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Flipkart: Grappling with Product Returns[[1]](#endnote-1)

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In June 2016, Flipkart Private Limited (Flipkart), India’s largest online marketplace, introduced a new return policy that proposed charging sellers both shipping and collection fees for all products returned after purchase. In response, two seller associations with memberships of around 1,800 Flipkart sellers, out of the total of 90,000 registered with Flipkart, protested against the new policy, expressing their resistance by not processing new orders and campaigning on social media using the hashtags “#OnlineDharna” and “#SellerQuitFlipkart.”[[2]](#endnote-2) Sanjay Thakur, a spokesperson for an online sellers’ trade union with around 1,000 sellers said,

The changes on return shipping policy will impact sellers heavily. Flipkart used to charge a fee from sellers only if we were at fault, which would be less than 1 per cent of the order (value). Now, Flipkart will deduct shipping charges and collection fees from sellers (in case of returns), which will be huge, since return percentage ranges from 8 to 10 per cent [of] (deliveries) in most of the categories.[[3]](#endnote-3)

Another group, All India Online Vendors Association, which had 800 members, stated, “Due to the new policy, sellers will be forced to increase prices by around 10 per cent and will also charge shipping fees to customers.”[[4]](#endnote-4)

Although the number of disgruntled sellers was relatively low in the context of Flipkart’s massive merchant network, the protest against the new policy created an opportunity for Flipkart’s competitors. Amazon.com Inc. (Amazon), which boasted a seller base of 85,000 merchants in India, reduced sellers’ commissions to lure these resentful sellers to its platform. Snapdeal, another home-grown rival with more than 300,000 sellers, also decreased commissions for select sellers.[[5]](#endnote-5) Troubled with its falling market valuation (from US$142.24[[6]](#endnote-6) per share in June 2015 to $87.9 in March 2016),[[7]](#endnote-7) Flipkart was forced to take steps to check this fall.[[8]](#endnote-8) Curtailing the number of returned items could help the company reduce its losses, but Flipkart was apprehensive of taking measures that might alienate consumers, even though it was clear that many customers had been misusing its “no questions asked” return policy. How could Flipkart reduce the losses resulting from these excessive returns while pleasing both its sellers and customers?

COMPANY HISTORY

In 2007, two ex-Amazon employees, Sachin Bansal and Binny Bansal, began selling books on an online platform in India with an initial fund of $6,000.[[9]](#endnote-9) Their initiative resulted in the establishment of Flipkart, which was registered in Singapore due to the fact that Indian foreign direct investment norms capped foreign investment in retail companies.[[10]](#endnote-10) The company developed various subsidiaries, such as Flipkart Marketplace Private Limited, Flipkart Logistics Private Limited, and Flipkart Payments Private Limited, all of which were also registered in Singapore. These companies, in turn, held stakes in five Indian entities: Flipkart India Private Limited (the wholesale cash-and-carry entity), Flipkart Internet Private Limited (which owned Flipkart.com), Digital Management Services Private Limited, Flipkart Payment Gateway Services Private Limited, and Digital Media Private Limited.[[11]](#endnote-11) Flipkart raised funds from several investors over the years, receiving its first major investment from Tiger Global Management ($10 million) in 2009. Later, Flipkart attracted other large investors, including South African technology firm Naspers, U.S. investment bank Morgan Stanley, and Russian investment firm Digital Sky Technologies Global (DST).[[12]](#endnote-12) In total, by June 2016, Flipkart had successfully raised more than $3 billion (see Exhibit 1).

