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Flipkart (A): Transitioning to a Marketplace Model

Dear Flipkart, Please don't lose your loyal customer base. Kindly invest more in your service and quality, Invest less in your advertisements. Be loyal to your customers. No marketing strategies work better than being "honest" to your customers.

— The Logical Indian's Facebook page, June 5, 2015[1]

Sachin Bansal and Binny Bansal, cofounders of India's largest e-commerce company, Flipkart, were reviewing the foregoing Facebook post, which had gone viral and received more than 20,000 likes. A third-party seller listed a pair of women's sandals on Flipkart's website at 799 Indian rupees (₹) and offered it on promotion at ₹399. However, upon close examination of the product's display photo, consumers noticed a ₹399 price tag printed on the strap. Consistent with their stated goals of transparency and building trusted relationships with customers, Sachin and Binny immediately drafted an apology and terminated the seller's agreement with Flipkart.

With the immediate fallout behind them, the two cofounders started reflecting on Flipkart's recent decision to migrate from a platform with only a few sellers offering a limited product selection to a marketplace with thousands of sellers offering an infinite product selection. Firms like Alibaba had demonstrated the efficacy of this asset-light, rapid-growth business model where platforms connected buyers and sellers rather than holding inventory and reselling products. Kunal Bahl, the CEO of Snapdeal, one of the major competitors of Flipkart, had even gone on to say that "the inventory model is dead."[2] However, Amazon started with an inventory model, and by 2014, third-party sellers accounted for only 40% of units sold by Amazon.[3] Zappos, the online shoe retailer known for its remarkable customer service, started as a marketplace in 1999, but by the mid-2000s, had turned into a pure reseller, stocking inventory and taking full control of transactions with end users.[4]

"With the hyper-competitiveness of the Indian e-commerce space, it is both a market growth and a market share game," noted Binny. "We have to make the marketplace model work without diluting our promise to our customers." "We are confident," Sachin insisted, "that we have taken the right steps to make this happen. We will not compromise on Flipkart's service experience and threaten the very foundation of the business."

But the sandal incident highlighted the challenges Flipkart faced with the marketplace transition.

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Digital India and Retail India

With 980 million mobile phone subscribers[5] and 354 million Internet users[6] in 2015, India was home to the world's second-largest digital population, and the growth showed no signs of abating. Recent trends also showed greater rural penetration of mobile and digital devices and increasing adoption of smartphones.

Although India was the world's fifth-largest retail market, with annual sales of $622 billion, more than 90% of that market was composed of unorganized businesses, such as traditional, family-run mom-and-pop stores[7] (see **Exhibit 1**). India's retail sector was extremely inefficient due to the lack of basic infrastructure, supply chain inefficiencies, and high real estate rental costs, especially in the larger cities. The retail industry was expected to grow to more than $1 trillion annually by 2020, with a 16% share for organized retail.[8]

India's unorganized and fragmented retail market and inefficient distribution channels had affected the presence and availability of branded products. Brands with national presence were concentrated in a few well-established consumer product and lifestyle categories. Global and national brands consequently dominated only a few product categories in the Flipkart portfolio, such as smartphones and consumer electronics. Most of the other product categories had regional and local brands, and several categories were dominated by unbranded offerings. As an example, fashion, one of the largest categories for Flipkart, had mostly unbranded products.

The combined effect of the digital and retail boom led to the e-commerce revolution that had begun in earnest only during the previous decade. Despite the late start in India compared to other parts of the world, this sector, propelled by increasing Internet penetration and venture capital investment, was projected to grow four-fold from FY2015 to FY2020. A major share of the nearly $6 billion invested in e-commerce companies in 2014 was captured by electronic retailing, or e-tailing.[9] An e-tailing boom spurred by the growth of online shoppers was expected to push gross merchandise value (GMV)[a] to $47 billion over the next five years.[10]

New customers from second- and third-tier cities were the expected catalyst for the industry's growth. "It's all about the customers' aspirations and access to products that they didn't have before," explained the head of a retail management consulting firm. "The same television shows and films used to advertise products reach the Indians in small and large cities alike. But earlier, people in the smaller cities didn't have access to these products, and that gap is being addressed by online retail."[11] By eliminating the friction in highly fragmented retail markets and inefficient supply chains, e-tailing had the potential to offer smaller local and regional players the opportunity to create national brands and serve the entire Indian market.

