Flipkart Vs Amazon: The War of Dominance

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Abstract: The retail sector in India has seen an unrivalled growth in the past few years. There is a shift in the mindsets of the consumers continuously occurring which is resulting in the consumers moving from the conventional traditional stores to the new online stores for shopping. Reduction in the data tariff rates and the ever increasing usage of smartphones by the people is leading to a rise in e-retailing. The objective of this paper is to understand the current scenario of the e-tailing in India and compare the home based and foreign based retail giants i.e. Flipkart and Amazon respectively. The present study uses the secondary sources of data such as websites, newspaper articles and journal papers. The papers have been extracted from databases of extensive repute such as Emerald, Science Direct. The study revealed that in the gross merchandise value terms, Amazon is ahead of Flipkart and in revenue terms, Flipkart is winning the race. Both the companies have similarity in the promotion and affiliate programs being undertaken. And finally, in innovative service providings, Amazon is a clear cut leader in the market.

Keywords: E-retailing, Flipkart, Amazon, E-commerce, E-tailing

I. INTRODUCTION

Indian e-tailing industry is on the growth trajectory. Globally, in internet user terms, India occupied third rank (Kalai, 2016). The growing internet usage among the people at present makes it difficult for the businesses to continue without internet (Bhattacharya & Mishra, 2015). The inception of internet decades back resulted in a new trading method called as electronic-commerce (Bansal, 2013). E-commerce is “trading in goods and services through electronic medium” (Panigrahi et al., 2016, p.1). Business-to-business, business-to-consumer, consumer-to-business, consumer-to-consumer are the major forms of e-commerce (Singh, 2019). There has been a change even in the means of carrying out the e-commerce transactions. The transactions which were earlier accessed through desktop are now accessed through smartphones (Arora & Budree, 2016). The wide gap between the manufacturer and final consumer has reduced due to the presence of e-commerce (Sarode, 2015).

An unparalleled growth is occurring in the e-commerce sector owing to rising usage of tablets and smartphones, the better internet services provided through 4G and broadband. Along with this, the governments’ initiative in the form of India Posts’ modernization and Digital India project will provide the much needed boost to the e-commerce industry in India (Singh, 2019). The government has started many other programs such as Skill India, Start-up India, Innovation Fund and Make in India with main motive of growth of e-commerce in India (IBEF, 2018). In addition to all these, Sarode (2015) highlighted broad suppliers range, the rising use of online classified sites, availability of a large number of products at competitive prices and emergence of startups such as Flipkart, Snapdeal are the key reasons accounting for the growth of e-commerce. Dynamic lifestyle of the consumers, surging disposable income with the households and nuclear families all are paving the way for e-commerce in India (Pandey et al., 2014; Mukkelli, 2015; Kumar, 2016).

Indian e-commerce industry is still in the booming phase and is expected to proliferate in the coming times (Agarwal, 2019). The retail industry in India has emanated out as a continuously changing and fast growing industry contributing around 10 percent and 8 percent in terms of gross domestic product and employment in India. In terms of retailing at the global level, India ranked fifth whereas US occupied the top notch. It is forecasted that by 2020, e-commerce industry will reach US$ 200 billion (Raju & Singh, 2018).

Objective

• The main objective of this paper is to get insights about the present scenario of the e-tailing industry and to compare the two main E-retail platforms i.e. Flipkart and Amazon.

II. METHODOLOGY

The research methodology adopted is descriptive in nature. Secondary sources of data such as published articles, papers, newspapers, magazines, reports and websites have been used. The research and review paper have been obtained from databases of extensive repute such as Science Direct, Emerald. Relevant research papers were extracted using keywords such as E-Commerce, Amazon, Flipkart, E-Tailing.
Growth of E-Retailing in India

There has been a radical change in the Indian retail sector. Retailing is mainly classified into two major categories i.e. store retailing and non-store retailing. Retailing which is done through the medium of physical stores is termed as store retailing. Speciality stores, convenience store, self-serving store and department stores, all fall under the store retailing. Non store retailing, on the other hand, does not require the physical stores and includes direct selling, automatic vending and direct market. From the traditional Brick and Mortal stores, customers are going towards the e-retailing or e-tailing very fastly (Siddiqui & Khan, 2016). This kind of digitalization in the retail business opens door for the marketers for engaging and interacting with the prospective customers, building strong relations with the customers by offering the products above the expected and for earning more revenues (Dutta, 2012).

The Low Cost Carriers operating in the aviation industry paved the way for e-commerce in India (Kalia, 2016). E-travel industry holds a major chunk of share in the e-commerce market in India and thereafter came e-retailing or e-tailing (Das & Ara, 2015; Panigrahi et al., 2016). Online shopping assures time efficiency by allowing the customers to make the purchase anytime and anywhere thereby avoiding the traffics, long waiting queues in stores that the customer may experience through the traditional store purchases (Gupta et al., 2015; Chandra & Chen, 2019).