Flipkart adopted the marketplace model, which saved it from holding any inventory. The company worked as an online platform for sellers and buyers, sourcing goods from manufacturers and supplying them to third-party sellers, who in turn sold these products to online shoppers.[[13]](#endnote-13) Flipkart provided its logistics services and technology platform to sellers and levied a commission for these services by charging fees on each sale made on its platform.[[14]](#endnote-14) The company charged commission under the following heads: commission fees (which varied across sub-categories/verticals), shipping fees (which varied with weight), collection fees (for use of payment modes), and a fixed fee to its sellers for the use of its platform (see Exhibits 2 and 3).[[15]](#endnote-15)

Although it had started by selling books, by 2016, Flipkart had successfully transitioned to selling 30 million products across more than 70 categories, divided across seven product lines: electronics, appliances, men’s apparel, women’s apparel, baby and children’s goods, home and furniture, and books.[[16]](#endnote-16) Earlier, in 2012, Flipkart had launched its private labels, because these allowed the platform to earn a higher margin (compared to selling other established brands). After beginning with its first private label, “DigiFlip,” for digital accessories, the company later in 2013 launched “Flippd”[[17]](#endnote-17) for products in the apparel and footwear category and “Citron”[[18]](#endnote-18) for home appliance and personal health products in 2014.

As a pioneer in the online retail space in India, Flipkart encountered and overcame several challenges. For instance, to overcome the mistrust that many Indian consumers felt about online transactions, Flipkart launched the “cash on delivery” (COD) payment option in 2010, which was virtually risk free for customers.[[19]](#endnote-19) Similarly, to attract and encourage sellers from small cities, in 2015, Flipkart ran the initiative “FlipStars,” which celebrated and honoured the success of sellers from small cities. To keep sellers motivated, the company classified them into Gold, Silver, and Bronze categories, and awarded the top sellers (i.e., Gold sellers) gifts and foreign trips.[[20]](#endnote-20) Flipkart also introduced “Flipkart Connect” to create awareness and promote online shopping among its customers.

From 2010 to 2016, Flipkart further expanded its business by way of acquisitions. In 2014, it acquired online fashion shop Myntra.com in a $330 million deal.[[21]](#endnote-21) Later, in 2016, this acquired entity in turn acquired another rival, Jabong.com (Jabong), for approximately $70 million.[[22]](#endnote-22)

During the Indian festive season of 2016, Flipkart sold 15.5 million units and achieved sales of around $300 million in just four days.[[23]](#endnote-23) By March 2016, it had roughly 75 million registered users and more than 90,000 sellers across India.[[24]](#endnote-24) Flipkart employed more than 45,000 employees all over the world as of February 2016. The company attracted talent in top management by offering high salaries and other lucrative benefits, even when its losses had been increasing over the years. The company was named “E‑Commerce Company of the Year” at the Golden Carts Awards in 2016.[[25]](#endnote-25)

Yet, since its inception in 2007, Flipkart had yet to register a profit in any fiscal (FY) year. The company reported net revenue of $290 million in FY 2015–16,[[26]](#endnote-26) but also registered a loss of $343 million—more than double its losses of $170 million in FY 2014–15.[[27]](#endnote-27)

THE Online Retail Market

In 2016, globally, $861 billion sales took place in the online retail place. Although China and the United States ranked as the first- and second-largest markets in terms of online sales, respectively, India emerged as the fastest-growing market in the world.[[28]](#endnote-28) The sale of physical goods via online retail sites in India was valued at $16.07 billion in 2016.[[29]](#endnote-29) It was projected that the growth of global online retail sales would increase to $1,426 billion by 2021.[[30]](#endnote-30)

The Indian Market

In 2002, online retail (also known as “e-commerce”) was introduced to Indian internet users when Indian Railway Catering and Tourism Corporation began offering online ticket booking for its trains. Online shopping gained increasing popularity with the deep discount model used by most online retailers, including Flipkart. Soon, the opportunity in this space attracted other platforms like Amazon, Jabong, and Snapdeal.[[31]](#endnote-31)

Size

Including both online and offline shopping, the Indian retail market was valued at $750 billion in FY 2015–16. The opportunity in the online space was immense as the e-commerce market touched $14.5 billion in 2016,[[32]](#endnote-32) and was expected to grow at a compound annual growth rate of 31.2 per cent to reach $64 billion by 2021.[[33]](#endnote-33) The COD payment option, easy return policies, huge inflows of funds from venture capitalists, and fast-growing internet penetration all contributed to this growth.