Despite this growth potential, the sector continued to be heavily regulated. Whereas 100% foreign direct investment (FDI) was allowed in cash-and-carry wholesale trading firms, including B2B e-commerce and single-brand retail, only 51% FDI was allowed in multi-brand retail; e-tailing was not permitted for companies funded through FDI and engaged in single- or multi-brand retail.

E-tailing in India

The Indian e-tailing market was highly competitive and consisted of both horizontal and vertical players. Horizontal players like Flipkart, Snapdeal, and Amazon India sold products across categories

[a] The total value of goods and services sold at the maximum retail price.

and accounted for about 80% of the market. Vertical players like Jabong, a fashion portal, and UrbanLadder, a furniture and home goods portal, focused on niche products and were growing rapidly. **Exhibit 2** shows the most popular categories sold online.

Founded in 2007 as an e-book retailer, Flipkart had rapidly become the leading Indian e-commerce player, commanding nearly 43% of market share. It sold 20 million products in more than 70 categories. The company boasted 2014 sales of $3 billion (see **Table 1**), which it publicly vowed to triple by the end of 2015.[12] Snapdeal, India's second-largest e-tailing firm, started as a daily deals platform similar to Groupon, but leveraged its vendor base and transitioned to a marketplace model. By 2015, roughly 150,000 sellers were offering 12 million products to 40 million customers via Snapdeal.[13] The company was also well funded, having raised over $1 billion from investors.[14] (**Exhibits 3A** and **3B** detail funding received by Flipkart and Snapdeal over time.) Within two years of its launch in June 2013, Amazon's India operations had 25,000 merchants offering 22 million products, which generated $1 billion in sales, making India the company's fastest-growing market. This initial success prompted a $5 billion investment by the parent company.[15]

Table 1 Three Largest Indian E-Tailers, June 2015

	Flipkart	Snapdeal	Amazon
Annual GMV for FY2015 ($ billions)	3	1.5	1
Registered Customers (millions)	45	40	N.A.
Monthly Unique Visitors, Oct 2014 (millions)	22.4	21.0	24.2
Sellers	30,000	150,000	25,000
Products (millions)	20	12	22
Losses for FY2014 ($ millions)	50	41	50

Source: Compiled by casewriters from various sources.

The land-grab mentality in a winner-take-all game had created a price war in the online world, with each player intent on wooing the Indian consumer by offering massive discounts across all product categories. At stake was the opportunity to serve the world's second-largest Internet market.

Flipkart's Early Days

Sachin and Binny, who were not related, met at the Indian Institute of Technology (IIT), a top-tier engineering college in India, and became friends. After graduation, they joined different companies, but a year later found themselves on the same team at Amazon Web Services. In October 2007, they both quit their jobs at Amazon India to start Flipkart, an online book seller. Sachin reflected on the idea behind Flipkart:

> The genesis of the thought to set up Flipkart came from the bad quality service provided by competitors. Our business opportunity was to do better than our competition. Hence, our main mission was to focus on customer service. As a startup company with ambitions in the e-commerce domain, we had to choose a category that could facilitate getting started quickly. The low transaction size helped induce customer trials. With our strong technology background, we could keep the initial costs low.[16]

Flipkart's beginnings were humble; its startup capital being the sum of the friends' equal contributions of $3,125[b] saved from allowances received from their parents over the course of 18 months. With two computers, they launched the website from their two-bedroom apartment in Bengaluru, India's IT capital.

The early days were challenging. It was difficult to get customer traction and forge tie-ups with the major book vendors. The site did not log a single sale in the first 10 days. The first book ordered was John Wood's *Leaving Microsoft to Change the World*. To attract new customers, the friends stood outside Gangaram bookstore, a shop renowned for its customer service, offering existing customers Flipkart bookmarks for their newly purchased books.[17] "When a customer placed an order," Binny explained, "one of us would visit several small distributors to locate the book, then drive over to the post office and mail the book to the customer."

Given the low Internet banking and credit card penetration in India, online payment also posed a challenge. Most Indians, even those with cards or access to Internet banking, preferred to pay with cash only after receiving the promised goods. Recognizing this behavior, in April 2010, Flipkart introduced cash on delivery (COD), which quickly became the predominant mode of payment, and the firm grew rapidly.

