

Case Study Big Billion Day- Winning or losing strategy ?

Shilpi Saxena

Research Scholar, Department of
Management Studies
The IIS University, Jaipur

Dr. Roopam Kothari

Sr.Assistant Professor,
Department of Management Studies
The IIS University, Jaipur

Abstract

Ecommerce industry, which started flourishing in India nearly ten years back has come a long way in a very short span of time in India. It is today one of the fastest growing sector of the Indian digital economy. Online shopping or online retailing – an application of e commerce, has become a popular trend in India from last few years. Due to mordernization, digitalisation and globalization Indian population have started enjoying the benefits of online shopping like convenience in shopping, 24 hrs shopping, free delivery, huge discounts, etc, at their doorstep. Some of popular online shopping websites in India – Amazon.com, Flipkart.com, Snapdeal.com, Paytm.com, Ebay.in, Jabong.com, Myntra.com, Shopclues.com, Pepperfry, Homeshop18.com, yebhi.com. Flipkart, one among the top leader in e-commerce business in India started its operation in 2007 with selling online books and presently Flipkart is offering product categories like clothing, accessories, footwear, electronics, home decor and much more. On 6 Oct 2014 Flipkart introduced a new strategy of its own – “the big billion day sale”. It was a one day sale which is considered to be the biggest sale among all the sale offered till now by e-tailors. Many companies and brands are offering sales and discount for their customers in Indian online and offline market. Promoting sales by providing innovative offers to customers is good but at the same time a million dollar question also arises that “What are the boundaries or how big should be the innovation?”.

Keywords:

Ecommerce, Mordernization, Digitalisation, Globalization

Learning / Teaching objective

1. To understand the scenario of Indian e-commerce industry.
2. To analyze the online shopping trends in India.
3. To discuss the Flipkart's inception, growth and present scenario.
4. To understand the sales promotion strategy used by online vendors with special reference to Flipkart,s strategy.
5. To critically evaluate the challenges posed by BBD strategy.

Case

Over the last two decades, rising internet and mobile phone penetration has changed the way people communicate and do business. Ecommerce industry, which started flourishing in India nearly ten years has come a long way undoubtedly. Presently e-commerce industry is, one of the fastest growing sector of the Indian digital economy. The **E-Commerce industry in the India** which grew by 33% last year (2013) and saw goods and services worth \$3.5 billion exchanging hands is poised for bigger growth and touch new highs. Research firm Gartner has predicted a 70% growth rate for this sector and expects \$6 billion worth of business in 2015. According to report generated by Technopak, e-tailing has the potential to grow more than hundred-fold in the next 9 years, to reach \$76 billion by 2021. This growth will be driven by the country's growing Internet-habituated consumer base, which will consist of 180 million broadband consumers by 2020, and a rising class of Internet users through mobiles. As per world internetlivestats report India presently is considered as 3rd largest nation of internet users in the world.

As is depicted from above E-Commerce has become a buzz word in today's time. 'Electronic commerce, commonly known as **E-commerce** or **eCommerce**, is the process of exchanging products or services with customers using Internet. According to Wikipedia E-Commerce businesses usually deploy some or all of the following practices:

- Provide Etail or virtual storefront on websites with online catalogs, sometimes gathered into a "virtual mall"
- Online shopping of products & services.
- Collection of demographic data through social media or social networking sites.
- Use electronic data interchange, the business-to-business model of e-commerce.
- Approaching prospective and established customers by e-mail or fax.
- business-to-business buying and selling.
- Provide secure business transactions

According to Praveen Sengar, India is one of the fastest-growing e-Commerce markets in Asia/Pacific. "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 e-commerce market in India". The value of Indian e-commerce market was worth about \$3.8 billion in 2009, it went up to \$12.6 billion in 2013. According to Forrester

(2012), the e-commerce market in India is set to grow the fastest within the Asia-Pacific Region at a CAGR of over 57% between 2012–16.