Customers

With the annual addition of 25 million internet users, the number of internet users in India had grown to 400 million in 2016. Of these users, 75 per cent were between the ages of 15 and 34, which meant that India had the youngest target market for e-commerce in the world. Growth across all retail categories online saw 65 million unique visitors per month, and all categories achieved a 55 per cent annual growth rate. Most of these online shoppers were in the 15- to 24-year-old age group. Although most online shopping initially occurred on desktop computers, experts believed that mobile platforms generated up to 70 per cent of online retail revenue in 2016.[[34]](#endnote-34) Moreover, 75 per cent of online retail traffic came from metropolitan cities.[[35]](#endnote-35)

Goods Sold

A wide variety of goods were sold on e-commerce platforms in India. While mobile phones were the most sold product on these platforms, electronic and fashion items together represented around half of all spending on online retail sites.[[36]](#endnote-36) By 2020, fashion e-commerce was expected to generate $35 billion.[[37]](#endnote-37) The online market for consumer durables like kitchen appliances and other accessories was valued at $530 million, which equalled 14 per cent of online retail transactions in 2015. Home furnishing products and books garnered $165 million and $102 million, respectively, in the same year.[[38]](#endnote-38)

Competition

Amazon

Established in 1994, Seattle-based Amazon was Flipkart’s strongest competitor.[[39]](#endnote-39) After entering the Indian market in 2013 with the launch of Amazon India, the corporation attracted customers with its 24/7 user support and 100 per cent purchase protection guarantee**.** With its aggressive marketing in India, Amazon quickly gained a majority of the market share.[[40]](#endnote-40) By July 2015, it had more than 25 million products for sale in India.[[41]](#endnote-41) To build customer loyalty, the firm launched its Prime service in July 2016, in which customers paid a yearly subscription fee of approximately $7 to enjoy free delivery of most online purchases along with access to streamed movies and television shows. In 2016, Amazon India reported a net revenue of $340 million with a net loss of $531 million.[[42]](#endnote-42) It had around 10,000 employees working at its Bengaluru office in 2016.[[43]](#endnote-43)

Snapdeal

Founded by Kunal Bahl and Rohit Bansal in 2010, Snapdeal emerged as a major e-commerce competitor with 20 million products across 500 diverse categories in 2015. With around 200,000 sellers, the firm served a huge customer base of 100 million.[[44]](#endnote-44) This “home-grown” company received its primary funding in 2014 ($627 million) and 2015 ($500 million) from investors Softbank Telecom Corp and Alibaba Group Holding Limited, respectively (see Exhibit 1). Facing stiff competition from Amazon and Flipkart, Snapdeal struggled to retain its market share and lost a large percentage of this share between 2015 and 2016. The company posted net revenue of $216 million with a net loss of $493 million in 2016, and had 800 employees as of February of the same year.[[45]](#endnote-45)

Since their inception, e-commerce firms had been reporting significant losses due to their discount-based business models (which engendered cutthroat competition) and large numbers of returns.[[46]](#endnote-46)

Changes in Customer Behaviour

Free and easy returns and COD payment resulted in new consumer behaviours on online shopping platforms. First, due to an increase in mobile penetration, there was an increase in “window shopping,” especially among younger consumers, who often carelessly ordered items without seriously planning to keep them.[[47]](#endnote-47) Moreover, some buyers replaced original products with replicas before returning them, which might not be noticed immediately; one buyer caused Amazon losses of ₹10 million[[48]](#endnote-48) over two years by returning the ordered products after replacing them with cheap replicas.[[49]](#endnote-49) Second, in certain product categories like clothing and footwear, a lack of standardized sizes led to high return rates because the products looked or fit differently than expected.[[50]](#endnote-50) Globally, the return rate for online purchases was over 30 per cent.[[51]](#endnote-51) In comparison, the average return rate for offline purchases was 8.89 per cent.[[52]](#endnote-52) For online purchases made using COD payment, the return rate touched 40 per cent.[[53]](#endnote-53)

Common reasons that customers cited for returns included “I no longer need this product,” and “I intentionally ordered more than one size of wearables with the intent of returning extra items.” For some products, manufacturers refused to accept returned items from sellers if the seals on the products were broken at the customer’s end. In these cases, sellers were forced to sell those items at second-hand/used product prices through a separate channel for such goods. For wearable items, the 30-day return window gave unethical buyers the option of wearing the clothes for some time before returning them.