In June 2010, Sachin and Binny decided to diversify beyond books into music, movies, and games. Observed Sachin, "We were sure from the beginning that we would enter more categories. Initially, we thought we would launch the next category in a year. It took us three years to move beyond books. The amount of work and time required to build significant volume in a category was a lot more than our initial expectations." Flipkart subsequently began to offer mobile phones and accessories. Sachin recalled:

> As we entered each category, we realized that in each case we were impacting the entire ecosystem. This led us to craft a new mission for Flipkart: "To transform commerce in India through technology." India's commerce is broken. There is lack of transparency and trust. Consumers do not get good service. As a child, when I went shopping, my mother used to remind me to check the product before leaving the store. The prevailing belief was that, if possible, the retailer would cheat you. It was a consumer's job to check quality. Flipkart was changing this. In the online world, information travels fast. If a seller was not good, we could quickly get this feedback and act upon it.

Building a Logistics System

Flipkart began with a just-in-time delivery model, ordering from suppliers upon receiving customer orders. But owing to the poor infrastructure and limited capabilities of Indian shippers, delays were common. By 2010, frustrated by lack of interest and capability throughout the value chain, Flipkart invested in supply chain services. "We had been working with our courier partners for years, but they didn't have the organization, interest, drive, or capital to scale and meet our growing requirements," explained a senior Flipkart executive.

The decision to expand the scope of operations was fraught with issues. India's road and highway density was among the lowest in the world, and many roads were unpaved or poorly maintained. There being no standardized street address system, building and street names and landmarks were often needed to locate a house. Finally, customers needed to be at home to accept deliveries, as packages left at doorsteps would likely be stolen.

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[b] An exchange rate of 1USD = 64 Indian rupees was used for all conversions in the case.

Flipkart's distribution network was a hub-and-spoke model built around fulfillment centers (FC) in five cities strategically located in the North (Delhi), West (Mumbai), East (Kolkata), and South (Hyderabad and Bengaluru). FCs averaged 250,000 square feet and facilitated the initial sorting and packing; goods moved from FCs to mother hubs, or transport centers, for further sorting. Mother hubs were located at the center of a 200-kilometer-radius zone that generally consisted of three to five major cities that accounted for the majority of demand as well as numerous smaller cities. From the mother hubs, goods were transported to one of Flipkart's 450 hubs, which averaged 2,500 square feet, and from there carried by delivery boys on motorcycles to customers' homes.

Flipkart brought to bear on the logistics problem a mix of brains and technology. The Flipkart team employed homegrown algorithms to develop systems to determine the best warehouse locations, accurately track packages, and provide text alerts to customers several hours before a scheduled delivery. Creating its own logistics network saved Flipkart courier companies' commissions as well, which could run as high as 2% for COD.

Accelerating Growth

Having streamlined its processes, Flipkart focused on building volume. Its reputation for excellent service and word of mouth had helped it grow rapidly. In October 2011, in what was a first for an online company, Flipkart launched an advertising campaign that highlighted its three key propositions—COD, original products, and warranties—and a 30-day replacement guarantee. Flipkart's website traffic doubled. In March 2012, Flipkart reached out to the masses by advertising during the Indian Premier League, India's popular cricket tournament. Flipkart's user base jumped again, from 250,000 to 1.5 million. Customers flocked to the website not just for its prices, which were lower than off-line, but also for its service.

To attract new customers as well as address the needs of existing customers, Flipkart continued to expand its product offerings, adding, between March 2012 and March 2013, 20–30 new categories, including a foray into fashion. Its success in books and mobile devices did not, however, carry over into other categories. Ravi Vora, former head of Flipkart's strategic brand initiative, explained, "Each category needs some tweaking of the supply chain ranging from minor to major. In the rapid category expansion we undertook, we didn't plan for this properly and take the time required to build each category, end to end."

To accelerate its growth, Flipkart had acquired several companies in the last five years. Its most notable acquisition was a fashion site, Myntra, that now accounted for a large portion of its revenues (see **Exhibit 4** for Flipkart's acquisitions over time).

Rethinking Strategy

With the entry of Amazon India in June 2013, the competition intensified among the three largest players—Flipkart, Snapdeal, and Amazon India. "With our GMV increasing from $10 million to $500 million, and within touching distance of $1 billion by April 2013," Vora recalled, "the competition was afraid we would run away with the market." The competition countered with free shipping. Flipkart raised the minimum transaction value for free shipping and increased shipping charges for lower-value goods, which resulted in sales declining by about 15%. Its competitors also reduced prices, with eBay offering discounts of 5%–15% on Flipkart's prices. "This was the beginning of a price war," observed Vora. "We wanted to protect our market share and be seen as a price leader." Soon the market's focus shifted from service to price and category selection.