In 2013, the e-retail market was worth US\$ 2.3 billion. About 70% of India's e-commerce market is travel related. India has close to 10 million online shoppers and is growing at an estimated 30% CAGR vis-à-vis a global growth rate of 8–10%. Electronics and Apparel are the biggest categories in terms of sales. Industry studies by IAMA also indicate that online travel dominates the e-commerce industry with an estimated 70% of the market share. However, e-retail in both its forms; online retail and market place, has become a rapidly growing sector, increasing its share from 10% in 2009 to an estimated 18% in 2013. India's *retail market* is estimated at \$470 billion in 2011 and is expected to grow to \$675 Bn by 2016 and \$850 Bn by 2020, – estimated CAGR of 7%. As per "India Goes Digital", a report by Avendus Capital, Indian e-tailing industry is estimated at Rs 3,600 crore (US\$800 mn) in 2011 and estimated to grow to Rs 53,000 Crore (\$11.8 billion) in 2015.

Online shopping or e-shopping is a form of electronic commerce which allows consumers to directly buy goods or services from a seller over the Internet using a web browser. It is also referred to as ;, e-shop, e-store, e-web-store, web-shop, web-store, online store, Internet shop, online storefront and virtual store.

Online shopping has become a popular trend in India. Due to modernization, digitalization and globalization Indian customers have started enjoying the benefits of online shopping like convenience in shopping, 24 hrs shopping, free delivery, huge discounts, etc, at their doorstep. E-Commerce in India started in 2004 with the starting of eBay's operations by acquiring Baazee.com, which was India's largest online auction portal. This was followed by starting of Flipkart in 2007 as an online book retailer. This is followed by starting of Myntra.com an online portal to customize goodies. With time these e-commerce portals started winning the trust and confidence of Indian population and people gradually started shopping online. In 2010, Snapdeal an online platform started providing daily deals. Snapdeal is one of the first online marketplaces in India. In a very short span of time the concept of e-commerce become a very familiar concept among Indian population.

The major drivers of Indian e-commerce growth are:-

- Increasing broadband Internet and 3G penetration.
- Rising standards of living and a increasing mobile middle class with high disposable incomes
- Availability of much wider product range (including

long tail and Direct Imports) compared to what is available at brick and mortar retailers

- Busy lifestyles, urban traffic congestion and lack of time for offline shopping
- Comparatively Lower prices of products than offline retail driven by disintermediation and reduced inventory and real estate costs
- Increased usage of online classified sites like OLX.com, Quikr.com for buying and selling second-hand goods.
- Evolution of the online marketplace model with sites like amazon.com, Jabong.com, Flipkart, yebhi.com, Snapdeal, and Infibeam.
- Increasing usage of plastic money in form of credit and debit cards.
- growing young population who spend significant time on the internet, Social networking sites likes Facebook, twitter.
- Difficulties in traditional means of shopping
- Major pillars for rapid growth of online shopping are faster delivery, Cash on Delivery facility, discounted rates, access to branded products and cash-back guarantee on faulty goods.

Online shopping can be considered as a sub-category of e-commerce. In the year 2012 the online shopping revenue of India was \$14 billion with 19.2 million online shopping users. The online shopping revenue figure of 2012 is just double of the year 2011(\$6.3 billion). This figure is likely to reach \$38 billion by 2015, at CAGR of 39.5 percent. The expected growth rate of online shopping is 39.5 percent from 2012 to 2015 in India. Online shopping revenue in India is estimated to touch \$38 billion by 2015. According to Accel estimate 2014, top 3 E-Commerce friendly states in India are Delhi, Karnataka, Maharashtra and top 10 cities are Delhi, Bangalore, Mumbai, Pune, Hyderabad, Chennai, Kolkata, Ahmadabad, Jaipur and Panaji. **Some of popular online shopping websites in India are Amazon.com, Flipkart.com, Snapdeal.com, Paytm.com, Ebay.in, Jabong.com, Myntra.com, Shopclues.com, Pepperfry, Homeshop18.com, yebhi.com.** Amazon is a global e-commerce company and is one among the largest online retailers in India. They offer items ranging from mobile, electronics, appliances, home entertainment, home décor, consumer durables and cameras. Flipkart is an Indian e-commerce company which was started with online sales of books in 2007 and later it entered to consumer electronic goods and various other ranges of products. Snapdeal is another Indian online company, started in 2010. This online