Sellers reported that the return rate had increased by around 50 per cent in many categories, including electronics and mobile phones, since July 2015.[[54]](#endnote-54) This higher return rate distressed small and medium-sized sellers. Yet Amazon, Flipkart, and Snapdeal all denied any increase in the number of returned products and contradicted reports of this trend.[[55]](#endnote-55)

The New Return Policy

With the addition of hundreds of new sellers joining the platform every month, sellers on Flipkart had to compete with each other on pricing, discounts, and delivery costs. Further, Flipkart’s “no questions asked” return policy made it easy for customers to misuse the policy. As a result, even though sellers found the platform attractive because of its vast number of active customers, the increasing costs associated with returns gradually became a nightmare for many of them.

In June 2016, Flipkart released the announcement of a new policy for sellers using its platform, which was met with outrage. The new policy stated that sellers would be charged up to 5 per cent more commission fees than before on certain categories of products (see Exhibit 4).[[56]](#endnote-56) To reduce the impact of these increased commissions on sellers, the company offered a 50 per cent discount on the commission fee for those sellers who used the company’s warehousing services, which could enable sellers to source cheaper products from China and within India. To retain existing sellers and attract new, desirable sellers, Flipkart also offered to give licence to its internal brands to select vendors.[[57]](#endnote-57) A Flipkart spokesperson described the revised policy: “The new structure [will] enable sellers to have predictability and better control over payments. Our return policy and process continue to be the best and the easiest in the industry.”[[58]](#endnote-58)

Moreover, a few of Flipkart’s changes to its return policy were intended to benefit sellers. For instance, in several product categories, the company reduced the window for returns from 30 days to 10 days, and only allowed the product to be replaced if a defect was identified. Notably, the larger return window of 30 days was still in place for clothing and accessories.[[59]](#endnote-59)

Regardless, these offerings did not pacify the agitated sellers, who already paid a high shipping fee, reverse logistics fee, and collection fee on return logistics. Sellers complained about having to pay the commission fee for all returns where the customer had opened the package; only when the package was returned without being opened could they avoid paying this fee.[[60]](#endnote-60) They were unhappy with this aspect of the policy, and viewed it as being charged “the marketplace commission” despite the cancellation of a sale.

A seller shared his concerns on the e-commerce sellers’ forum:

At present, [Flipkart is] not charging for colour/fit/size issue returns but after June 20, 2016, [it] will charge on that too, earning from those increased commissions [and from] useless returns too. More returns and more replacements equals more profits for [Flipkart]. [The company] is in a hurry to raise its valuation in one shot, which was recently devalued, by earning profit from this sale and return game.[[61]](#endnote-61)

Sellers were also unhappy because the platform did not seek their consent before approving a return. In a survey conducted by eSeller Suraksha, 57 per cent of sellers noted that they would reconsider selling on Flipkart, and 42 per cent reported they would increase the price of a commodity by 15–20 per cent.[[62]](#endnote-62) One seller commented on the impact of the newly revised return policy:

As per the calculations, we need to increase our selling prices on Flipkart by at least 20–25 per cent to make sure we’re not [operating at] a loss; this is in addition to the shipping charges from customers. The majority of [seller union] members will be quitting Flipkart since it will no longer be profitable to sell [there].[[63]](#endnote-63)

Because of the new policy, for the first time in India, a union of sellers revolted against an e-commerce platform in June 2016. Two of the online sellers’ unions, eSeller Suraksha (which had about 1,000 seller-members) and All India Online Vendors Association, declared a strike against Flipkart’s new policy. In protest against the return policy changes, these sellers made their products unavailable on Flipkart and showed an “out of stock” message to buyers on the product listing page. This message was shown for about 1 million stock-keeping units on the portal.[[64]](#endnote-64)

Competitors Respond

The changes regarding Flipkart’s return window for certain items occurred after Amazon India made similar policy changes, reducing the replacement period to 10 days for most electronic items.[[65]](#endnote-65) The reduction by both companies was an attempt to make online shopping more like brick-and-mortar shopping, where customers were responsible for returning products promptly and for good reason. At the same time, Flipkart’s return policy still allowed for refunds on most product categories, which made a dent in sellers’ profit margins.

