Flipkart-Walmart Deal and the demur of Indian Entrepreneurs

Maneesha Kaushik
Department of Management Studies, Swami Keshvanand Institute of Technology, Management and Gramothan, Jaipur-302017 (INDIA)
Email- maneesha9099@gmail.com
Received 05.06.2018 received in revised form 19.09.2018, accepted 21.09.2018

Abstract: Flipkart is India's leading e-commerce marketplace that offers more than 30 million products across 70 categories encompassing media, books, electronics and lifestyle. After turning into the most preferred marketplace its acquisition by Walmart has raised various issues for the Indian e-commerce and the future of the budding entrepreneurs of the country. With a vision of 'Amazon of India' flipkart came in the market place in October 2007, which is one of the first ecommerce sites in India. It started selling books online, with over 26 million registered users, 20,000 employees and 13 warehouses. With the boom of online shopping in our country and flipkart altered the common man's shopping habits. This is a modest attempt bring out the intentions behind the acquisition of the ecommerce giant of India, its impact on Indian entrepreneurs and what were the influencing factors behind this and how it plans to manage and adapt timely to create favorable environment for its partners, shareholders and customers to remain successful.

Keywords: Flipkart, Walmart, e-commerce, acquisition, big billion day, FDI. managers**.**

1. INTRODUCTION

Sachin and Binny Bansal initiated Flipkart in the year 2007 with a modest amount of $8000, which is now India's largest e-commerce with a projected 44% share of India's e-commerce. Having an experience at Amazon, they knew the tricks of the trade. The company despite being is registered in Singapore, not only rules India's e-commerce but also paved way for so many other such players. How it manages to do business in our country through a separate company, WS Retail and still manage to attract investment when our Government did not approve FDI in B2B, is noteworthy. This paper intends to surface the intensions and impact of flipkart's acquisition as well as future challenges of the same. Subject to regulatory approval in India, Walmart will pay nearly $16 billion for its stake of 77 percent approximately in Flipkart. The present focus will be on scaling the venture and customer satisfaction. Walmart would support the aspiration of evolving into a publicly-listed, majority-owned subsidiary in the coming times. In June 2009, WS Retail was constituted as FDI wasn't permitted in direct online retail that staged independent vendors to sell their stock on their site. This helped the company fulfill FEMA regulations and became the favorite place for foreign investors in Indian e-commerce, Naspers, Morgan Stanley Investment Management, DST Global, Steadview Capital,ICONIQ Capital etc. invested around $ 2 Billion [1].

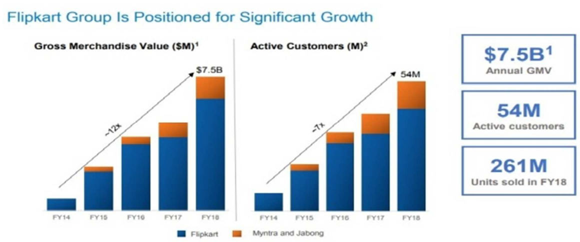
2. OBJECTIVES TO STUDY

The Objectives of this study is to amalgamate the representative existing literature on the approach of Flipkart's Acquisition based on an analytical literature review. This attempt aims to provide an all inclusive picture of this acquisitions condition and throw light on the limitations and present future research scope around such investments in ventures that was incipiently based in our Country and to investigate the impact of Fipkart-Walmart acquisition and future business strategies post this acquisition & some of the specific objectives of this research paper are:

- To study and provide a comprehensive picture of the Flipkart-Walmart Deal in detail.
- To understand the factors and intentions influencing the acquisition of Flipkart.
- To study the marketers response towards the Acquisition of Flipkart
- To understand the perception of startup founders towards the acquisition of Flipkart.
- To examine whether customers prefer online shopping to physical stores.

3. THE RISK TAKEN BY WALMART IN ACQUIRING FLIPKART

This acquisition marks the initiation of a tussle with Amazon in this highly competitive market. The investors of wall street reacted aversely, sending Walmart shares down as much as 4 percent that very day. Some statistics also supports this deal as well. To begin with it's the glittering demographic dividend, and a sharp rise in Indian E-commerce [2]. In 2017, customers in our country spent $21 billion on e-commerce, making it the 10th-biggest e-commerce market round the globe, according to data from digital research firm eMarketer. From 2017 to 2021, online retail in India is expected to grow 141 percent to more than $50 billion, that's a huge potential. Walmart would definitely have an edge with this acquisition with Flipkart being current market leader [3].



4. DECODING THE FLIPKART'S STORY

4.1 Lies Surrounding 'India's Largest FDI'

This acquisition is said to have attracted largest FDI. Undoubtedly, this is foreign as the asset is sold to a Singapore company, and is also not direct, as the company is not getting the fund ,but going to the shareholders. Technically this is not a primary (FDI), but a secondary (FII) market transaction [4].

4.2 Flipkart faced with the regulatory Mockery

As complex E-commerce regulations kept ever-changing, Flipkart did put up eight separate entities,5 in our country and 3 in Singapore, for various operations. During this time, WS Retail was sold to an Indian investor putting the future of such a venture in dilemma [5]. It was all the more cruel that if any resident of India tried putting money in the Singapore holding company, he/she would be imprisoned under 'round-tripping' rules [6].