retailer offers best deals for almost all kinds of products ranging from appliances, kitchen, cameras, mobiles, laptops, online, gifts and more. Yebhi.com is an Indian Online shopping E-commerce portal started in 2009. Today most of the e-commerce company whether global or Indian offers almost all type of products ranging from electronic goods to kids toys. Online shopping in India is growing at a very fast clip. There is an intense competition in e-commerce space among various players but among all these players the top three players are - Snapdeal, Flipkart and Amazon.

Flipkart, one among the top leader in e-commerce business started its operation in 2007 with selling online books and presently Flipkart is offering sales categories for various different stuffs like clothing, accessories, footwear, electronics, home decor and much more. Flipkart is one such India's leading e-tailor, which provides services for people of all age groups.

Flipkart has achieved a great success in a very short span of time. If we look at statistical data of flipkart's success, it had a turnover of 11.6 crores in 2009-10, which raised to 50 crores in 2010-11. A large increase occurred in 2011-12 and it earned revenue of 500 crores in the year 2012-13, 10 times of previous year. Flipkart had 4800 employees in 2012 which used to serve 50,000 orders a day. Its daily sales were about 2.5 crores. The reasons behind such success of Flipkart are strong brand value, own logistics arm, own online payment gateway solution and own marketplace model. In order to overcome the hurdle of resistance for online transaction Flipkart for the first introduced the cash on delivery system of payment for online shoppers. Flipkart has also introduced 30 days cash back guarantee for convenience of its customers. Flipkart had leased warehouses, so it could meet 80% of order directly from warehouse, which makes deliveries faster. In order to compete others Flipkart like other online shopping websites offer free home delivery. In one of the major strategic move Flipkart acquired letsbuy.com. It is also a big reason for Flipkart's success as letsbuy.com firm was expertise in selling consumer electronics and computers, and flipkart is known for superior technology and supply chain management.

On 6 Oct 2014 Flipkart introduced a new strategy of its own – “the big billion day sale”. It was a single day sale which is considered to be the biggest sale among all the sale offered till now by e-tailors. It was consist of deals of hour, flash sales, lucky draws each hours along with huge discount offers and coupons. Big billion day's exclusive offers included – Multiple items at price of Re.1, Upto 30% off on smartphones, Laptops starting from Rs.15,000, here were offers like - fashion & perfumes at 50% off, toys at 50% off, discounts on mobile brands like Xiaomi, Motorola, Asus, Huawei Honor 6, ALCATEL ONETOUCH Fire C and Lenovo Vibe Z2. It also offered Xiaomi Mi 3 for one last

time , 150000 sets of Redmi 1S and 1 lakh sets of Asus Zenphone, Flat Rs.1500 OFF on Moto E, Exchange Offer on Moto G (2nd Gen), Flat Rs.1000 OFF on HP 10 Tab, Upto Rs.2000 Discount on Digiflip Pro Tablets, Flat Rs.7000 discount on Nexus 7 tablet.

Business wise on big billion day Flipkart claimed to have a business of 600 crore in only 10 hours. In order to convert BBD into practicality, Flipkart had done extensive preparation which are as follows-

- Designed and launched before BBD such online ads which connects directly to Indian audiences.
- They have redesigned the website and entire database.
- They have establish tie ups with various banks Axis, HDFC, ICICI, Citibank, etc to offer additional cash back to their customers.
- Doubled their ground staff to 10,000 from 5000 in July.
- Extended their delivery system to 40 more cities.
- Encouraged people to download Flipkart's mobile application.

In spite of all preparations, results of BBD were just opposite to the expectation. After the completion of BBD sale many customers were disappointed for not getting benefit of BBD sale and many criticized Flipkart and its entire system. Towards the worst end even the CEO of the company have to apologize to the customers for not meeting their expectation.