Even in terms of platform usage commission, compared to its rivals, Flipkart had an overall higher marketplace commission on all categories (see Exhibit 5). Basic calculations showed that selling on Amazon was more profitable for sellers in the mobile phone and mobile phone accessories category, which was one of the largest e-commerce categories overall (see Exhibit 6).

Accordingly, when Flipkart changed its policy, Amazon India saw an opportunity and reduced its commission rates for various product categories by 2–7 per cent to attract disgruntled Flipkart sellers (see Exhibit 7).[[66]](#endnote-66) The company’s return policy limited the return window to 10 days for electronic items and 30 days for other product categories. Snapdeal also changed its policy to appear more seller friendly. The platform allowed returns within just seven days after delivery for most product categories, and each refund was processed only after a defect had been verified by the brand manufacturer of the product.[[67]](#endnote-67)

WHAT NEXT?

From June 2015 until March 2016, Flipkart saw a massive cut in its market valuation by Morgan Stanley,[[68]](#endnote-68) falling from $142.24 to $87.9 per share.[[69]](#endnote-69) The company accounted for 43 per cent of all e-commerce shipments in 2015, a figure that fell to 37 per cent in 2016. In contrast, its close competitor, Amazon, recorded a leap in market share, from 14 to 21 per cent between March 2015 and March 2016.[[70]](#endnote-70)

Flipkart was facing a persistent dilemma among online marketplaces: should it prioritize the needs of its customers or those of its sellers? Traditional wisdom suggested that the company side with customers, as it had done already with its deep discount model and “no questions asked” return policy. However, now that the company needed to reduce the losses it was incurring due to a high volume of returns, it feared that denying refunds or further reducing the window for returns could displease customers. Flipkart management needed to take immediate steps to pacify its sellers and recoup its losses without disappointing its 75 million registered customers.

Exhibit 1: Funding for ONLINE REtailers in India (US$ million)

|  |  |  |  |
| --- | --- | --- | --- |
| **Timeline** | **Flipkart** | **Amazon** | **Snapdeal** |
| 2007 | 0.006 | – | – |
| 2009 | 11 | – | – |
| 2011 | 20 | – | 52 |
| 2012 | 150 | – | – |
| 2013 | 360 | – | 125 |
| 2014 | 1,910 | 2,000 | 860 |
| 2015 | 700 | – | 500 |
| Until June 2016 | – | 3,000 | 200 |
| Total | 3,151.006 | 5,000 | 1,737 |

Source:Sumit Chakraborty, “The Flipkart Story: A Timeline of Funding from 2007 to 2017,” *Financial Express*, March 20, 2017, accessed November 1, 2017, www.financialexpress.com/industry/technology/the-flipkart-story-a-timeline-of-funding-from-2007-to-2017/595740/; Mihir Dalal, “Amazon Increases India Investments to $5 Billion to Take on Flipkart, Snapdeal,” Livemint, June 9, 2016, accessed October 25, 2017, www.livemint.com/Companies/InTrpA1lX6EFAfbAcLCIgM/Amazon-to-invest-3-billion-more-in-India-ops.html; “Snapdeal > Funding Rounds,” Crunchbase, accessed October 25, 2017, https://www.crunchbase.com/organization/snapdeal/funding\_rounds/funding\_rounds\_list.