Flipkart responded to these developments in February 2015 with the announcement of two strategic changes. The first was its stated resolve to open up its platform to a large set of sellers by the end of the year by increasing its seller base from 30,000 to 100,000. The move to marketplace started in April 2013, but now this shift seemed inevitable. "The only way we could meet pent-up demand," Binny explained, "was by opening up the platform to multiple sellers. It is easier to scale using technology, and we were seeing evidence of this globally in the growth of pure platform companies like Airbnb and Uber. Like them, we would become a core platform data-driven company and adopt an ecosystems-based approach." Sachin agreed:

> We could not get enough long-tail selection through a handful of sellers because inventory risks were high. We also saw the expansion of marketplace as a great monetization, high-margin play, since we earned commission on every transaction done through our platform without incurring any of the related inventory holding cost. It was important for us to provide our customers with a one-stop solution for all their needs, even the infrequent and unusual ones.

Sachin believed that, for India, Alibaba's marketplace model was more appropriate than Amazon's mixed model of inventory and marketplace. "Back in 2008," he reflected, "Amazon was the dominant player in the world, and that was the role model. But we believe India is different, and we're going to play in a different way. Our role model now is the Alibaba Group more than Amazon. We believe that is the model for India and more suitable than anything else. The market is similar, the customers are similar, their thought processes are similar, their income levels are similar, and the whole supply and distribution are similar if you compare China of a few years back to the current conditions in India."[18]

In the marketplace model, sellers were responsible for the inventory and Flipkart handled customer billing and logistics, picking up from sellers the goods to be delivered to customers. Flipkart used competition between sellers to drive prices down, and the marketplace platform quickly scaled up.

Flipkart's second announcement was to run its logistics business, eKart, as a separate division. This would enable other online e-commerce companies to employ eKart as a logistics partner, and sellers on the Flipkart platform to choose between eKart and other third-party logistics providers.

The Marketplace Model

Product Strategy

The goal of the marketplace model was to provide an infinite product selection to customers. However, 50%–70% of Flipkart's revenue came from a fast-moving few of its 70-plus product categories, including mobile phones, cameras, electronics, lifestyle products, and books. Flipkart priced these products attractively—cheaper than off-line, though not necessarily the cheapest online—and regularly offered discounts and sales. Saikiran Krishnamurthy, head of operations for Flipkart's commerce division, noted, "We have observed that the 'big sale days' are baseline-shifting events; they help bring new customers in." Binny conceived Big Billion Day—a sale similar to the U.S. Black Friday event that featured huge discounts and exclusive products—which yielded sales 25 times the norm.

Mobile phones were the largest and fastest-moving category. Many new brands, such as Chinese mobile manufacturer Xiaomi, used Flipkart to reach a wide audience at low cost and build a brand in the Indian market. "Initially," Sachin recalled, "people didn't trust Xiaomi, as it was a Chinese brand. They came to Flipkart to build customer trust. We created the opportunity for them to establish themselves in a very competitive market." Flipkart management anticipated interest from other market share leaders like Samsung despite concern about potential conflict with existing retail channels, given the price differentials.

Heavy discounts and free shipping led to negative margins on these fast-moving products, though Flipkart expected to generate margins in the low single digits in the future. The company planned to offer manufacturers the opportunity to advertise, for a fee, on its platform to create awareness and generate demand.

On the other end of the product distribution were the niche categories, or the "long tail," like art material and fashion accessories, which contributed about 15%–25% of Flipkart's revenues. With limited demand, Flipkart offered these items via the pure marketplace model. Margins for these products could be as high as 20% in the near future. Sellers, usually small players, relied heavily on advertising on the Flipkart platform to attract customers. Flipkart also offered, for a fee, its entire suite of services, including cataloging, marketing, storage, packaging, delivery, payment, and financing. However, many small mom-and-pop operators used their own in-house labor to do storing, packing, and shipping until their volume grew significantly.

