TOPIC OF THE WEEK

MAY'18 (16 to 22)

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Week: 16th to 22nd May 2018

Topic: Walmart & Flipkart

Walmart Inc. buys a controlling stake in India's biggest online retailer Flipkart

Walmart Inc. buys a controlling stake in India's biggest online retailer, striking a blow against rival Amazon.com Inc. as the battle for e-commerce supremacy goes global.

The world's largest retailer will acquire a 77 percent holding in Flipkart Group for $16 billion, the companies. Flipkart co-founder Binny Bansal and other shareholders will hold the remainder.

The deal - Walmart's biggest ever - gives it greater access to India's e-commerce market, which Morgan Stanley has estimated will grow to $200 billion in about a decade. Flipkart, meanwhile, gets additional capital and expertise to battle Amazon, which has spent billions of dollars to gain customers in India. Online sales in the world's second most-populous nation are growing about 35 percent a year, according to data tracker Euromonitor, fuelled by a rising middle class and urbanisation that present an attractive environment for e-commerce.

For the US retailer, acquiring a stake in Flipkart enables it to tap into India's retail market without building stores. Walmart once envisioned operating hundreds of locations across India but it has been unable to open traditional units because of long-standing governmental rules for so-called multibrand international retailers. Walmart entered India in 2009 through a joint venture with Bharti Enterprises, and took full control of that business in 2013. It currently operates 20 wholesale clubs in India that serve small businesses.

Why Fipkart is selling:

Flipkart registered in the Singapore as a public ltd. and has over 145 total investors. They wants to be operated as private ltd company because pvt. ltd company has less documentations as compared to public and to do that they need to reduce it from 145 to 50 therefore flipkart set aside $400 million to buy back shares from small investors. Walmart deal will pump in huge capital into the Indian E-commerce giant which will help them to operate in efficiently. This buy back helps company to regain its private ltd. label ahead of walmart deal, which is of utmost important for Flipkart right now. Walmart's investment includes $2 billion in new equity funding, which the companies say will be used to spur Flipkart's growth. Flipkart will maintain a separate brand and operating structure, the companies said.

Chief Executive's Plans:

Flipkart competes with Amazon across a range of product categories. Besides its own site, it owns fashion portals Myntra and Jabong and controls 34 percent of India's online sales, based on Euromonitor data, followed by Amazon, with 27 percent.

The Indian company has attracted investment from a range of companies that also includes Microsoft Corp., Tencent Holdings Ltd. and Tiger Global Management, which will retain stakes.

The Lukewarm Response from The US Market And Indian Government:

As the deal unfolds, it's becoming clear that things haven't entirely gone the Walmart way, as it was initially speculated they would. Despite NITI Aayog extending its support to the deal, Prime Minister Narendra Modi and commerce minister Suresh Prabhu cancelled their appointment with Doug McMillon, CEO of Walmart Group at the last minute, reportedly because of an ongoing bribery probe against the company in the US.

Flipkart: A Strategy Well Pulled Off?

Walmart has been trying to enter the Indian market for many years. Acquiring Flipkart wasn't an isolated plan, but a decision in line with Walmart's acquisitions in China, Japan, and other countries. Many of them haven't really worked well, but there is a definitive strategic initiative from Walmart to get into the South Asian region. Part of this plan is to acquire certain startups that could help support its global denomination plan.

Conclusion:

Amazon's market cap at $776 Bn is about three times that of Walmart's. Although the two US rivals operate in a similar space, their design thinking is poles apart. This, and the huge potential of the Indian market is why experts believe both Amazon and Flipkart are going to stay in India, despite thin operating margins.

Unlike Walmart, which is the largest retail player in the world, Amazon has remained a startup in its design thinking, ready to operate with long-term, short-term, and alternate strategies. Amazon is a technology provider at its core. Hence, the company has developed not just an e-retail ecosystem, but a number of other ecosystems as well.

Unlike Walmart, which is price aggressive in its approach, Amazon has differentiated its solutions. With Amazon Prime, it aims to cater to relatively niche markets, guaranteeing quick deliveries besides offering music, videos, and more — an offering that overlaps with Netflix's and Hotstar's space. Similarly, Amazon with its cloud solutions on AWS and AI-enabled solutions Alexa has sparked the tech startup ecosystem in the country.

Winning in India is about tapping more and more customers, something both the companies realise as they sharpen their respective arsenals to come out tops in the long-drawn battle that is the Indian market.

But the question still remains why is it so difficult for a Indian company to survive in a era where India is one of the biggest market. Though the global competition is tough but such companies need to stand out. But still some experts explain that it is not selling and is a good business movement to achieve global success

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