4.3 Advantages Of Flipkart-Walmart Acquisition

This will aid Flipkart strategically giving it a competitive advantage of fetching brand new opportunities for women entrepreneurs, suppliers, farmers and job creation [7]. They will have an edge of having distinct brands, and operating structures .Right now, Walmart India operates 21 best price stores and fulfillment centres in 19 cities, enriching our local economies and the 'Make in India' mission. Among other initiatives, Walmart will partner with owners of kirana stores to aid in modernizing and digitize their retail practices [8].

5. STRUCTURE, FINANCIAL IMPLICATIONS AND OTHER DETAILS

Walmart's investment will help Flipkart stimulate growth in the future. The final constitution of the board has yet to be decided, and is said to include independent members. This board shall endevour to preserve the core values of Flipkart. India is expected to have 475 million online shoppers by 2026 according a report of Morgan Stanley. It is this affiance of booming growth that all international titans such as Amazon, Alibaba and Walmart are looking to put their eggs in India's basket.

6. FUTURE CHALLENGES

It seems to make business sense for Flipkart to sell the business, its perplexing to understand the fate of Indian startup ecosystem, that will they ever grow into India's Infosys. Reliance or the Tata Group. It's a dream come true for an investor to exit with a huge margin, but building a business is the dream for an entrepreneur. Some other challenges are proper E-tailing, fastest delivery, analysis and acting upon 'big data' of India, that remains the company's forte with the scaling up of E-commerce in the country. Penetration in Indian market to battle the existing players is a mammoth task. Retailers have joined hands to access the fair trade regulator CCI against this acquisition as they think that the it would pave the way to great amount of job loss and torment the retailers. According to a report by Mumbai-based debt lending firm InnoVen Capital , they gathered responses from around 100 startup leaders and found that about 80 percent founders were devising to exit within six years duration. This is distressing for India, that believes the nation's startups are the real flag bearers of entrepreneurship.

7. SUGGESTIONS

Controls are desperately needed on this kind of capital dumping. And such controls won't reduce competition or throttle innovation. As practiced in China, they will stimulate competition and through that innovation. For Instance, If China had not put such controls the innovative companies like WeChat, DJI(Da-Jiang Innovations) must have not survived. It is probably too late to save Indian E Commerce from modern day East India Company Style colonization. The policy makers must try not to outlaw the India based ventures from India and craft some global bench-marked architecture of Indian e-commerce. Flipkart should have gained more operational and financial and say in this deal. Flipkart must have been supported for scaling up operations and opened doors for newer business models. Flipkart could have concentrated on their specialization domains to create a valuable cache of users seeking differentiated or customized retail experiences.

8. CONCLUSION

To abridge this paper, let's look for challenges for the e-commerce, as well as the future of Indian startups. By Now, Flipkart's founders would have been in considerable control of their brave enterprise by fastening their eyes on creating a half-trillion-dollar venture by 2025. This deal demonstrates both Indian E commerce's coming of age and a repetition of history. US giants will spend generously in India for they see opportunities, which will be a short term benefaction for Indian consumers. Post that there will be price rise and consumer choices will become more limited as compared to the past. Data mining and manipulation is on its way. So it looks like colonization of our country's retail industry is on the way. It's also a lesson learnt that our domestic companies must not become languid, or offer poor quality products and services at high prices.

To conclude, the expansion of E-commerce must be encouraged and backed by strong policy support, protecting decision-making rights, that will entrust e-retailers, and aid the innovative models to empower Indian entrepreneurs. Therefore, it is like an asset built on the potential of India's e-commerce space, but as far as job creation, employee benefits or decision making for the resident Indians is concerned is gone for a toss clearly because of the absurd and value-destroying policy architecture. The worries of start-up employees too refuses to die down and this may give birth a new set of entrepreneurs who will want to build sustainable ventures to cater to supporting functions of big start-ups, diluting the role Indian retailers and investors in future and some startups might be already planning to exit soon.

REFERENCES

[1] 1.Reddy, N. A., & Divekar, B. R. (2014). A study of challenges faced by e-commerce companies in India and methods employed to overcome them. Economics and Finance, 11, 553-560

[2] Fatima, F. (2014). Flipkart-Myntra; From a Merger to an Acquisition. International Journal of Management and International Business Studies, 4(1), 71-84

[3] Kathuria, R., Urdhwareshe, P., & Ghosh, D. (2014). Institutional pathways to promote efficiency in logistics: the case of India. Asian Journal.

[4] Muralidhara, G. V., & Faheem, H. (2016). Rahul Yadav: Housing. Com's Maverick Entrepreneur. In United States Association for Small Business and Entrepreneurship. Conference Proceedings (p. H1). United States Association for Small Business and Entrepreneurship.

[5] Pathak, P. Flipkart: Flipping things into everybody Kart.

[6] Rawat, S., & Divekar, R. (2014). Developing a social media presence strategy for an e-commerce business. Procedia Economics and Finance, 11, 626-634.

[7] Reddy, N. A., & Divekar, B. R. (2014). A study of challenges faced by e-commerce companies in India and methods employed to overcome them. Procedia Economics and Finance, 11, 553-560.

[8] Sahoo, P. (2014). Making India an attractive investment destination: Analyzing FDI policy and challenges. The National Bureau of Asian Research.