Exhibit 2: Flipkart Fee Structure for Sellers

|  |  |  |  |
| --- | --- | --- | --- |
| **Flipkart Fee Structure for Sellers** | | | |
| **Fee Type** | **Forward Shipment without Return** | **Customer Return (Refund)** | **Customer Return (Replacement)** |
| Commission | Charged | Refunded | No Refund |
| Collection Fee | Charged | No Refund | No Refund |
| Fixed Fee | Charged | Refunded | No Refund |
| Shipping Fee | Charged | Charged | Charged |
| Pick and Pack Fee | Charged | No Refund | Charged |

Source: Shweta Singh, “Flipkart Changes Fee Structure & Policies; Sellers Consider Closing Account,” IndianOnlineSeller.com, June 6, 2016, accessed June 1, 2018, http://indianonlineseller.com/2016/06/flipkart-changes-fee-structure-sellers-consider-closing-account/.

Exhibit 3: Comparison of Shipping Charges on Different PlatformS

(Before June 20, 2016)

|  |  |  |  |
| --- | --- | --- | --- |
| **Shipping Sizes** | **Flipkart (in** ₹**)** | **Snapdeal (in** ₹**)** | **Amazon (in** ₹**)** |
| <250gm, 20cm x 22cm x 3cm | 55 | 50 | 40 |
| <500gm, 20cm x 22cm x 3cm | 55 | 50 | 40 |
| 500gm, 30cm x 14cm x 5cm | 55 | 50 | 40 |
| 1 kg, 10cm x 10cm x 9.5cm | 95 | 50 | 80 |
| 5 kg, 38.8cm x 34cm x 50.3cm | 415 | 1,050 | 400 |
| 8 kg, 41.8cm x 38.2cm x 65.2cm | 655 | 1,610 | 640 |
| 9 kg, 45.4cm x 31.43cm x 7.62cm | 735 | 170 | 720 |
| 10 kg, 40.16cm x 32.86cm x 25.88cm | 815 | 490 | 800 |
| 25 kg, 54.8cm x 42.1cm x 33.5cm | 2,015 | 1,210 | 2,000 |

Note: gm = grams; cm = centimetres; kg = kilograms; approximate commission calculated from Browntape for comparison; INR = Indian Rupees; ₹1 = US$0.02 on March 31, 2016.

Source: “ECommerce Seller Fees Calculator,” Browntape, March 26, 2016, accessed November 1, 2017, <https://web.archive.org/web/20160326033317/http://browntape.com/ecommerce-seller-fees-calculator/>.

Exhibit 4: Flipkart’s Old and New PolicIES: EFFECTS ON Buyers and Sellers

|  |  |  |
| --- | --- | --- |
| **Stakeholders** | **Old Policy (Before June 20, 2016)** | **New Policy (Effective**  **June 20, 2016 Onward)** |
| Buyers | * Returns were subject to the seller’s return policy. * Returns were covered by the 30-day replacement guarantee for sellers with Flipkart Advantage. * 30-day replacement guarantee for all other sellers for fashion and books categories. * 10-day replacement guarantee for all other sellers. | * Product-specific return policy. * 10-day return window for products like electronics, books, and mobile phones. * 30-day return window for clothing, footwear, watches, eyewear, jewellery, fashion accessories, and large appliances. |
| Sellers | * Marketplace commission fee charged was 11.26% on average. * Fixed fee for use of the platform was 5% on zero plus commission categories, ₹5 for selling prices under ₹500, and ₹10 for selling prices over ₹500.\* * Sellers had to pay return shipping fees only if they were at fault (wrong items sent, damaged items sent, etc.) | * Marketplace increased to 15% on average (considering an average increase of 5% on commission). * Fixed fee was ₹10 for selling prices under ₹250, ₹15 for prices between ₹251 and ₹500, and ₹30 for prices over ₹501. * Irrespective of the reason, sellers would be charged a two-way shipping fee and collection fee on each returned item. |

Note: ₹ = INR = Indian Rupees; ₹1 = US$0.02 on March 31, 2016.

Source: “Returns and Cancellations,” Flipkart, May 15, 2016, accessed November 5, 2017, https://web.archive.org/web/20160315072158/www.flipkart.com/s/help/cancellation-returns?otracker=hp\_footer\_navlinks#; "Return Policy,” Flipkart, June 14, 2016, accessed November 5, 2017, https://web.archive.org/web/20160614121024/www.flipkart.com/returnpolicy; Shweta Singh, “Flipkart Changes Fee Structure & Policies; Sellers Consider Closing Account,” IndianOnlineSeller.com, June 6, 2016, accessed June 1, 2018, http://indianonlineseller.com/2016/06/flipkart-changes-fee-structure-sellers-consider-closing-account/.