Customer's Feedback on BBD sale strategy

These feedback are collected from Facebook, Twitter and various newspaper articles.

- “With #BigBillionDay trending on micro-blogging website Twitter, it is abuzz with several users sharing grievances. Meanwhile, Flipkart seems to be running slower than snail. Giving tough comp. to IRCTC. 12:00 PM - 6 Oct 2014”.
- “Underestimating the intelligence of the customers is perhaps the worst sin any company can commit. #BigBillionDay”.
- Also, several attempts to make purchases on Flipkart threw up sold-out messages or server errors, even though the website's server has not crashed. Jokes about Flipkart's server error have also flooded social media.
- “Contrary to popular belief, #BigBillionDay sale by Flipkart is not to raise awareness about http error codes”.

- “Flipkart to offer 10% discount on 404 (error for 'page not found') page. They are now calling it 363 page”.
- “Flipkart sale is like mah circar. advertised so much for nothing”.
- “Sold out' is to Flipkart what 'Please try again later' is to IRCTC. #BigBillionDay”.
- “Jo log Flipkart se bakra bangaya bahar sambhaalkrar chalna nehi toh Bakra Eid main kat jaaoge #FlipkartFail”.
- “Thanks to Flipkart that Today I managed to save INR 45,000 and ended up buying it for much cheaper price in a local store”.
- “The most Amazon thing about Flipkart is that before you could, somebody else snaps the deal”.

Issues for Discussion

1. Discuss the motive /rationale of company behind the launch of big billion day sale.
2. According to you what good as well as bad big billion day sale has brought for company?
3. What are the aspects that company was required to consider before the launch of big billion day sale?
4. What are the challenges that BBD sale has posed for the company and how it can be coped up now?

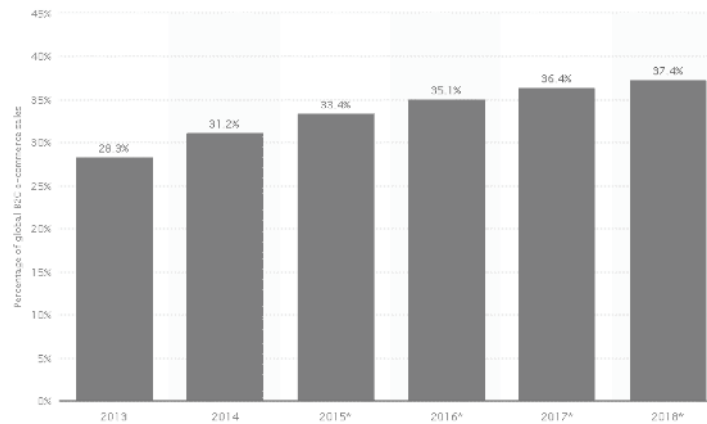
ANNEXURE

Awards and Recognition of Flipkart

1. Flipkart won “Business to Consumer (B2C) Marketplace of the Year” award at first eTailing India e-commerce industry awards held in March 2014 in Mumbai.
2. Flipkart.com, secured second position in the List of Cheapest Mobile Store 2013, compiled by Indian e-commerce observer Zoutons.com.
3. Co-Founder of Flipkart Sachin Bansal, got Entrepreneur of the Year Award 2012-2013 from Economic Times, leading Indian Economic Daily.
4. Flipkart.com was awarded Young Turk of the Year at CNBC TV 18's 'India Business Leader Awards 2012' (IBLA).
5. Flipkart.com- got Nominated for IndiaMART Leaders of Tomorrow Awards 2011.

Share of global B2C E-Commerce sales in Asia Pacific from 2013 to 2018

Share of global B2C e-commerce sales in Asia Pacific from 2013 to 2018



Additional Information

Source:

Source : www.statista.com (2014)

Flipkart Vs Amazon Vs Snapdeal: Revenues & Losses Comparison

Retrieved on November 6, 2014 from

<http://trak.in/tags/business/2014/11/06/flipkart-amazon-snapdeal-revenues-losses-comparison/>