In comparison to the markets such as the United Kingdom and the United States, e-commerce penetration in Indian economy is low but is growing at quite a fast rate owing to coming of new entrants (Nigam et al., 2015). Sales based upon m-commerce were recorded highest in India with a share of 41 percent, followed by China (37%) and USA (15%) revealing the growing usage of smartphones among the consumers for transacting online (Kumar, 2016). Following China, India, with 460 million users of internet, emerged out as the second largest internet market (Statista, 2019).

E-retail is a term that “embraces all the ways of transacting (goods) via electronic medium. It comprises of two business models i.e. online retail and online marketplaces”(Niraj & Nageswara Rao, 2015, p.2). Banerjee (2019) pointed out that for other companies and retailers, for selling out goods, the websites of e-commerce players such as amazon, snapdeal and flipkart served as online marketplace.

E-Retailing Platforms: Flipkart and Amazon

Flipkart, headquartered in Bangluru, was founded way back, in 2007 by Binny Bansal and Sachin Bansal (Chauhan, 2015; Prasad & Rao, 2015).Though online shopping was present before also, the inception of Flipkart resulted in a major breakthrough in the Indian e-retail market (Mohanty et al., 2015). Flipkart provides around 80 million products in more than 80 categories, have 100 thousand sellers, 10 million visits on the page on daily basis and shipment worth 8 million in a month (Pandey & Parmar, 2019).

Amazon.com, initially called as Cadabara.com, is the discovery of Jeff Bezos The company headquartered in Seattle was founded in 1994 and the global leader marked its footprint in India in 2013, as Amazon.in through Jungle.com, a website meant for product comparisons by accumulating information from the various e-commerce sites (Padmanabh, 2013; Reddy & Divekar, 2014). Amazon also offers a variety of products to the customers.

Business Model

Flipkart followed an inventory led model in the initial years that requires enormous investments in logistics and warehouses. Until 2012, flipkart used to have the ownership of the goods it sold but later on it began to follow the marketplace model (Business Standard, 2013; Dutta & Bhat, 2014; Nigam et al., 2015). Amazon, from the very beginning, follows a marketplace model in India owing to foreign direct investment (FDI) restrictions imposed by the government in the retail. Under the marketplace model, there is no requirement of infrastructure be it operational or technical and even the inventory is not required. Starting with, in the marketplace model, the portal displays the list of sellers providing the products and then the customers have a look at those products. Attractive discounts are offered on various products in order to appeal to the customers. Thereafter, the customer purchase the product that provides the benefit sought and consequently the seller ships the customers’ product. After the product is accepted by the customer, seller offering the desired product gets the price agreed upon initially after deducting Amazon’s commission for doing everything (Wadhwa et al., 2017).

Services to Customers

Flipkart, the Indian e-commerce giant, in the initial years focused mainly on the books only (Jamnani, 2016). Flipkart, at present, provides a wide range of products ranging from books to electronics, gamings, apparels, furnitures, home furnishings to even groceries in some selected cities. The global leader, Amazon, also begin its journey as an e-bookstore and like flipkart, later on expanded to include softwares, clothing, electronic items, video games in its offerings. Amazon was ahead of Flipkart in providing within a day delivery service option to the customers in 2013 (Roy & Charaborti, 2017). Both the companies offer ample payment options to customers in the form of low cost EMI, debit cards, credit cards and cash on delivery. Amazon is leading Flipkart in terms of innovative services such as Amazons’ alexa, Amazon drones and Amazon Kindle, an online book reader; at comparatively lower rates than the books hard copies (Nigam et al., 2015). Amazon also has
amazon prime video in the basket of services it offers to the customers whereas Flipkart lags behind in providing such kind of services so far.

**Services to sellers**

Amazon recently introduced a delivery service, named as “easy ship” whereby amazon will pick up and ship the sellers’ product upon sellers’ request. The service will offer cash on delivery alternative to the sellers which was earlier given to only the sellers keeping the products with amazon. The service will be covering 30 cities initially (Roy & Charaborti, 2017). Flipkart, on the contrary, does not offer any such lucrative services to the sellers.

**Promotions**

The retail industry in India pays much more attention to the promotional mix than the other Ps of marketing i.e. product, price and place in order to induce the customers to transact online. For the promotions, both amazon and flipkart do a lot of efforts. Flipkart has Big Billion Day sales, amazing offers during the festive season like diwali, republic day and independence day sales. Likewise, Amazon offers Great Indian Festival and comes out with exclusive offerings in the festive period. Another important promotion undertaken by Flipkart as well as Amazon is flash sales. Under the flash sales, discounts are offered to the customers for a limited period for encouraging online purchases of goods at comparatively cheaper rates than the traditional offline stores. Flipkart was the first company to start this practice which was later followed by Amazon in India (Agrawal & Abhinav Sareen, 2016).

**Revenues**

In 2018, in revenue terms, Flipkart with a value of $3.8 billion was ahead of Amazon having a value of $3.2 billion (Inc42, 2018; QUARTZ INDIA, 2018). The revenue model followed by both the companies also differs. Flipkart makes use of transaction fee and sales revenue model whereas Amazon uses transaction fee model (Kalia, 2015).

