Root Cause Analysis

Flipkart is experiencing High Order Cancellation Rate

1. Problem Definition

Flipkart is experiencing High Order cancellation rate increased from **4% to 9%** over the last **8 weeks**.

Impact on business

- Revenue loss

- Increased operational cost (RTO and packaging cost)

- Bad customer experience

2. Initial Hypotheses We break the problem into multiple factors and start asking right questions from every department.

A. Customer-Driven

- Price changes
- Buyer guilt
- Longer delivery promises
- Payment-related issues

B. Inventory & Supply Chain

- Stock inaccuracies
- Delayed purposely
- Supplier outages

C. Operations & Fulfillment

- Delayed dispatch
- Incorrect order confirmation
- Staff shortage

D. Platform / Tech

- Payment failures post-order
- App/web glitches
- Address validation errors

E. Policy / External

- New cancellation policy
- Competitive pricing changes
- Seasonal effects

3. Data Investigation (Evidence-Based)

3.1 Cancellation Timing Analysis?

Time of Cancellation	% of Cancellations
Within 1 hour	12%
1–12 hours	18%
After 24 hours	**55%**

Insight:
Most cancellations occur **after the order is placed** that to after 24 hours, not immediately → suggests **post-order friction**, not impulse buying.

3.2 Cancellation Reason Codes?

Reason Code	% Share
Delayed delivery	**41%**
Item unavailable	22%
Found cheaper alternative	15%
Payment issues	9%
Other	13%

Survey based on data received by customers.

Key Signal:
Delivery-related issues dominate.

3.3 Shipping Fulfilment Analysis

Metric	Before	After
Avg. Dispatch Time	1.2 days	**3.4 days**
On-time Dispatch %	92%	**71%**
Orders Pending >48 hrs	8%	**29%**

Insight:

Here you can see a difference in before and after in Shipping area which is directly aligns with order cancellation.

3.4 SKU & Warehouse Drill-Down

- 60% of cancellations come from **2 warehouses**

- Same SKUs cancelled repeatedly

- Inventory system shows "Available", but warehouse shows "not in stock"

Conclusion:
Inventory **mismatch** between warehouse system and actual stock.

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4. Root Cause Identification (Using 5 Whys)

Problem: High order cancellation rate

1. Why are customers cancelling orders?
   → Orders are not delivered within promised timelines.

2. Why are deliveries delayed?
   → Orders are dispatched late from warehouses.

3. Why is dispatch delayed?
   → Items are not physically available despite system showing "in stock".

4. Why does the system show incorrect stock?
   → Inventory sync between WMS and Order Management System is delayed.

5. Why is inventory sync delayed?
   → Recent supplier onboarding increased SKU complexity without updating sync frequency.

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5. Final Analysis

The primary root cause of the high order cancellation rate is inaccurate real-time inventory visibility, leading to delayed dispatches and missed delivery promises.