In between the two extremes of fast-moving items and niche products were a large set of categories with mostly unbranded products ranging from electronics to fashion to household items. These accounted for 15%–25% of Flipkart's revenues, with margins in the low double digits. Flipkart expected many sellers in this group to start as niche players and grow their business over time. With significant volume growth, the in-house capabilities of these sellers were stretched, and it was for these sellers that Flipkart designed its Flipkart Advantage (FA) program, where it stored inventory and packed and delivered goods for FA branded sellers for a fee. Delegating logistics to Flipkart enabled these sellers to focus on core trading, selling, and service activities. "A small seller," Krishnamurthy explained, "does the packing and shipping himself. As he scales up, he needs to invest in people and systems to manage this. At this stage, the FA proposition becomes relevant, since Flipkart can help manage inventory and fulfillment more efficiently." An FA tag (similar to "Fulfilled by Amazon") also helped small sellers win customer trust. Flipkart planned to offer fee-based marketing and sales support to a select subset of manufacturers in this category. Binny explained, "We have the ability to help some of our partners create brands by leveraging our reputation initially and then using our marketing support and our platform to connect with the consumers. We are going to democratize brand building in India. No longer will it be the purview of only a few."

Attracting Sellers

Many Flipkart sellers were first-generation entrepreneurs. Another large segment was made up of the next generation of original owners of successful off-line businesses or shops, who tended to be highly educated and ill-disposed to run their parents' distribution or retail businesses. To ensure quality, seller applications were carefully screened by a dedicated team. Only registered sellers that sold genuine products and had the capability to sell online were invited to join the Flipkart marketplace, and they were subsequently coached and trained on various aspects of the online selling process, including the importance of accepting returns. Listing on Flipkart's marketplace platform was free, but Flipkart took a commission for each sale.

Sellers were also assisted with data analytics. "Sellers get data on customers' needs, the time of the year they like to shop, and the prices at which their competitors sold the maximum quantity of a product," explained chief business officer Ankit Nagori. "This helps them decide on what to sell, how much to sell it for, and how to reach out to consumers. They also get insights on how to generate demand, the type of experience customers are looking for, and the type of sales and promotions required."

Flipkart closely monitored sellers' business practices. Sellers were terminated if they had high return rates or consistently poor scores on quality and performance metrics, including on-time delivery, escalations per order, and number of fake products.

Building a Customer Base

In 2012, Flipkart had 7 million customers out of 20 million online buyers and 120 million Internet users in India.[19,20] By 2015, Flipkart's customer base had grown to 45 million customers in 100+ cities, 30 of which accounted for 80% of demand. With more than 160 million Indians expected to shop online by 2020, the growth opportunities for Flipkart were tremendous.

Flipkart's objective was to garner more transactions from existing customers and acquire new customers in other cities, the latter representing a particularly sizeable opportunity as the country continued to urbanize. In 2012, India had 54 metropolitan cities, which accounted for 40% of GDP and 45% of consuming-class households. McKinsey & Co., a consulting firm, forecasted that by 2025 India would have 69 metropolitan cities, which would account for 54% of India's incremental GDP growth from 2012 to 2025 and more than half of its incremental consuming-class households.[21] Commenting on this opportunity, the founder of a fashion vertical noted, "The sheer ability to access such aspirational products irrespective of whether they are being sold at market price or at discounted rates is a bliss for people housed beyond these top metros. The demand from customers beyond the top 10 cities is on the rise, and we see these shoppers contributing significantly to the e-commerce growth story in the coming years."[22]

Organization Structure

Flipkart was organized as four business verticals—the commerce platform headed by Mukesh Bansal, the supply chain by Binny, new initiatives by Sachin, and a fashion vertical (Myntra) by Ananth Narayanan—that had their own customers and formulated their own strategy. Finance, HR, data center, and other corporate functions were centralized.

Commerce, being the transaction platform between customers and sellers, was responsible for off-line fulfillment and meeting the service and delivery promise to customers. The supply chain division was consequently a service provider to the commerce platform. Flipkart had separated its supply chain, eKart, into a separate, independent division that could potentially serve other companies. "Our belief," observed Binny, "is that eKart will become a material entity with its own value proposition and eventually could be a source of added value to Flipkart and to the other players as well."

The new initiatives' largest business was advertisements. Sellers could opt for two types of advertisement: discovery (like search ads) and branding (or display ads). Recognizing that Amazon generated about $1 billion of advertising revenue from its platform,[23] Flipkart wanted to leverage its large customer platform to build a revenue stream from ads, which was expected to contribute significantly to total revenues within 18 months.