**Major Acquisitions**

The Indian e-commerce giant, Flipkart, acquired a number of companies over a period of time. To begin with, in 2010, Flipkart acquired weRead.com; In 2011, Manoramic International Media Exchange 360 and Chakpak.com, in 2012, Letsbuy.com; in 2014, Mynta.com; in 2015, Adobe, Appiterate and FX Mart; in 2016, Jabong.com and PhonePe and in 2017, eBay.in. In 2018, Flipkart was acquired by Walmart, a retail store giant for $16 billion (Kalyani, 2018). Similarly, Amazon, the global leader also invested heavy amounts in various sectors such as Capital float, Tonetag, Bank Bazaar, Acko, Qwicsilver, and has taken over Tapzo in the recent past (The Economic Times, 2018).

**Affiliate programs**

Affiliate marketing is “an arrangement by which advertiser pays commission to affiliate for generating sales or traffic on its website”. In Flipkart, affiliates can earn as much as 15 percent just by the way of inserting links and banners of the product on their websites and redirecting the shopper to flipkart. On a similar note, Amazon began the affiliate programs with the main intent to elevate the sales. (Prabhu & Satpathy, 2015, p. 279).

**Search Interests**

Google trends depict that on the basis of search interests, Amazon excels the Indian giant, Flipkart from the last three years (Livemint, 2019).

**Gross Merchandise Value**

By march 2018, Amazon with a gross merchandise value of $7.5 billion surpassed the Indian e-commerce player, Flipkart, having $6.2 billion gross merchandise value (QUARTZ INDIA, 2018).

**Challenges Ahead**

The two leading e-commerce giants, Flipkart and Amazon, and along with them, numerous other e-commerce companies are going to face a lot of challenges in the times to come. One of the biggest challenges is going to be of logistics infrastructure as there would be surge in the e-commerce business resulting in more demands for the warehouses (Das & Ara, 2015). Moreover, the logistics demand for the safe and timely delivery of products to the buyers which is not possible with regular postal services and the courier services that are efficient are expensive and are not present everywhere (Chatterjee & Ghosal, 2014). The touch factor which happens to the base for offline retailing is missing in e-retailing. A customer, in case of online retailing, does not have the option of trying the products and therefore buy largely by relying on the specifications and reviews of the products (Bansal, 2013). Although the rapid innovations in technology have made it possible to make payments through plastic money such as credit and debit cards (Agarwal & Yadav, 2015) but still Cash on delivery is the most preferred mode of payment among the consumers. Cash on delivery is turning out as a big barrier for the e-commerce giants because of the fact that there happens to be a small margin on the sale of products and cash on delivery results in high courier charges varying from ₹ 50/- to 10 percent of Maximum Retail Price and ultimately the companies are leftover with comparatively lower revenues (Reddy & Divekar, 2014). Cash on delivery results in considerable financial costs for the e-commerce players in terms of cash handling and labour (Gupta & Bijlani, 2012). Fatima (2014) pointed out poorly managed distribution channel as...
a significant barrier in the growth of e-commerce players as urban customers are given the choice of cash on delivery whereas the rural customers who actually need cash on delivery as a mode of payment are asked for making payment through the advance modes. Along with this, the dearth of digital awareness among the people and high access and usage costs of the internet also act as a challenge for the e-commerce companies. Language also acts as a hindrance in the e-commerce business specifically in rural and semi urban areas as prospective buyers here are not able to interpret the information given on the websites (Kumar, 2016). While shopping on platforms such as Flipkart and Amazon, customers will be biased and will have more inclination towards the known branded products than the other ones. Also, breach and fraud are going to be a great barrier in e-retailing (Goswami & Mathur, 2011).

III. CONCLUSION

Indian retail industry is progressing and within the retail industry, the online retail sectors’ growth is accelerating at a very fast pace. Owing to the 24/7 services, convenience, growing internet infrastructure and time crunch for visiting the physical stores, e-retailing is getting a lot of attraction from the consumers’ side. Currently, there are two significant players in the online retail industry in India i.e. Flipkart and Amazon. Both the companies are compared on various parameters. A comparison of the domestic and foreign based company depicted that the domestic company, Flipkart is over and above the foreign company, Amazon, in revenue terms whereas in gross merchandise values, Amazon is ahead of Flipkart. Amazon is comparatively more innovative than Flipkart in providing services such as Amazon alexa, Amazon drones and Amazon kindle to the customers and services like ‘easy ship’ options to the sellers as well. In terms of affiliate programs, acquisitions and promotions both the companies are more or less on the same platform. There is a cut throat competition between Flipkart and Amazon which requires both the companies to constantly evolve new methods and strategies for attracting the customers. The company that will lag behind in developing the marketing strategies would not be able to give a stiff competition to the other and eventually over a period of time would suffer a setback.

IV. REFERENCES


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