Exhibit 5: Marketplace Fees across Platforms (Before June 20, 2016)

|  |  |  |  |
| --- | --- | --- | --- |
| **Market Place Commission (% of Selling Price)** | | | |
| **Categories** | **Flipkart** | **Snapdeal** | **Amazon** |
| Mobile and Accessories | 15 | 20 | 5 |
| Apparel | 15 | 15 | 8 |
| Jewellery | 25 | 14 | 15 |
| Shoes | 13 | 10 | 11 |
| Deodorant and Cosmetics | 7 | 7 | 5 |
| Home Furnishing and Furniture | 15 | 13 | 5 |
| Health, Gourmet, and Beverages | 7 | 9 | 5 |
| Kitchen and Bar | 5 | 13 | 5 |
| Personal Care | 7 | 8 | 8 |
| Car and Bike Accessories | 15 | 20 | 5 |
| Home Appliances | 5 | 4 | 5 |
| Hand Towel and Power Tools | 7 | 16 | 5 |
| Stationery | 11 | 5 | 5 |
| Travel Gear and Luggage | 15 | 15 | 11 |
| Memory Card, Pen Drive, etc. | 7 | 7 | 5 |
| Average | 11.27 | 11.73 | 6.87 |

Note: Approximate commission calculated from Browntape for comparison.

Source: “ECommerce Seller Fees Calculator,” Browntape, March 26, 2016, accessed November 1, 2017, https://web.archive.org/web/20160326033317/http://browntape.com/ecommerce-seller-fees-calculator/.

Exhibit 6: Tentative Margin of Sellers on A SAMPLE Mobile PHONE/Mobile Accessories Product WORTH ₹1,000\* (Before June 20, 2016)

|  |  |  |  |
| --- | --- | --- | --- |
| **Tentative Net Margin on Mobile and Accessories Category** | | | |
| **Different Fees** | **Flipkart** | **Snapdeal** | **Amazon** |
| Selling Price (Mobile and Accessories) | 1,000 | 1,000 | 1,000 |
| Marketplace Commission | −150 | −200 | −50 |
| Seller Tax Commission | −21 | −28 | −7 |
| Marketplace Payment Fee | −10 | −32 | −10 |
| Service Tax on Payment Fee | −1 | −4 | −1 |
| Value-Added Tax | −48 | −48 | −48 |
| Shipping (Inclusive of Taxes) | −55 | −50 | −40 |
| Net in Hand | 715 | 638 | 845 |
| Deduction | 28 | 36 | 16 |
| Net in Hand % | 72 | 64 | 85 |

Note: \*Approximately US$16; ₹ = INR = Indian rupee; ₹1 = US$0.02 on June 15, 2016; approximate commission calculated from Browntape for comparison.

Source: “ECommerce Seller Fees Calculator,” Browntape, March 26, 2016, accessed November 1, 2017, https://web.archive.org/web/20160326033317/http://browntape.com/ecommerce-seller-fees-calculator/.

Exhibit 7: Comparison of Shipping and Return PolicIES for Buyers ACROSS PLATFORMS (Before June 9, 2016)

|  |  |  |
| --- | --- | --- |
| **Flipkart** | **Amazon** | **Snapdeal** |
| * Returns subject to the seller’s return policy. * Returns covered by the 30-day replacement guarantee for sellers with Flipkart Advantage. * 30-day replacement guarantee for all other sellers for fashion and books categories, and 10-day replacement guarantee for all other sellers. | * 10-day return policy for electronic items and large appliances. * 30-day return policy for other categories like books, movies,  fashion, and shoes. | * 7-day return policy for electronics items, with document required from the brand/original manufacturer’s service centre confirming that the delivered item was defective. * 7-day easy return policy in other categories. |

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