Another focus of the new initiatives group was growing new brands. Digital marketing, which propelled a proliferation of brands to wider audiences at lower cost, was changing the rules of brand building. "Earlier, a campaign would run for two to four quarters and building brands was a linear process," explained Vora. "Now brands are built in real time across multiple audiences. Earlier, the key pillar for building a brand was creative; now it is data." Flipkart planned to leverage its own consumer data to offer sellers marketing and branding consulting. The company also had an investment arm that bought equity stakes in these companies.

Although Flipkart's strategy with regard to Myntra, a company focused on the fashion vertical market acquired in May 2014, was, according to Krishnamurthy, "to leave it alone to crack what fashion experience should be online," Flipkart had integrated some of Myntra's back-end operations to exploit synergies. Being focused on "discerning customers" at the slightly premium end, Myntra was different from Flipkart's homegrown fashion offering. The company had also recently abandoned its desktop channel and migrated to a mobile-only app. Sachin and Binny were looking to Myntra's experience with the migration to inform its own planned migration.

Path to Profitability

Fueled by $3 billion in investor funding, Flipkart had scaled rapidly to $4 billion GMV in FY2015.[24] Its financial gains were a result of many new, high-margin categories, including furniture, homes, and travel bookings, which Flipkart hoped would boost its GMV to $12 billion in a year. The company had, moreover, set targets of increasing shipping from 8 million to 1 billion units per month and serving 100 million customers by 2018.

In spite of Flipkart's phenomenal growth, profitability had remained elusive. An Indian e-tailer incurred, on average, expenses 1.35 times GMV, a consequence of the heavy discounting, marketing, free shipping, cash incentives, and other enticements used to attract consumers (see **Exhibit 5**).[25] Goldman Sachs estimated that the Indian e-tailing industry would need at least a $20 billion cash infusion over the next five years to deliver sustainable growth before it could turn profitable.[26] Kumar Mangalam Birla, chairman of Aditya Birla group, one of India's leading conglomerates, said, "I wonder how the [e-commerce] business can be sustainable. I understand the valuation play. At the end of the day, the financial investor will have to make returns. One thing I am sure of is that you can't have unlimited access to capital funding. Therefore, the question that comes to my mind is whether the deep discount model is sustainable."[27]

Flipkart was nevertheless convinced that it would "see a path to profitability" within the next 18 months. "Currently," observed CFO Sanjay Baweja, "there is an element of land grab. As customers get used to convenience and customers in smaller cities get access to what they don't have, price won't matter that much. People will choose Flipkart for the experience. Discounting will also ebb, driven by consolidation and diminishing money flow." Mukesh concurred: "Profitability is a big focus area for us. We want to achieve it through greater efficiency, lower wastage, reducing the cost of logistics, and better negotiations with our partners so that we maintain a good value proposition for the consumers."[28] Profitability of Indian e-tailers, however, remained a highly debated issue.

The Future

Sachin and Binny believed that scaling up its marketplace model would enable Flipkart to continue growing faster than other players in India's rapidly expanding and fiercely competitive e-commerce market. "The potential that the Indian e-commerce market has is immense," Sachin observed. "And the rapid scale of expansion and growth a marketplace can help us achieve, in terms of sellers, products, and markets, is unparalleled. Our focus at present is definitely on growing our business, and it is only natural that we follow a model that fits our goals and also serves up the best experience to our customers."[29]

But social media criticism about Flipkart's service and quality had highlighted some of the potential pitfalls of the marketplace model, and others in the industry had raised red flags as well. Among the skeptics that had voiced concerns was the founder of one of India's leading fashion verticals, who had observed that in the "marketplace model, processes and IT enablement of vendors and retailers are not fully geared up to handle the business efficiently. There could be issues with delivery and the customer experience."[30] A Google report found that 62% of people who had shopped online had been dissatisfied with the experience, most grievances emanating from smaller cities.[31] Even Flipkart's service levels fell in 2015 as it expanded operations to serve smaller metros.

As their meeting drew to a close, Sachin and Binny knew in their gut that the burning desire to build something transformational would keep Flipkart on track to becoming the premier online e-commerce player in India. As he switched off the lights in the conference room, Sachin looked at the buzz on the floor, with all the young members of the Flipkart team still working away at their desks, and reflected, "There is more to be done, and I think we have the right team in place to get it done right." Added Binny, "We have had a great ride over the last eight years. I am looking forward to the next eight. It sure is going to be a lot of fun shaping the future of e-tailing in India."

