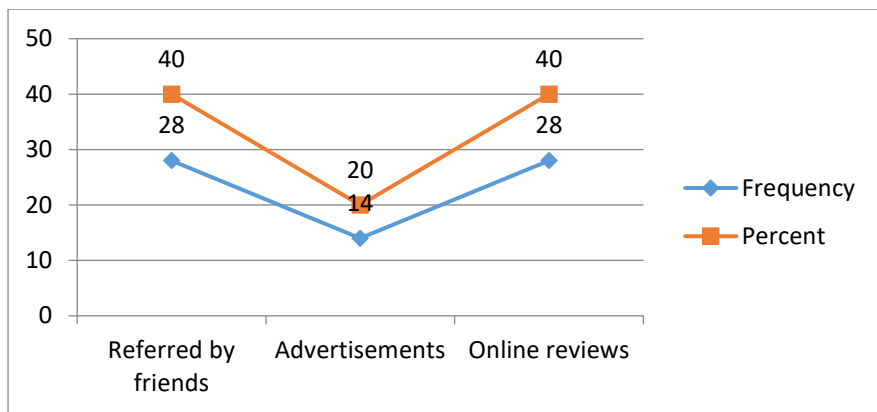


Graph 4: Respondent Is Most Impressed With Which E-Commerce Site

Sr.No.	Respondents	Frequency	Percent
1	Referred by friends	28	40.0
2	Advertisements	14	20.0
3	Online reviews	28	40.0
	Total	70	100.0

Table 5: Respondent Choosing Method of E-Commerce Site

Interpretation: To determine the most effective strategy for reaching customers in the e-commerce industry, it's crucial to understand what motivates customers to shop online. The data presented in the table suggests that customers are equally likely to choose e-commerce sites based on recommendations from friends and online reviews. This highlights the importance of word-of-mouth marketing and the power of positive online reviews in building customer trust and loyalty. E-commerce businesses can leverage these insights to design marketing campaigns that prioritize customer referrals and online reviews to attract and retain Customers.



Graph 5: Respondent Choosing Method of E-Commerce Site

Findings

The research has highlighted some significant issues that have put Flipkart in a challenging position.

- One of the major concerns is the focus on deep discounts and Gross Market Value (GMV) by Indian e-retailers in recent years. Flipkart has reported a loss of Rs. 2000 crores during the year, and its competitor Snapdeal has reported a loss of Rs. 1,328 crores, indicating that the focus on growth at any cost has not been a sustainable strategy. This has also led to questions about the long-term viability of Flipkart's business model.
- The research has highlighted two additional factors contributing to Flipkart's adverse position. Firstly, the high cost of machinery and skyrocketing operational costs, which have become a common challenge for all players in the industry as the initial rush to raise Gross Market Value (GMV) and achieve billion-dollar valuations has subsided. This has resulted in Flipkart continuing to operate at a loss. Secondly, the company's excessive amount of stockpiled inventory has led to reduced profit margins in the long term.
- The Big Billion Day event has posed a major challenge for Flipkart, as the company has struggled to meet the high volume of orders, leading to negative feedback from customers about the company's ability to handle large-scale operations.
- The success of an e-commerce company depends heavily on its ability to attract and retain talented employees. Unfortunately, Flipkart's hiring practices have led to a high number of underperforming employees, resulting in the recent layoff of 400 employees due to poor performance. This highlights the need for proper hiring procedures to ensure that qualified and capable individuals are recruited, and the company can achieve its goals.
- The study highlights some issues with Flipkart's return and refund policies. Due to their simple and lenient policies, the company is vulnerable to exploitation by unscrupulous customers, which leads to losses for the company. On the other hand, Amazon has implemented structured return policies and refund procedures that hold customers accountable for their losses. This has led to dissatisfaction among sellers who feel that Flipkart has lost its appeal in this regard.

Conclusion

Despite facing several challenges such as high operational costs, excessive inventory, and improper hiring procedures, Flipkart remains a major player in the Indian e-commerce market. The company's evolution from selling books online to selling a wide range of products has inspired new businesses, and with a growing e-market, there is still room for businesses to dominate. The key to success in this market is ultimately the customer, and Flipkart has recognized this by expanding its network and making the shopping experience more convenient and comfortable for its customers. While competition from other e-retailers like Amazon remains strong, Flipkart has shown its understanding of the Indian market and has strengthened its Indian roots. Although there may be challenges and investments required to survive in this market, Flipkart continues to perform well and is a clear winner according to customer surveys.

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