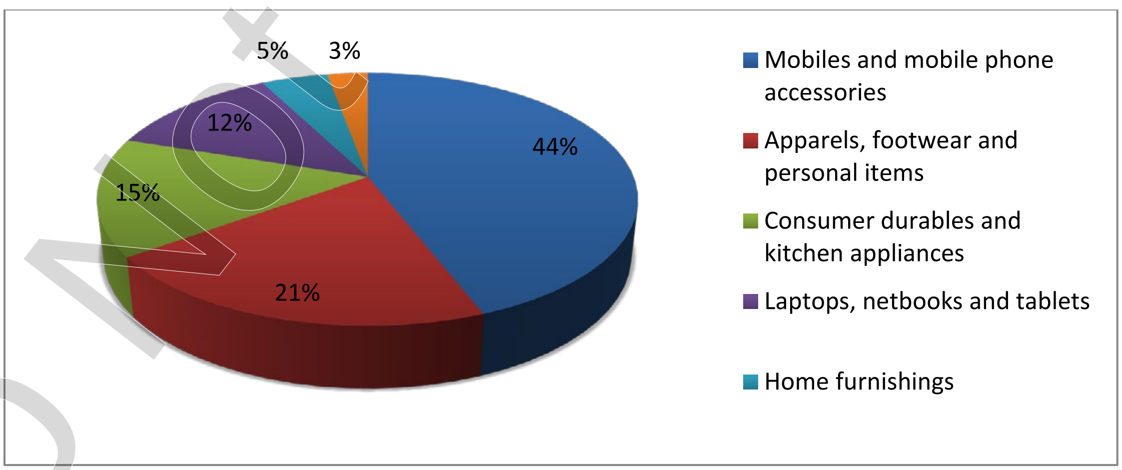
Exhibit 1 Comparative Statistics on India's Retail Market, 2015

	India*	India (FY2020)	India (FY2030)	China*	US*
Population (million)	1,311	1,353	1,527	1,376	321
Median age (years)	27	-	31	37	38
Per capita income (current $)	1,631	2,672	-	7,594	54,630
Internet users (million)	354	673	1,000	678	280
Wireless subscribers (million)	970	1,380	-	1,295	317
Smartphone penetration (%)	13	54	-	78	82
Online shoppers (million)	49	162	380	302	191
Retail market ($ billions)	622	1,077	-	4,280	4,632
Organized retail (%)	10	16	-	20	85
E-commerce market ($ billions)	21	81	300	200	675
E-tailing market ($ billions)	7	47	220	130	240

Source: Compiled from Rishi Jhunjhunwala, Piyush Mubayi, and Venkat Surapaneni, "India Internet," Goldman Sachs, May 4, 2015; Boston Consulting Group and Retailers Association of India, "Retail 2020: Retrospect, Reinvent, Rewrite," February 2015; United Nations, *World Population Prospects: The 2015 Revision, Key Findings and Advance Tables*, 2015; World DataBank, The World Bank Group, accessed August 2015; "China 2014 Retail Sales up 12 pct.," xinhuanet.com, January 20, 2015, http://news.xinhuanet.com/english/china/2015-01/20/c_133931955.htm, accessed August 2015; KPMG, "Indian Retail: The Next Growth Story," 2015; "Telecom Regulatory Authority of India, "The Indian Telecom Services Performance Indicators, October–December, 2014," May 8, 2015, http://www.trai.gov.in/WriteReadData/PIRReport/Documents/Indicator_Reports%20-%20Dec-14=08052015.pdf, accessed July 2015; Ericsson, India Ericsson Mobility Report Appendix, June 2015; World Economic Outlook Database April 2015, International Monetary Fund, accessed August 2015; and "Monthly Retail Trade Report," United States Census Bureau, accessed August 2015.

* This data was for 2015 or the latest available period.

Exhibit 2 E-tailing Sales in India by Category in FY 2014



Source: Casewriters, based on data from the Internet and Mobile Association of India, "Digital Commerce Market Reaches INR 81,525 Cr in 2014," press release, March 18, 2015, http://www.iamai.in/PRelease_detail.aspx?nid=3558&NMonth=3&NYear=2015, accessed August 2015.

Exhibit 3A Funding Received by Flipkart over Time

Time	Amount Received ($ millions)	Valuation ($ billions)	Investors
September 2009	0.02	NA	Ashish Gupta
September 2009	0.002	NA	Shekhar Kirani
October 2009	0.79	NA	Accel Partners
June 2010	10	NA	Tiger Global
June 2011	20	1.0	Tiger Global
August 2012	150	0.8	Tiger Global, Accel Partners, Naspers, Iconiq Capital
July 2013	200	1.5	Naspers, Tiger Global, Dragoneer Investment Group, Sofina, Vulcan Capital, and others
October 2013	160	1.6	Morgan Stanley, Tiger Global, Dragoneer Investment Group, Sofina, Vulcan Capital, and others
May 2014	210	3.0	Tiger Global, Iconiq Capital, DST Global, Naspers
July 2014	1,000	7.0	Tiger Global, DST Global, Accel Partners, Sofina, Morgan Stanley, GIC, Naspers, and others
December 2014	700	11.0	Tiger Global, Baillee Gifford, Greenoaks Capital, Steadview Capital, T. Rowe Price Associates, Qatar Investment Authority, DST Global, GIC, Iconiq Capital
July 2015	700	15.0	Tiger Global, Steadview Capital

Source: Casewriters.

Exhibit 3B Funding Received by Snapdeal over Time

Time	Amount Received ($ millions)	Valuation ($ billions)	Investors
January 2011	12	NA	Nexus Venture Partners, Kalaari Capital
July 2011	20	NA	Bessemer Venture Partners, Nexus Venture Partners, Kalaari Capital
April 2013	50	NA	eBay, Recruit Co.
February 2014	134	1.0	eBay, Kalaari Capital, Nexus Venture Partners, Bessemer Venture Partners, Intel Capital, and Saama Capital
May 2014	100	1.0	Premji Invest, Temasek, Blackrock, Myriad, Tybourne
October 2014	627	2.0	Softbank
August 2015	500	4.8	Alibaba, Foxconn

Source: Casewriters.

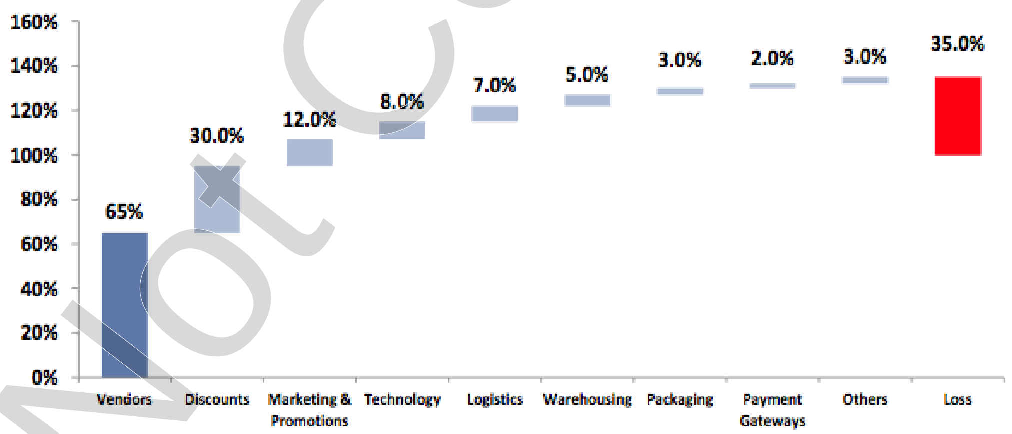
Exhibit 4 Flipkart's Acquisitions over Time

Time	Company Acquired	Company Focus
December 2010	weRead	Social book discovery tool
October 2011	Mallers	Digital media distribution firm
February 2012	Letsbuy.com	India's second-largest online electronics retailer
May 2014	Myntra	Fashion portal
November 2014	Jeeves Consumer Services	Provider of after-sales service for large home appliances and electronics
January 2015	WeHive Technologies	Marketplace and auctions startup
March 2015	Adlquity	Mobile ad network
April 2015	DSYN Technologies	Mobile marketing automation platform
May 2015	Native5	Mobile app development platform

Source: Casewriters.

Note: Flipkart bought a stake in Jeeves Consumer Services and WeHive. Myntra acquired Native5.

Exhibit 5 E-tailers Average Expenses in 2015



Source: Rishi Jhunjhunwala, Piyush Mubayi, and Venkat Surapaneni, "India Internet," Goldman Sachs, May 4, 2015, p. 50.

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